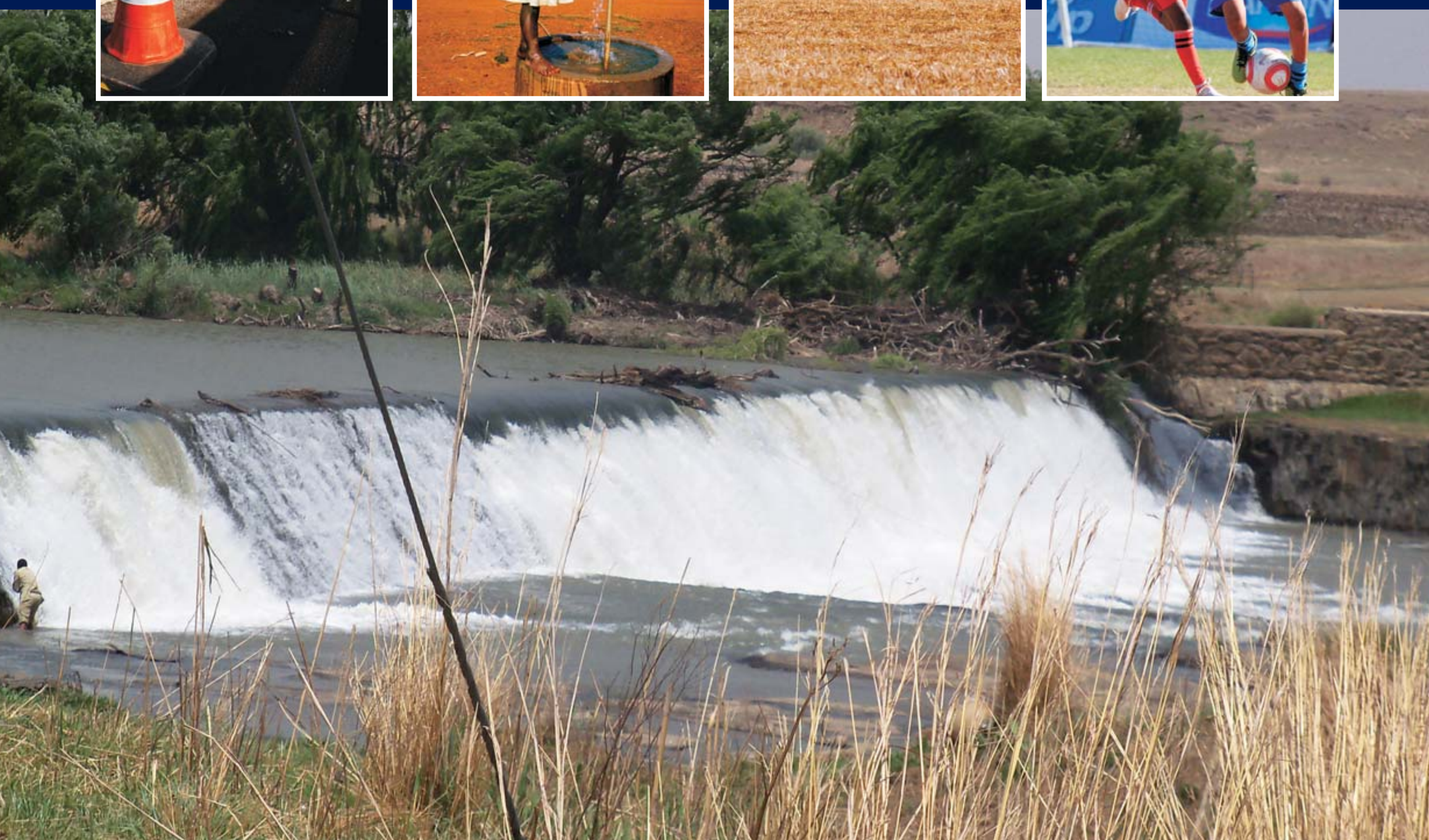
MAFUBE LOCAL MUNICIPALITY

ANNUAL REPORT 2011 /2012



ACKNOWLEDGEMENTS

This annual report is published by the Mafube Local Municipality. It reviews all activities of the municipality for the period July 2011 to June 2012. Every effort has been made to ensure that the facts are correct.

- **The Editorial Team**
  Managing Editor
  Mr PI Radebe
- **Editorial Co-ordination & Copywriting**
  Ms N Radebe
  Mr NN Molefe
- **Assistant Copywriting & Editing**
  Ms Z Mofokeng
- **Compilation**
  Tharollo Governance and Development Services
- **Design & Layout**
  RDP Designs

CONTENTS

FOREWORD BY THE MAYOR

Madala Ntombela

We hereby submit our Annual Report for the period July 2011 to June 2012. The Report represents an account of the work done by the Council in its first year of office since the 2011 local government elections where the ANC recorded a resounding victories in Mafube and many other municipalities in the province and nationally. The Report provides a full account on the successes and challenges the Council encountered as it implements the priorities identified in the ANC Manifesto, the IDP and the SDBIP for the 2011-2012 financial year.

Upon assuming office, the new Council was faced with a number of challenges. These included the need to establish governance and institutional frameworks for effective functioning of Council and its structures, translate the priorities in the Manifesto into concrete plans and programmes of the municipality, develop long term IDP, reprioritize the budget, improve organizational and administrative capacity of the municipality to deliver on the mandate and ensure accelerated development and service delivery to our communities.

We are satisfied that significant strides were made in many of the areas referred to above. Soon after elections, the Council ensured that all Council committees were established and the Standing Rules were adopted for efficient functioning of Council. Deliberate measures were also take to induct Ward Committees that were established in the whole area of Mafube following elections. The Ward Committees are a critical component of governance system to give voice to our communities at most rudimentary level.

To translate the Manifesto into plans and programmes of the municipality, we ensured that a long term IDP was developed and adopted. The new IDP which followed extensive consultations with communities, gives the Council a strategic framework that would guide its programmes over the next five years. The Council also developed and adopted a new budget for 2011/1212 to further give effect to the priorities in the Manifesto and the IDP. These priorities were subsequently crystalized into the SDBIP.

FOREWORD BY THE MAYOR

We have also taken measures to ensure that the necessary institutional capacity is built to deliver on our plans. In this regard we have ensured that priority areas requiring capacity were identified and that critical positions were filled following the revision of the organizational structure. We also continue to closely monitor the effectiveness of capacity building and training of staff in critical areas to ensure overall improvement of performance of the municipality.

In the midst of all these, we ensured that the municipality continues to deliver services to our people. We ensured that services continued to be delivered using our infrastructure budget to accelerate infrastructure development. Like the past few years, we ensured that 100% of the capital and MIG budget was spent on infrastructure projects including, Water Reticulation Network in Namahadi, New Water Purification Plant in Qalabotjha, Roads and Storm Water Channels Upgrading in Namahadi and Roads and Stormwater Channels Upgrading in Mafahlaneng. These investments are critical for sustainable provision of services to our people in the long term.

Various measures continue to be taken to stimulate economic development and thereby create jobs that are necessary to enable our people pay for services rendered by the municipality. Revenue collection remains a challenge and threatens the long term viability and sustainability of the municipality. In this regard I would like to thank households and businesses that continue to honour their civil duty and pay their rates, taxes and services in spite of the harsh economic realities we are all faced with. Only if we pull together, can we make Mafube a great place to live in for us and future generations.

In conclusion, I would like to thank Council, senior management, staff and partners and again, the Fezile Dabi District Municipality for continuing to play their part in the drive to create a better life for the people of Mafube.

Together we can do more.

Cllr Madala Ntombela
Mayor

FOREWORD BY THE MUNICIPAL MANAGER

Puseletso I Radebe

It is again with great sense of pride that we present our 2011-2012 Annual Report. The Report is presented as part of the broader requirement for municipalities to account to communities on how they have performed on the commitments made in the IDP. The Report represents an honest reflection on the work done, challenges and achievements during the period under review.

The Report covers all the areas of focus including Municipal Transformation Organisational Management, Basic Service Delivery and Infrastructure Development, Local Economic Development, Financial Viability and Management, and Good Governance and Public Participation.

The Report details objectives set under each of the areas above for the financial year in question, the key performance indicators against each, and finally the performance highlights under each of the areas. The performance highlights in the Report would show that despite the many challenges, the municipality continued to do its best to deliver on the priorities in the IDP.

The Report will show that under Municipal Transformation Organisational Management, the municipality continued to develop and implement policies, frameworks, systems and structures for optimal administrative functioning of the organisations. It will also show that under Basic Service Delivery and Infrastructure Development, the municipality continued to expand its infrastructure base while accelerating delivery of basic services. Under Local Economic Development, it will show that working together with the District Municipality and the province, a number initiatives have been undertaken stimulate economic development. Further, under Financial Viability and Management, the Report will show that various policies, systems and structures were developed and implemented for overall improvement in financial management. It will further be shown under Good Governance and Public Participation that various measures were taken strengthen good governance while deepening local democracy in the municipality.

OVERVIEW BY THE MUNICIPAL MANAGER

The Report will however reveal that while much was achieved, there are still many areas where the municipality still falls short. The reasons for this are many but centre more on lack of requisite financial resources, lack of skilled personnel in critical areas as well as failure to appoint senior managers in time in critical posts. The municipality ran for long periods of time without senior managers in areas like Technical Services and with acting managers in others. Measures are however being put in place to correct the situation and trust that things will improve for the better.

While more still needs to be done, overall I am satisfied with the performance of the municipality. In this regard I would like to thank the Mayor, Council, fellow colleagues, staff and other partners for leadership, guidance and support as we serve the people of Mafube.

Puseletso I Radebe
Municipal Manager

CHAPTER 1 Introduction and Overview of the Municipality

Introduction

The Mafube Local Municipality is one of the local municipalities found within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort, serves as a home for the headquarters of the municipality.

Loosely defined, Mafube is a South Sotho word for 'a place of dawn'.

1.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list.

Below is a list of Councillors making up the Council of Mafube Local Municipality:

The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings:

Name	Designation
LMD Ntombela	Mayor
JE Sigasa	Member, Cornelia
JJ Pretorius	Member, Frankfort

The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other fora to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

Party Name	Seat Type	Councillor's Name
ANC	PR	Madala Louis David Ntombela
ANC	PR	Mildred Moloi
ANC	PR	Maleseli Maria Sekhoto
ANC	PR	Ntsoaki Emmeldah Xaba
ANC	Ward 1	Jabulani Eliot Sigasa
ANC	Ward 2	Jabulane Jan Hlongwane
ANC	Ward 3	Fusi Petrus Motloung
ANC	Ward 4	Madise Andries Mosia
DA	Ward 5	Johannes Jacobus Pretorius
ANC	Ward 6	Matsatsi Mofokeng
ANC	Ward 7	Undikho Christopher Jafta
ANC	Ward 8	Willem Caravan Motloung
ANC	Ward 9	Lucky Simon Kubeka
COPE	PR	Peter Motloung
COPE	PR	Miriam Hadebe
DA	PR	Marchand Casper Du Plessis
DA	PR	Shoeshoe Adel Mosia

1.2 Geographic Profile

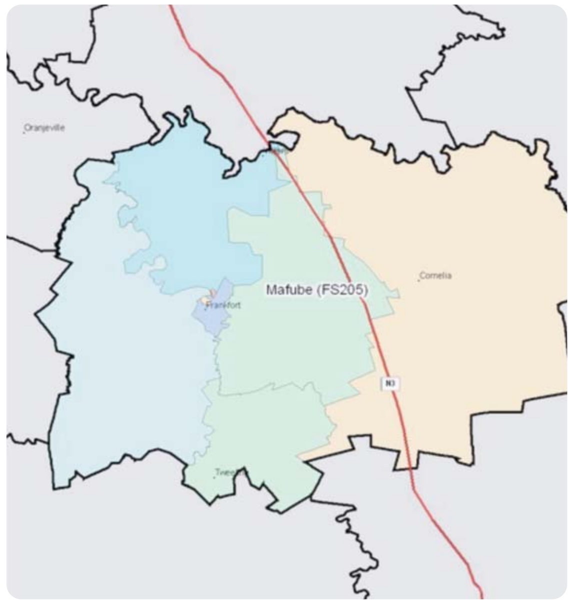
The Mafube Local Municipality is situated in the far eastern end of the Fezile Dabi region. The municipality covers a total of 21,5% of the total area of Fezile Dabi region. The municipality is made up of four main towns, namely; Frankfort, Villiers, Cornelia and Tweeling.

Frankfort, which serves as headquarters for the municipality, is situated 55 kilometres east of Heilbron and approximately 120 kilometres south east of Sasolburg.

Villiers is situated at the banks of the Vaal River, adjacent to the N3 National Road linking Gauteng to KZN. The town is located about 120 kilometres from Johannesburg, 80 kilometres from Vereeniging and 117 from Sasolburg.

Cornelia is situated about 157 kilometres east of Sasolburg and 36 kilometres south east of Villiers. The town is also adjacent to the R103 road between Warden and Villiers.

Finally, Tweeling is situated about 150 kilometres east of Sasolburg and is within 160 kilometres of major urban centres like Vereeniging and Vanderbijlpark.



Map of Mafube

2.3 Demographic profile

Mafube has a population size estimated at 57650. Frankfort makes the largest part of the total population in the area.

Below is a breakdown of the population by area.

Area	Numbers	%
Franfort / Namahadi	21 316	37.0
Villliers / Qalabotjha	18 229	31.6
Tweeling / Mafahlaneng	5 362	9.3
Cornelia / Ntswanatsatsi	3 378	5.9
Mafube rural	9 365	16.2
TOTAL	**57 650**	**100.0**

Table 2.3.1 (b): Estimated population and economic contributions of sub-area in Mafube Sources: Statistics South Africa, 1996 and 2001; Free State Growth and Development Strategy, 2006

The following comments should be made in respect of the figures above.

- Between 1996 and 2001, population growth in Mafube (1.6% per annum) was higher than that of the Free State (0.6% per annum).
- All urban areas grew at considerable rates for the period under consideration. Yet, there was a considerable decline in the rural population of 10.3% per annum over the past 5- year period. This can, amongst others, be attributed to the liberalisation of agriculture in South Africa. It should also be seen in association with the decline of agriculture in Mafube (to be discussed later).
- The highest annual population growth rate was in Villiers with an annual growth rate of 11%. Tweeling and Cornelia also experienced relatively high levels of population growth

1.3 Economic profile

This section provides an overview of the economic profile of Mafube. The analysis starts off with a broad comparison of economic change in the Free State and Fezile Dabi while at the same time emphasising the situation in Mafube (see table below).

Area	Annual Growth Rate (1996 – 2004)
Mafube	0.5%
Fezile Dabi	2.1%
Free State	0.7%
South Africa	2.8%

Table 2.5: Annual economic growth rate in Mafube, Fezile Dabi and the Free State, 1996 – 2008 Source: Free State Growth and Development Strategy, 2006; Quantec Database, 2007

The economy of Mafube grew by 0.5% per annum between 1996 and 2004. This was significantly less than the annual economic growth rate of 2.1% per annum for the district, 0.7% per annum for the Free State and 2.8% per annum in South Africa for the same period.

1.4 Total economy as share of the district economy

This low growth relative to that of the district has resulted in a decreased share, for Mafube of the district economy (see Figure 1.4.1).

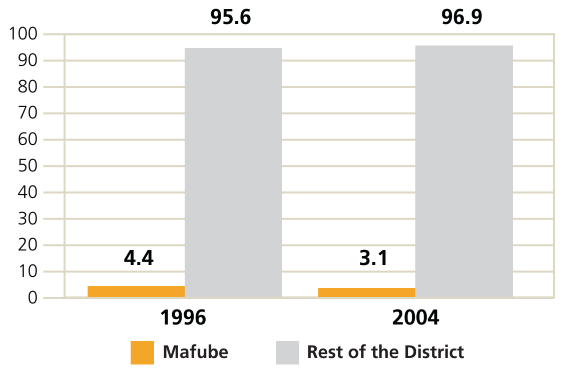


Figure 1.4.1: Percentage share of Mafube of the district economy (GDP), 1996 and 2004 (Source: Quantec Database, 2007)

It is evident from Figure 2.5.1 that the proportional contribution of Mafube decreased between 1996 and 2004. In 1996, Mafube contributed to 4.4% of the Free State economy. This decreased to 3.1% in 2004.

1.5 Percentage of economic contributions

Having considered the relative contribution of Mafube to the district economy, the focus is redirected in this section to the relative contributions made to the economy by the respective municipal areas in Fezile Dabi (see Figure 1.4.2) and the relative sectoral contributions in Mafube, Fezile Dabi and the Free State (Table 1.4.3).

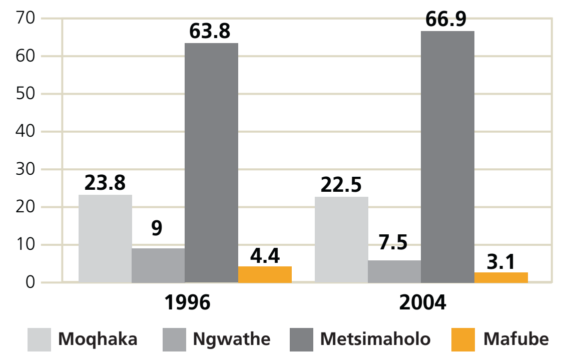


Figure 1.4.2: The relative economic contribution for the four municipalities in Fezile Dabi, 1996 and 2004 (Source: Quantec Database, 2004)

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	22.2	13.9	6.2	3.5	6.5	4.3
Mining	0.5	0.7	5.4	4.4	13.5	8.0
Manufacturing	24.5	24.0	45.8	51.7	21.0	25.0
Construction	4.3	4.5	4.3	2.5	4.0	3.0
Water	1.0	0.7	4.5	3.7	3.4	2.8
Transport	3.3	7.0	5.2	6.6	7.7	10.9
Trade	7.7	9.0	7.6	7.5	12.2	13.7
Finance	12.1	12.1	7.0	6.8	11.3	11.2
Community Services	24.4	28.1	13.9	13.5	20.5	20.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.4.3: Proportional contribution of the economic sectors in Mafube, Fezile Dabi and the Free State Source: Quantec database

The following should be noted in respect of the sectoral contributions:

- The relative contribution of agriculture has decreased rapidly, and then more significantly in Mafube than in the district or the Free State. While one should caution against assessing this sector on the information on yearly basis, the declining importance of agriculture in the economies should nevertheless be acknowledged.
- A second important comparison in the above data is the relative importance of manufacturing in Mafube. Nearly one quarter of the economy in Mafube is dependent on manufacturing – mainly linked to the agricultural economy in and around Frankfort. Yet, the share of the manufacturing economy in Mafube is still significantly smaller than the share in the district – where the petro-chemical industry dominates in Metsimaholo.
- Sectors in which remarkable proportional gains are reported are trade, transport and community vices.

1.6 Employment per sector

Table 1.4.4 provide an overview of employment per economic sector and for each of the four local municipalities in the Fezile Dabi District.

1.7 Poverty levels and HDI

The Free State growth and development strategy recorded the percentage of people living in poverty in Mafube at 77%, with unemployment lying at 33.8% in 2004. The HDI was estimated at 0.54 in 2004.

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	3908	2132	23924	17402	109366	89406
Mining	87	74	5651	3252	91364	17402
Manufacturing	693	534	14981	14019	53174	50679
Construction	382	255	4600	3024	23153	15168
Water	33	20	831	626	3008	2443
Transport	147	78	2365	1470	14317	8598
Wholesale	821	1074	8981	11057	56284	64532
Finance	345	711	4672	6949	32270	45275
Community services	3026	2716	30124	28863	181961	176573
Total	**9441**	**7595**	**96129**	**86661**	**564897**	**470073**

Table 1.4.4: Employment profile per economic sector in Mafube, Fezile Dabi and the Free State, 2004. Source: Quantec Database, 2007

CHAPTER 2 Leadership and Management

Council Leadership

Cllr. LMD Ntombela
Mayor

Cllr. TM Moloi
Speaker

Cllr. JE Sigasa

Cllr. JJ Hlogwane

Cllr. WC Motloung

Cllr. S Mosia

Cllr. FP Motloung

Cllr. LS Kubeka

Cllr. MM Sekhoto

Cllr. M Mofokeng

Cllr. JJ Pretorius

Cllr. MA Mosia

Cllr. P Motloung

Cllr. MC Du Plessis

Cllr. UC Jafta

Cllr. MM Hadebe

Cllr. NE Xaba

Executive Management

Mr PI Radebe
Municipal Manager

Ms ZE Mofokeng
Director: Community Services

Vacant
Director: Technical Services

Mr NN Molefe
Acting CFO

Ms NE Radebe
Director: Town Planning & Economic Development

Mr MS Malindi
Acting Director: Corporate Services

CHAPTER 3

VISION

A viable, developed and sustainable municipality.

MISSION

To provide effective, transparent government and ensure efficient, affordable and sustainable service delivery, promote integrated development and economic growth.

MANDATE

As provided for in section 152 of the Constitution:

- To provide democratic and accountable governance for local communities;
- To ensure provision of services to the communities in a sustainable manner;
- To promote social and economic development
- To promote safe and healthy environment; and
- Encourage the involvement of communities and community organizations in the matters of local government.

Powers and Functions

Category B Functions	Category C Functions	Provincial and National
Local Municipality	**District Municipality**	**District Municipality**
Air pollution	Refuse removal and solid waste	Libraries
Building regulations	Municipal roads	Housing
Bill boards and display of advertisements	Municipal airports	
Storm water	Fire fighting	
Trading regulations	Markets	
Cleansing	Cemeteries	
Facilities, accommodation and burial of animals	Municipal public works	
Fencing and fences	Electricity regulation	
Local sport facilities	Municipal health	
Municipal parks and recreation	Storm water	
Municipal planning	Potable water	
Municipal public transport	Sanitation	
Municipal roads	Licensing	
Public places and local amenities		
Street lighting		
Traffic and parking		
Licensing of dogs		

CHAPTER 4 Human Resources and Organisational Management

4.1 Organisational Structure

The top structure of the municipality for the period under review was as follows:

4.2 Functions and Responsibilities

The municipality is administratively organised into 5 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Budget and Treasury Office
- Technical Services and Infrastructure
- Community Services
- Corporate Services
- Town Planning and Economic Development

4.2.1 Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	• Integrated Development Planning (IDP) • Local Economic Development • Implementation Support

4.2.2 Financial Services

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	• Budgeting • Credit Control, Billing and Collections • Financial Accounting • Budgeting and Financing • Assets management • Insurance and public management • Banking and Investments • Management Accounting • Supply Chain Management • Meter reading

4.2.3 Technical Services and Infrastructure

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	• Water • Sanitation • Electricity • Road and Storm Water • Mechanical services

4.2.4 Community Services

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	• Municipal health – and primary Health Care services • Library Services • Social Development • Environmental Management • Waste Management • Traffic • Public Safety • Sport and Recreation • Emergency Services • Arts and Culture • Cemeteries • Refuse Removal

4.2.5 Town Planning and Economic Development

This programme is meant to deal with issues relating land use and management as well as housing development.

Objective	Key Focus Areas
To ensure that land is properly managed and that housing is provided sustainably for the poor.	• Town Planning and Economic Development • Town Planning • Housing • Property Management

4.2.6 Corporate Services

This programme is meant to provide organisational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	• Human resource management/development • Corporate Management Support • Information Management and Technology • Legal Services • Corporate branding • Committee Secretariat

4.3 Staff Compliment

The municipality has the staff establishement of 353. Below is a breakdown of the staff compliment:

Department	Filled positions	Vacant positions	Total position
Political office	4	5	9
Mm's office	3	7	10
Corporate services	19	13	32
Financial services	26	10	36
Infrastructure services	75	34	109
Community services	68	60	128
Town Planning and Economic Development	7	1	8
Villiers service delivery unit	96	49	145
Cornelia service delivery unit	39	31	70
Tweeling service delivery unit	47	29	76
Total	**384**	**240**	**624**

4.4 Remuneration Packages

4.4.1

Remuneration Packages of Councillors	June 2012
Executive Major	697 492
Speaker	578 949
Executive Committee Members X 2	571 928
Councillors X 12	2 624 394
TOTAL	**4 472 764**

4.4.2

Remuneration of the Municipal Manager	June 2012
Annual Remuneration	296 236
Performance bonus	–
Travel, motor car, accomodation, subsistence and other allowances	213 978
Contributions to UIF, medical and pension funds allowance	213 978
Other	59 059
TOTAL	**783 251**

4.4.3

Remuneration of Chief Financial Officer	June 2012
Annual remuneration	234 383
Performance bonus	–
Travel, motor car, accomodation, subsistence and other allowances	113 410
Contributions to UIF, medical and pension funds allowance	47 512
Other	265 279
TOTAL	**660 584**

4.4.4

Remuneration of Director: Technical Services	June 2012
Annual remuneration	–
Travel, motor car, accommodation, subsistence and other allowances	–
Contributions to UIF, medical and pension funds allowances	–
Other	–
TOTAL	**–**

4.4.5

Remuneration of Director: Corporate Services	June 2012
Annual Remuneration	267 400
Performance bonus	–
Travel, motor car, accomodation, subsistence and other allowances	97 476
Contributions to UIF, medical and pension funds allowance	35 683
Other	260 025
TOTAL	**660 584**

4.4.6

Remuneration of Director: Land Use and Human Settlement	June 2012
Annual Remuneration	514 685
Performance bonus	–
Travel, motor car, accomodation, subsistence and other allowances	96 000
Contributions to UIF, medical and pension funds allowance	–
Other	50 034
TOTAL	**660 719**

4.5 Departmental Operating Budget

4.5.1 EXCO AND COUNCIL

Description	June 2011
Councillor Allowances	4 677 582
Conferences and Workshop	20 000
Entertainment General	5 000
Travel and Subsistence	245 000
Sub-Total	**4 947 582**

4.5.2 OFFICE OF THE MAYOR

Description	June 2011
Bursaries	250 000
Youth Contribution	50 000
Donations	5 000
Entertainment	5 000
HIV / AIDS	20 000
Mayoral Projects	200 000
Publication	33 000
Refreshments	2 000
Travel and Subsistence	70 000
Sub Total	**635 000**

4.5.3 OFFICE OF THE SPEAKER

Description	June 2011
August Month Celebration	-
Conferences and Workshop	12 890
Entertainment	5 000
Public Participation	81 780
Refreshments	3 000
Travel and Subsistence	60 000
Wards Committee Awards	20 000
Sub Total	**182 670**

4.5.4 OFFICE OF THE MUNICIPAL MANAGER

Description	June 2011
Advertisement	50 000
Affiliation	50 000
Agricultural Development	30 000
Audit Unit	500 000
Bursaries - Internal	45 000
Conferences and workshop	60 000
Entertainment	5 000
IDP	150 000
IT Expenses	350 000
LED	58 250
Marketing and Promotion	34 400
PMS	110 000
Policy and By-laws	350 000
Refreshments	5 000
SALGA	200 980
Security	530 000
Section 57 Salaries	3 375 757
Skills Development	400 000
SMME Development	50 000
Travel and Subsistence	159 165
Sub Total	**6 513 552**

4.5.5 COMMUNITY SERVICES

Description	June 2011
Awareness Programme	15 000
Cleaning Material	85 465
Contribution Aged	20 000
Disaster Assistance	80 000
Entertainment	5 000
Gender: Special Programmes	12 133
Pauper Burials	22 000
Special Programme: Children	15 000
Sports: Special Programmes	266 750
Travel and Subsistence	84 400
Cleaning Campaign	15 550
Waste Management Plan	200 000
Sub Total	**821 298**

4.5.6

CORPORATE SERVICES	
Description	**June 2011**
Advertisement	158 250
Employee Related Costs	#REF!
Books and Magazines	80 000
Entertainment	40 000
Insurance - General	633 000
Legal Costs	850 000
HR Policies and By-laws	250 000
Postage	450 000
Protective Clothing	220 000
Repairs and Maintenance - Buildings	250 000
Telephone Expenses	1 500 000
Travel and subsistence	120 000
Traffic Fines	80 000
Vehicle License	175 000
Sub Total	**#REF!**

4.5.7

TOWN PLANNING AND ECONOMIC DEVELOPMENT	
Description	**June 2011**
Entertainment	5 000
Housing Sector Plans	20 000
Housing Policy	-
Land Audit	50 000
LUMS	65 000
Spatial Development	-
Town Planning Scheme	50 000
Planning and Surveying of Ervens	250 000
Travel and Subsistence	32 000
Computer Equipment	50 000
Office Furniture	50 000
Sub Total	**572 000**

4.5.8

INFRASTRUCTURE SERVICES: Roads and Transport	
Description	**June 2011**
Consumable Stores	111 000
Repairs and Maintenance	900 000
Sub Total	**1 011 000**

4.5.9

INFRASTRUCTURE SERVICES: Electricity	
Description	**June 2011**
Consumables (Stores)	311 000
New Connections	50 000
Electricity Purchase	48 600 000
Repairs & Maintenance - Maintenance	1 000 000
Repairs & Maintenance - Tools & Equipment	700 000
Sub Total	**50 661 000**

4.5.10

INFRASTRUCTURE SERVICES: Water	
Description	**June 2011**
Consumables (Stores)	211 000
Entertainment	5 000
Travel & Subsistence	100 000
Water Chemicals	2 000 000
Water Purchase	468 104
Repairs & Maintenance - Maintenance	1 848 000
Repairs & Maintenance - Tools & Equipment	1 000 000
Sub Total	**5 632 104**

4.5.11

INFRASTRUCTURE SERVICES: Sewerage	
Description	**June 2011**
Consumables (Stores)	161 000
Waste Water Management Plan	100 000
Repairs & Maintenance - Maintenance	800 000
Repairs & Maintenance - Tools & Equipment	500 000
Sub Total	**1 561 000**

4.5.12

INFRASTRUCTURE SERVICES: Mechanical	
Description	**June 2011**
Fuel / Lubrication	1 600 000
Repairs & Maintenance - Maintenance	700 000
Repairs & Maintenance - Tools & Equipment	650 000
Sub Total	**2 950 000**

4.5.13

FINANCIAL SERVICES	
Description	**June 2011**
Audit and Accounting Fees	4 563 129
Bank Charges	380 000
Entertainment	5 000
Financial Management Grant	1 000 000
Fixed Assets Register	100 000
Interest Paid	350 000
Loan Repayment	500 000
Consultancy Fees	800 000
Provision for Bad Dets	25 000 000
System Support	720 000
Printing and Stationery	600 000
Preparation of Financial Statements	800 000
Machine Rental	1 200 000
Travel and Subsistence	180 000
Sub Total	**36 198 129**

CHAPTER 5 Performance Highlights

The performance review of the municipality will be undertaken in relation to the five areas of Local Government Strategic Agenda agreed to nationally. These are Municipal Transformation and Organisational Development, Infrastructure Development and Service Delivery, Local Economic Development, Municipal Financial Viability and Management, and Good Governance and Public Participation.

5.1 Municipal Transformation and Organisation Development

Challenges

- Ensuring that the organizational structure is aligned to the IDP and responsive to the organizational needs;
- Ensuring that the organizational functions at optimal capacity;
- Making sure that organizational policies are in place and are effectively implemented;
- Ensuring that performance of staff is effectively monitored and improved; and
- Ascertaining that organizational and HR systems are in place and effectively implemented.

Key Strategies

- Revise organizational structure and align to needs in the IDP;
- Fill all critical posts identified;
- Revise and implement the Workplace Skills Plan;
- Develop and implement outstanding HR policies;
- Develop and implement Performance Management System;
- Develop and implement organizational and HR systems;
- Develop outstanding bylaws;
- Develop and implement Employee Assistance Programme;
- Maintain a vibrant and healthy labour relations environment in the municipality;
- Ensure efficient running of the municipal administration.

Key Performance Indicators

- Organizational structure revised and aligned to the needs in the IDP;
- All critical posts identified and filled;
- Workplace Skills Plan revised and implemented;
- Outstanding HR policies developed and implemented;
- Performance Management System developed and implemented;
- Organizational and HR systems developed and implemented;
- Outstanding by-laws developed and implemented;
- Employee Assistance Programme developed and implemented;
- A vibrant and healthy labour relations environment maintained in the municipality;
- Efficient running of the municipal administration ensured.

Key Performance Highlights

- This year the municipality revised the organizational structure with some significant changes to respond to the changing needs of the municipality. The new organizational structure was adopted by Council on 8 September 2011.Some of the changes to the structure included the following:

  – Change of name of the Directorate, Land Use and Housing Settlements to Town Planning and Economic Development following inclusion of IDP and LED into the Directorate's portfolio.
  – The creation of two Administrative Officers in the Office of the Speaker..
  – Creation of Youth Advisory Centers posts on a permanent basis
  – Creation of GIS Officer post
  – Provision for the incorporation of the tele-centers
  – Minor changes in name of positions like PA in the office of the Mayor to be Manager, Special Programmes Officer in the Office of the Mayor to be Women, Children and Disability Officer, PA in the Office of the Municipal Manager to be Secretary and Tourism and Agriculture Clerks be made one post.

- The municipality identified a number of critical posts that needed to be filled. Consequently the following posts were identified and filled during the period under review:

Section	Post Filled	Total No.
Office of the Municipal Manager	Municipal Manager	1
Town Planning and Economic Development	Town Planner	1
Infrastructure Services	Pump Station Attendant TLB/Grader/Excavator operator Six General Workers	9
Financial Services	Credit Control Officer Billing Officer Financial Accountant	3
Corporate Services	Handyman Records Officer Personnel Officer	3
Cornelia Unit	Supervisor for Environmental Services Sewer Plant Operator Assistant Electrician	3
Tweeling Unit	Two supervisors for environmental services and water & sanitation services Tipper Driver TLB/Grader Operator	4
Grand Total		**24**

- In view of the newly amended Municipal Systems Act 2011 and the uncertainties relating to employment terms of previously called section 57 managers, the municipality decided to appoint all the newly appointed managers on a 1 year contract pending the final promulgation of regulations in this regard.

- The municipality also ensured that the Workplace Skills Plan was revised and implemented. In particular the municipality managed to implement training in the priority categories 7-16. Further the Annual Training report was compiled and submitted to the Department of Labour. Special training programmes were also implemented for secretaries in four departments.

- The Employment Equity Plan has also been reviewed, and report submitted.

- As far as Human Resources policies are concerned, the municipality has ensured that 90% of the policies were developed and implemented.

- The municipality has also developed and adopted revised Delegation of Powers and Functions. The Delegation was adopted by Council on 27 July 2011. In addition, the Council also adopted revised Council Standing Orders and Rules.

- Following the appointment of a service provider to prepare the draft by-laws, a number of standard by-laws were submitted for consideration by Council. About 4 by-laws were considered by Council but were subsequently referred for public participation.

- With regard to performance management, the municipality has ensured that work continues. The previous year, it was reported that the new Performance Management Framework and Policy were developed and adopted by Council and that Performance Agreements for all section 57 managers including the Municipal Manager were developed and signed by all etc. Finally that the review, monitoring and quarterly reporting and assessment templates were developed. This financial year, the municipality continued to build on that work. One of the significant work done was the introduction of quarterly reporting system. This has not been very successful but an important start has been made.

- The municipality has also ensured that the Annual Report (2010/11), required in terms of section 46 of the Municipal Systems Act, 2000, was developed and approved by Council. The Annual Report was accordingly reviewed by the Oversight Committee, which has now been re-constituted as Municipal Public Accounts Committee (MPAC).

- On the labour relations front, the municipality continued to make efforts to improve the overall functionality of the Local Labour Forum. The Forum has met a few times and an agreement has been reached that it should meet at least once a month moving forward.

- The municipality also faced a number of labour relations cases this financial year. In total, the municipality dealt with 6 cases ranging from misconduct by employees, grievances of various kinds against the municipality, disputes relating to various matters including unfair labour practice and so forth. The municipality managed to effect disciplinary measures in some of the cases while agreed on settlements on others. There are a number of other cases that remain outstanding especially those handled through external labour dispute mechanisms. See chapter 3 for more details.

- The municipality continued to implement its Employee Assistance Programme. Given its limited resources, the municipality has encountered various challenges in implementing some critical aspects of the Programme. The municipality appointed Dr. Motau to do medical surveillance to our employees from the 1st April 2012 for a period of 3 years. The municipality has also appointed a motivational speaker from Butrin Training and Development to motivate and attend to employee's personal/ psychological problems.

- The municipality continued to implement its Communication Strategy with some relative success and challenges. Measures are going to be introduced to ensure effective implementation of the Strategy in the new financial year.

- The municipality also continues to take active interest in the various pension schemes it is participating in. Councillor Mosia and later, Councillor du Plessis were nominated to represent the municipality in the Free State Municipal Pension Fund and SALA.

5.2 Infrastructure Development and Service Delivery

Challenges

- Appropriate prioritization and planning for community needs;
- Provision of basic services within limited infrastructure capacity;
- Provision of shelter to the poor; and
- Provision of basic social services
- Ensure availability and sustainable use of land for development.

Key Strategic Priorities

- Review the IDP in a manner that prioritizes community needs;
- Provide and extend basic services including water, sanitation, electricity, roads and storm water and waste removal;
- Upgrade and maintain infrastructure for provision of services;
- Facilitate the provision of housing to the community; and
- Provide social and community services to the community
- Undertake land audit, develop SDF/LUMS and upgrade informal settlements.

Key Performance Indicators

- IDP revised and adopted in accordance with legislation;
- Communities provided with access to basic services;
- Infrastructure projects implemented and completed;
- Number of houses built and related town planning services provided; and
- Social and community services provided to the community.
- Land audit completed, SDF/LUMS developed and informal settlements upgraded

Key Performance Highlights

Integrated Development Plan

As required by the Municipal Systems Act, 2000 and related Regulations, the municipality had to develop a long term integrated development plan (IDP).Accordingly, the municipality developed a 2011/2017 IDP to align with the term of the new Council. The IDP was developed following extensive consultations with communities and other stakeholders in accordance with the applicable legislation and the IDP Process Plan adopted by Council. The IDP process was driven by an IDP and Budget Steering Committee comprising the Mayor, 6 Councillors, Heads of Directorates, Units and other relevant managers. The municipality also ensured that the IDP was aligned to other plans as required including the Provincial Growth and Development Strategy. The IDP was also with other related sector plans like Housing Sector Plan.

Basic Services

- The municipality continued to improve infrastructure development and service delivery with limited resources. It continued to implement the multi-year infrastructure projects that started in 2009. Below is a list of the multi-year projects supported by MIG:

Project Name	Area	Financial Year	Allocated Amount	Implementation Status
Water Reticulation Network and Installation of 1714 Erf Connections	Namahadi (Frankfort)	(2009/10/11/12/13)	R 18 706 793.48	Completed
New Water Purification Plant	Qalabotjha/Villiers	(2008/09/10/11/12)	R 17 187 700.00	Completed
Roads and Storm Water Channels Upgrading	Namahadi/Phahameng (Frankfort)	(2008/09/10/11/12)	R16 430 000.00	Completed
Roads and Stormwater Channels Upgrading	Mafahlaneng (Tweeling)	(2009/10/11/12/13)	R 7 315 849.69 *R 1 665 201.58)	Completed

* *Fezile Dabi District Municipality assisted in funding the EPWP section of this project (reinforced concrete storm water drains at a value indicated above.*

- For the year 2011-2012 the municipality was allocated a total of R21 303 000. Like in the previous years, the municipality was able to spend all its capital budget on identified projects. Below is table showing how the municipality has been able to spend its annual MIG budget allocations.

	2009/10	2010/11	2011/12
Budget amount	R 15 901 000[a] + R 3 200 000[b]	R 17 712 000	R21 303 000
Expenditure	R 19 101 000	R 17 712 000	R21 303 000
% Expenditure	100%	100%	100%

- In the course of implementing these projects, the municipality has ensured that skills development, business and job opportunities were created for local companies and the unemployed, A total of 10 emerging contractors were appointed and 383 people were provided with temporary jobs. Below is a table summarising the number of people employed by category:

Adult Men	Adult Women	Youth Male	Youth Female	Disabled Male	Disabled Women
66	14	193	110	0	0

Electricity Provision

- The municipality continued to do work towards the sustainable provision of electricity to the communities. First the municipality developed and adopted the Electricity Supply By-Law. The by-law provides for the orderly and safe provision or reticulation of electricity to the community. It provides for among the prohibition of illegal connections which has proven dangerous to the communities but detrimental to the income generation capacity of the municipality.

- More significantly, the municipality entered into an agreement with Rural Maintenance (Pty) Ltd for the management, operation, administration, maintenance and expansion of electricity network and revenue management services for a period of 25 years. The municipality stands to benefit greatly from this agreement and the following are few of the benefits to be derived:

  – Investment of R71m in electricity infrastructure
  – Total maintenance of electricity infrastructure
  – Transfer of R2.1 salary bill to the company as they take over electricity staff
  – Recovery of R16m shortfall and settlement of Eskom bill

- Also following extensive negotiations, the DBSA has approved a loan amount of R 30 805 000 towards infrastructure development. The loan amount will be offset against the MIG due to the municipality over the MTREF period.This will enable the municipality to speedily respond to immediate infrastructure needs and pay later.

Roads and Stormwater

- More work continued in the area of roads and stormwater. In this regard, the municipality received assistance or an offer from WBHO Construction JV to reconstruct about 600m of the JJ Hadebe (ie from the entrance to Safari restaurant). WBHO is a construction company appointed by the Free State government rehabilitate and upgrade provincial roads in and around Frankfort and Heilbron.

- The municipality also worked with the Department of Public Works for the launch of the EPWP at Cornelia and Ntswanatsatsi. The MEC for Provincial Department of Extended Public Works Programme (EPWP) Me. S Mabe and officials from the concerned department came to Cornelia and Ntswanatsatsi on 12 July 2012 to launch several projects by the department i.e.

  – Ntswanatsatsi Community Hall
  – Municipal Dwelling 1
  – Municipal Dwelling 2
  – Township Revitalization Project (Issuing out of training certificates to the beneficiaries)

- The municipality also coordinated an unannounced visit by the Fezile Dabi District Municipality local agencies of state in Mafube to assess service delivery by these agencies. The agencies visited included SASSA, Social Development, SAPS, Department of Health especially Namahadi, Philani Community Clinic etc.

Human Settlements

- The municipality continued to facilitate the provision of low cost housing to the poor. This financial year, the municipality applied for housing subsidies from the province. A total of 3500 subsidies were applied for and granted for Namahadi, Qalabotjha and Ntswanatsatsi.

- The municipality has also developed a criterion for the allocation of houses. Further a housing register or waiting list for housing beneficiaries has been developed and keep being updated for Namahadi, Qalabotjha and Ntswanatsatsi.

- In addition, the municipality launched a campaign to create awareness about the waiting list and how it works. The campaign involved door to door visits and ward meetings. This was critical to forge common understanding among prospective and thereby remove misperceptions in the community and create stability in the allocation of houses.

- Measures have been taken to ensure that sites earmarked for housing development were allocated and reallocated to identified beneficiaries. A total of 89 of 242 sites that were allocated but remained unoccupied since 2008, were reallocated to beneficiaries in need.

- The municipality also continued to monitor the construction of houses and compiled reports for Department of Human Settlements.

- Given the challenge of houses, buildings and housing improvements done without plans being approved by the municipality, the municipality conducted an audit of such practices in the municipality. Measures are being taken to ensure that building and homeowners comply with the applicable building laws and regulations.

- As part of the Operation Hlasela, a provincial programme meant to do things differently to accelerate service delivery, a number of housing interventions were made in Mafube. First, the Township houses project was initiated to build 100 affordable houses for the poor. A total of 26 houses have been completed while 20 are at foundation stage. Second, House Massification project was started in Tweeling to build 50 houses to the value of R2 750 000.00. The project was successfully completed.

Land

- Following the land audit conducted, a report was finalized and approved by Council. The application for the purchase of the land adjacent to Frankfort and Cornelia has been lodged with the Department of Human Settlement for approval.

- The municipality has also ensured that the draft Spatial Development Plan and Land Use Management System were developed. A Service Provider has however been appointed to finalise these.

Waste Management

- Draft Waste Management Policy and Plan were developed following processes of consultations.

- The municipality has also ensured that dumping and illegal dumping sites are monitored and attended to once a week.

- Give the backlog an shortage of dustbins, the municipality appointed a service provider who would supply a total of 13 000 dustbins for use by the communities.

- The municipality has however ensured that refuse is collected once a week from each household and twice a week from business sites. Garden refuse is collected upon request.

Parks and Open Spaces

- The municipality continued to maintain its parks and open spaces. As in previous years, the municipality continued to ensure that the grass is cut regularly and maintained.

- The municipality sadly learned of the untimely death of the founder of the 'Let the River Flow', Mr Peter Hanley. Mr Hanley was a pioneer of this project whose main objective was to rehabilitate and give life to the iconic Waterpark. The Council subsequently resolved to name the Watrpark after Mr Hanley subject approval by communities through a public participation process.

- The municipality in partnership with the SAB (South African Breweries), SANDF (South African National Defence Force) and Water Trust launched the second phase of "Let the river flow". This took place on 22 March 2012 in a form of river civilisation, grass cutting, painting of structures and planting of trees by the officials from the joint forces, forming part of the municipal team were wards and PR councillors including the Mayor and the Speaker.

- The municipality also ran a Greening and Cleaning Campaign from 15-19 May 2012. Community Services directorate teamed up with:

  – Department of Environmental and Traditional Affairs (DETA)
  – Department of Agriculture
  – Extended Public Works Programme (EPWP) and
  – Members of the Community teamed up to clean up environments (dumping sites) and planting trees across townships.

Roads and Streets

- The municipality continues to undertake various responsibilities related to maintenance of roads and streets, as well as management of traffic. In particular, the municipality refreshed the road markings and signs while ensuring that JJ Hadebe Street is cleaned every day.

- The municipality has also ensured that road blocks continued to be mounted regularly to ensure effective management of traffic. The municipality has also worked with the provincial government to improve monitoring of roads especially during Easter and the festive season.

- The municipality however continues to lack enough traffic vehicles to enforce traffic by-laws. Negotiations are continuing with the provincial government and the Fezile Dabi District Municipality to assist with the provision of traffic vehicles.

Fire Firefighting

- Following extensive negotiations, the municipality entered into a service level agreement with the Fezile Dabi District Municipality for the provision of fire fighting services in Mafube. As part of the agreement, Fezile Dabi has since purchased fire fighting trucks for use in Mafube.

Cemeteries

- The municipality also continued to improve conditions and management of cemeteries. First, the municipality established new cemeteries at Namahadi new Section. The cemeteries were fenced internally while roads were also maintained. Extended Public Works Programme (EPWP) employees were also deployed to assist with the cemeteries work.

- Second, Council also resolved to extend the Ntswanatsatsi cemeteries. Work in this regard will continue into the next financial year.

Libraries

- The municipality also continued to improve conditions and services at its libraries. In particular, the municipality has ensured that all libraries have computers and internet services. Library staff has also been trained in various areas of library management.

- Programmes for children were also organized at Namahadi, Frankfort and Tweeling libraries. The idea was to introduce children to the importance and value of libraries while encouraging the culture of reading among children.

Sports and Recreation

- Various sporting events continued to be supported. The municipality continued to provide financial and material support to the Mafube Chapter of OR Tambo games held annually in various parts of the Free State province.

- In addition, the municipality also continued to provide financial and material support to the Easter Tournament which is held annually in Mafube.

- The municipality continued to support work towards the redevelopment of the stadium estimated at R3,8 million. The work at the stadium is close to completion..

- Further, the municipality resolved to accept R3,8m offered by Fezile Dabi District Municipality as funds obtained from the National Lottery Board towards community development. The agreement was that the money would be directed towards the upgrading of the sports facilities in Qalabotjha and Villiers as well as the development of Sports Fan Facility in that area. Work has started in preparation for the project.

- The municipality has also renegotiated new terms with the service provider, Wilge Makiti for improvements in the management of Show Grounds. This followed queries the municipality had with the way the Grounds were managed over a period of time.

5.3 Local Economic Development

Challenges

- Increasing rates of unemployment and poverty;
- Economic decline in critical sectors;
- Absence of strategic and planning frameworks to drive economic development;
- Weak informal sector or the second economy; and
- Uncontrolled informal trading;
- Slow rates of investments in the local economy.

Key Priorities

- Development of the LED Strategy;
- Mobilise investments and promote tourism;
- Support the local business sector;
- Support the SMME Sector;
- Introduce measures to regulate informal trading;
- Support strategy sectors in the local economy (e.g. agriculture and tourism manufacturing); and
- Create jobs and alleviate poverty.

Key Performance Indicators

- LED Strategy developed and approved by Council;
- Measures taken to mobilise business to invest locally;
- Measures taken to support local business;
- Measures taken to support SMME's; and
- Measures taken to stimulate strategic sectors in the local economy.

Key Performance Highlights

- Following the many challenges relating to resources and lack of capacity, the municipality has been unable to review or develop its LED Strategy as planned. However, the municipality has now issued a tender advertisement to procure the services of a service provider to assist with the review and development of an LED Strategy. It is anticipated that the Strategy will be finalized during the course of the next financial year.

- With regard to moblising investments, the municipality approached Franchise Associations of South Africa with a view to request them to assist mobilising their franchise holders to open franchises locally. The municipality is still in the process of pursuing this initiative.

- To support small businesses, the municipality hosted an SMME workshop on 15-16 February 2012 at Frankfort and Villiers respectively .The aim of the workshops was to promote cooperatives and empower them to access funding for their businesses.

- The municipality has also provided direct financial and material support to SMMEs in Mafube. Some of the assistance to SMMEs included the following:

SMME	Amount provided	Purpose
Philantrophy Recycling Project	R 20.000.00	Obtain building material
Finish and Klaar Car Wash	R 8 650.00	Obtain ready mix concrete
Bibi Cash & Carry	R 75 000.00	Obtain groceries

- To further stimulate local economy, the municipality worked with the provincial government through its Operation Hlasela to support many SMMEs in Mafube. Below is a list of SMMEs that benefitted from the Operation Hlasela intervention.

No	Beneficiary	Description	Allocated Funding	Implementation Status
1.	Kgatholoha B&B	Improve revenue for unemployed women	R1m	Establishment complete and running
2.	Mafube Fashion	Create sustainable fashion designs	R1m	Establishment complete and running
3.	Botho Centre	Home based care for orphans	R 120 000	Establishment complete and running
4.	4 Car Washes (1 in each town)	Job creation for young people	R 300 000	Establishment complete and running but some people have withdrawn
5.	Sikhula Sonke Saloon	Assist young people to open saloons	R 50 000	Establishment complete and running
6.	Young greening project	Environmental development and job creation	R 69 000	Successfully started but not fully operational yet
7.	Kgothalang Bricks	Brick making project	R 550 000	Started but yet operational
8.	Siyakha Mfundo	Establishment of a restaurant	R 150 000	Establishment complete and running
9.	Tsoa o iketsetse and pula madibuo bakery	Establish baking business	R 80 000	Establishment complete and running
10.	Bahlodi Vegetables	Vegetation business	R 400 000	Establishment complete and running
11.	Nguni Cattle	Cattle farming activity	R 90 000	
12	Qalabotjha Women Project	Purchase of equipment	R 250 000	Done
13.	Phaphamani Tent Hire and Catering	Cooking and catering	R 250 000	Done
14	Shine the Way	Poultry project	R 500 000	Running on temporary structure

- The municipality also worked with the Department of Police, Roads and Transport as the Department launches its Contractor Development Programme. The following SMMEs are going to benefit from the programme:

  – Nowaya Construction
  – Dieketseng Construction
  – Blackeyed Construction
  – Mkhwnazi Construction and
  – World Watch Trading were dispersed across jurisdictional tarr roads to conduct and perform minor road maintenance including:

    - Shoulder Repair
    - Pothole Repair
    - Edge-breaks
    - Grass cutting
    - Culvert cleaning

- To deal with the challenge of uncontrolled informal trading, the municipality held meetings with small business traders to encourage them to formalize and register their businesses with the municipality for proper allocation of business sites.

5.4 Financial Viability and Management

Challenges

- Ensuring that the budget complies with legislation and is aligned development priorities;
- Improving financial management in the municipality; and
- Improving revenue collection for the municipality to meet its service delivery obligations.

Key Strategic Priorities

- That the 2011/2012 budget is compiled and adopted in accordance with applicable Municipal legislation;
- Develop and implement Debt Collection Strategy to improve revenue collection;
- Ensure that outstanding financial management policies and systems are in place;
- Ensure that budget and expenditure is in accordance with legislation; and
- Build internal capacity for improved financial management.

Key Performance Indicators

- 2010/2011 budget developed and adopted in line with the requirements of applicable legislation;
- Debt Collection Strategy developed and implemented, and revenue collection improved;
- Outstanding Financial Management policies and systems developed and implemented;
- Budget and treasury office established;
- Creditors paid within prescribed time-frames; and
- Financial management staff trained and capacitated.

Key Performance Highlights

- The municipality ensured that the 2012/2013 Budget was prepared and adopted in accordance with the Municipal Finance Management Act and Circular 54 of National Treasury. The municipality developed a Budget Process Plan that provided for extensive consultations and time-frames. In accordance with this, the municipality consulted widely and ensured that the Budget (aligned to the IDP) was finalized and adopted in time, 31 May 2012.

- In addition, the municipality compiled and approved the 2011/2012 Service Delivery Budget Implementation Plan (SDBIP). The Plan is a concrete expression of how the budget is translated into deliverables for the financial year. It also serves as a link between the budget planning and performance management. In fact, the SDBIP serves as a basis for the compilation of performance agreements for Section 57 managers.

- The municipality further finalized its updated universal Valuation Roll in compliance with all municipal finance legislation and regulations. The Roll now enables the municipality to determine rates on scientific basis and more fairly and objectively. In addition, an Appeal Board was established to further deal with objections and queries from ratepayers.

- The municipality also developed a number of financial management policies. These included the following:
  - Amended Subsistence and Travelling Policy
  - Amended Indigent Policy
  - Budget Policy
  - Supply Chain Management Policy
  - Cell Phone Allowance Policy

- The municipality continued to implement Cost Containment measures to ensure prudent use of Council resources, eradicate wastage while redirecting resources to critical areas of need. The measures have led to significant reductions in operating expenditure overall.

- These and other financial management interventions saw the municipality showing positive improvements in cash flow and overall financial health of the municipality this financial year. Compared to the previous financial year when the municipality showed a balance sheet of R709 000 by the end of the first half of the year, this financial year, the municipality reported R7,1 million on its books by the 31 December 2011.

- Following a comprehensive verification and valuation of fixed infrastructure assets, the municipality has now revised its Fixed Term Asset Register with a view to make it compliant with GRAP 17 PPE and GRAP 16 Investment Policy. This brings the municipality a lot closer to a fully GRAP compliant movable and immovable Asset Register.

- In relation to compliance, the municipality developed a comprehensive Risk Management Register which has highlighted risk areas requiring attention. Further, the municipality has developed and implemented an Action Plan to respond to audit queries and action the recommendations of the Auditor General and PROPAC.

- Given the many challenges affecting the optimal functioning of the Audit Committee, the municipality revised the membership of the Audit Committee. The Audit was reconstituted and following were appointed as new members: TL Sehuta – Chair, N Mgada, K Mahlangu, E Ntuli

- The municipality has also ensured that the financial reports and mid-term performance report in terms of section 71 and 72 were compiled and submitted to Council in time.

- The municipality continues to implement Revenue Collection Strategy to increase payment levels. As part of the Strategy, the municipality introduced a Debt Relief Strategy. This is an incentive scheme introduced to enable consumers to settle their outstanding municipal accounts at special rates and thereby improve revenue collection for the municipality. The special dispensation is made available to consumers until 31 December 2012.

- Also following protracted period of conflict with Mafube Crisis Committee regarding withholding of rates, taxes, services by members led by the Committee, the municipality successfully negotiated with the Committee and resolved that all matters would be dealt with and that payment of services would resume forthwith. It was further resolve that the Committee would also cease to exist. The resolution of this matter has further enabled the municipality to improve revenue collection.

- The municipality has also established or erected extra paypoints to enable easy pay access for consumers. In this regard, the municipality was assisted by Rural Maintenance (Pty)Ltd to establish 14 new payments in parts of Mafube.

- Financial viablity of the municipality has been fairly mixed this financial year. Below is the representation of financial viability ratios:

	2012	2011
Debt Coverage Ratio		
Total Revenue (net of Grant)	100 570 784,00	63 870 872,00
Current Portion of Long Term Liabilities	323 297,00	546 701,00
Ratio	**311,08**	**116,83**
Interpretation:		
For every R1 in current portion of long term liabilities, there is R311.08 of revenue generated by the municipality. The municipality makes sufficient revenue to pay the full debt and in addition ot other expenditure		
Outstanding Service Debtors to Revenue		
Accounts Receivable Service Debtors	58 436 534,00	31 247 823,00
- Trade receivables from exchange transactions	16 170 660,00	15 165 503,00
- Trade receivables from non-exchange transactions	42 265 874,00	16 082 320,00
Annual Revenue Actually Received	206 667 509,00	127 436 459,00
Ratio	**0,28**	**0,25**
Interpretation:		
In every R1 of revenue generated, the municipality has R0.28 in debtors.		
Cost Coverage		
Bank Balance at year end	642 061,00	1 935 468,00
Investments	268 909,00	9 375,00
Total Actual Cash Available	910 970,00	1 944 843,00
Monthly Fixed Operating Expenditure:	8 856 323,58	11 537 209,34
Employee cost	4 572 548,33	4 064 703,17
Councillor's remuneration	452 332,08	334 122,17
General expenses	858 739,00	2 809 422,00
Bulk purchases	2 972 704,17	4 328 962,00
Ratio	**0,10**	**0,17**

There is R0.17 actual cash available at year end for every R1 of fixed operating expenditure.

Conclusion:
The municipality makes sufficient revenue to cover its debt servicing payments, it collects sufficient revenue however, does not have sufficient cash resources available to cover all its fixed operating expenditure.

5.5 Good Governance and Public Participation

Challenges

- Lack of sufficient involvement of communities in governance and municipal affairs in general; and
- Weak public participation structures in the community.

Key Priorities

- Ensuring maximum participation of all key stakeholders in the development of IDPs, the budgeting process, implementation and monitoring of programmes; and
- Improve the functionality of ward committees.

Key Strategies

- Ensure active involvement of communities in the planning and budgeting process;
- Build capacity of community structures to effectively engage in local governance and development processes; and
- Encourage civic responsibility and voluntarism.

Performance Highlights

- As per usual the municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2011/2012. This took the form of ward level meetings, Imbizos, roadshows as well as involvement at the level of the IDP Representative Forum.

- Following the 2011 local elections, the municipality had to establish new Ward Committees. Consequently the municipality organise and oversaw Ward Committee elections in all the 9 wards of the municipality. Following the elections, the Ward Committee were constituted as follows:

Ward	Name and Surname	Address
1	**Cllr JE Sigasa**	
	Moloi Lettia	Rethabile Section
	Molefe Puseletso	Mokaba Village
	Tsotetsi Khosi	Makgashule Section
	Sibeko Topsy	Tholulwazi Section
	Mashinini Jabulani	Tholulwazi Section
	Sikhosana Puleng	Mokaba Village
	Motloung Oupa	Rethabile Section
	Sekhoto Jermina	Mokaba Village
	Makhubu JVJ	Palmer Street
2	**Cllr JJ Hlongwane**	
	Mofokeng Mpuse Maria	Mamello Section
	Mofokeng Morgan	Sunrise Section
	Mhlambi Ndlabhu	Sunrise Section
	Mashinini Sonto Sarah	Seabata Section
	Khanye Modiehi Alinah	Seabata Section
	Mosekidi David	Sunrise Section
	Mokoena Maria	Seabata Section
	Gumede Sonto	Mamello Section
	Mofokeng Alinah	Sunrise Section
	Rampai Jermina	Seabata Section

Ward	Name and Surname	Address
3	**Cllr FP Motloung**	
	Xaba Nomcala	Molamodi Str, Qalabotjha
	Khanye Authority	Ext 6, Qalabotjha
	Mokoena Ntswaki	Ext 3, Qalabotjha
	Rutse Malefu	Ext 3, Qalabotjha
	Sibepshe Monde	Ext 3, Qalabotjha
	Mofokeng Lebohang	Ext 3, Qalabotjha
	Mokoena Bele	Ext 3, Qalabotjha
	Thusi Dibuseng	Ext 3, Qalabotjha
	Maduna Simon	Thuthukani Str, Qalabotjha
4	**Cllr MA Mosia**	
	Gamede Jomo	Extension 6
	Msimaka Lucas	Tshabalala Street
	Rakoloti Elizabeth	Sigasa Street
	Mahlophe Roselina	Dimaza Street
	Mokoena Nono	Molamodi Street
	Mthembu Patrick	Molope Street
	Leotlela Elizabeth	Koening Street
	Tsotetsi Jermina	Mapena Street
	Mokoena Oupa	Dimaza Street
5	**Cllr JJ Pretorius**	
	Mazibuko Mamotaung	Mamello Section
	Motsamai Private	Mamello Section
	Mofokeng Mojalefa	Mamello Section
	Tshabalala Dina	Viljoen Street
	Modisa Ntjantja	Butayi Section
	Ramatsekane Thapelo	Butayi Section
6	**Cllr M Mofokeng**	
	Moshodi John	Butayi Section
	Mofokeng Dibuseng	Butayi Section
	Khambule Buyisiwe	Butayi Section
	Mofokeng Maletsatsi	Butayi Section
	Molelekoa Lerato	Butayi Section
	Tsotetsi Tshepo	Sunrise Section
	Makhotsa Ntombizodwa	Butayi Section
	Mokoena Dinah	Butayi Section
	Motholo Thandi	Butayi Section
	Mazibuko Lefina	Sunrise Section
7	**Cllr UC Jafta**	
	Sibeko Lucky	Phahameng Section
	Sikhosana Maria	Phahameng Section
	Makhubu Siphiwe	Phomolong Section
	Masiteng Emma	Phahameng Section
	Nkutha Zandile	Phomolong Section
	Motsima Malefa	Phahameng Section
	Tshabalala Mthandeki	Phahameng Section
	Mokoena Maleqhwa	Phahameng Section
	Motsoeneng Dipuo	Phomolong Section

Ward	Name and Surname	Address
8	**Cllr WC Motloung**	
	Mazibuko Lekgotla	Reuben Mokoena Section
	Miya Norah	10th Street
	Mokoaqatsa Tabies	Winnie Mandela
	Mofokeng Jwalane	Extension 1
	Jokanisi Bulisile	Mzizi Street
	Sikhosana Mohobelo	Tsoku Street
	Motaung Elizabeth	Winnie Mandela
	Mphuthi Alfred	Chris Hani
	Dhlamini Hluphekile	Chris Hani
9	**Cllr LS Kubeka**	
	Kubheka Emma	Extension 4
	Molefe Ntaoleng	Extension 4
	Zimu Abram	Tshabalala Street
	Tsotetsi Lebona	Extension 3
	Motaung Elizabeth	
	Moloi Refiloe	Extension 3
	Moremi Elizabeth	Extension 3
	Mofokeng Ntsekiseng	Extension 7
	Ndlovu Themba	

- Following the establishment of Ward Committees, the municipality took the Committees through an Induction Programme. The induction Programme aimed at introducing memebers to local government while serving to orient them to their roles and resposibilities. Ome of the areas covered included the following:
  - Amended Subsistence and Travelling Policy
  - Roles and responsibilities
  - Reporting methodology and Report writing
  - Application of the legislation
  - Community Based Planning (CBP) Implementation etc

- As a follow-up a second Induction Programme was organised for Ward Committee members on 17 – 18 May 2012.It is estimated that about 80% of targeted members attended the programme. The programme took memebers, who also included CDWs through Module 1 of Ward Committee capacity building (Ward Committee Induction). The Module inclde areas such as:
  - Types and categories of municipalities
  - Powers and functions of municipalities
  - Powers and functions of municipal councils
  - Powers and functions of Ward Committees
  - Community Participation levels
  - Administration of public meetings
  - Elements of community participation
  - Legislation governing local government and community participation

- The municipality also organised various activities that sought to maximise involvement of communities in the affairs of the municipality while also deepening public participation. Over and above the IDP and Budget imbizos and road-shows, the municipality mobilised communities in various activities including cleaning campaigns, Let the River Flow projects etc.

- Various events were also organised as part of the effort to deepen democracy. First, the municipality organised a Youth Mock Council Sitting on 16 February 2012.The Sitting, in the mould of the Youth Parliament hosted by the National Assembly, sought introduce young people to workings of Council while creating an opportunity for them debate youth challenges in Mafube. It also created an opportunity for Councillors to deepen their understanding of the issues young people are faced with. The Sitting was attended by the Mayor, Councillors, senior managers, ward committee members etc. Second, the municipality hosted a Youth Memorial Lecture on the eve of Youth Day. Again the Lecture sought to commemorate the national youth day while stimulating debates on youth challenges.

CHAPTER 6 Financial Statements for the year ended 30 June 2012

- General Information
- Accounting Officer's Responsibilities and Approval
- Accounting Officer's Report
- Statement of Financial Position
- Report of the Auditor General
- Statement of Financial Performance
- Statement of Changes in Net Assets
- Cash Flow Statement
- Accounting Policies
- Notes to the Annual Financial Statements

- Appendixes

  Appendix A: Schedule of External Loans
  Appendix B: Analysis of Property, Plant and Equipment
  Appendix D: Segmental Statement of Financial Performance
  Appendix E(1): Actual versus Budget (Revenue and Expenditure)
  Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

- Abbreviations

DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
SARS	South African Revenue Services
VAT	Value Added Tax

GENERAL INFORMATION

LEGAL FORM OF ENTITY

An organ of state within the local sphere of government exercising legislative and executive authority.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.

THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION

Area FS205, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS205.

GRADING OF LOCAL AUTHORITY

Medium capacity, category B municipality as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998).

EXECUTIVE COMMITTEE

Mayor Ntombela L M D
Speaker Moloi T M
Councillors Du Plessis M C
Hadebe M
Hlongwane J J
Jafta U C
Kubeka L S
Mosia M A
Mosia A S
Mofokeng M M
Motloung F P
Motloung P
Motloung W C
Pretorius J J
Sekhoto M M
Sigasa J E
Xaba N E

ACCOUNTING OFFICER

Radebe P I

CHIEF FINANCE OFFICER

Molefe N N

REGISTERED OFFICE MUNICIPAL OFFICES

64 JJ Hadebe Street
Frankfort
Free State

BUSINESS ADDRESS

64 JJ Hadebe Street
Frankfort
Free State
9830

POSTAL ADDRESS

PO Box 2
Frankfort
9830

BANKERS

ABSA Bank Limited

AUDITORS

Auditor General

ATTORNEYS

Nkaiseng Attorneys
Podbielski Mhlambi Inc

DEBT COLLECTOR

Richter and Boshoff Attorneys

ENABLING LEGISLATION

Division of Revenue Act, 2012 (Act No. 5 of 2012)
Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
Municipal Structures Act, 1998 (Act No. 117 of 1998)
Municipal Systems Act, 2000 (Act No. 32 of 2000)
Treasury Regulations

WEBSITE

www.mafube.gov.za

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

In terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages 5 to 73, which have been prepared on the going concern basis, were approved by the audit commitee on 31 August 2012 and were signed on its behalf below.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution No. 108 of 1996, read with the Remuneration of Public Officer Bearers

PI Radebe
Municipal Manager

Frankfort - 31 August 2012

ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended 30 June 2012.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services as per schedule 5 and 6 of the Constitution, infrastructure development and furthering the interests of the local community mainly in the Mafube area and operates principally in the Free State province.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Deficit of the municipality was R 3,422,955 (2011: deficit R 72,367,151).

2. Financial sustainability

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source funding for the ongoing operations for the municipality.

Although certain going concern ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

5. Accounting policies

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Radebe P I	South African

7. Resolution on the valuation roll

At an ordinary council meeting held on the 10 March 2011 it was resolved by Council:

- to abandon the process to complete implementation on 1 July 2009;
- to reverse all property tax levies raised from 1 July 2009;
- to determine 1 November as the date of valuation and
- implement the revised valuation roll with effect 1 July 2011.

8. **Public Private Partnership (PPP)**

The Municipality entered into a contract with Rural Maintenance (Pty) Ltd who shall have the sole and exclusive responsibility for the management, operation, administration, maintenance and expansion of the electricity network, inclusive of revenue management process as well as the implementation of a regional electrification program.

9. **Fixed asset management**

The municipality received a negative audit opinion in the prior year and one of the reasons for this opinion relates to fixed assets management.

During the year under review, management initiated a project to address these asset management challenges. These challenges were reported last year by the Auditor-General and management initiated a multi-year project to resolve these challenges.

Phase one of this project, which dealt mainly with verification (existence and completeness) is complete. Part of phase one included the recreation of the fixed asset register to be GRAP compliant. At year end the process of valuing the assets were still underway and should be completed in due course.

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MAFUBE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mafube Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No.6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Receivables from exchange transactions

4. Overpayment of councillors to the amount of R2 535 840 was not disclosed as receivables in the statement of financial position. Consequently, receivables from exchange transactions is understated by R2 535 840, employee cost is overstated by R330 913 and accumulated surplus is understated by R2 204 927. In addition, I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions of R15 816 818 (2011: R43 783 398) as disclosed in note 5 to the financial statements due to the unavailability of reconciliations for the salary control accounts. The municipality's system did not allow the performance of alternative procedures. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for other receivables from exchange transactions.

Consumer debtors

5. I was unable to obtain sufficient appropriate evidence to confirm the existence of consumer debtors with a carrying value of R98 035 197 (2011: R103 805 427) disclosed in note 6 to the financial statements in the absence of payments made after year-end. I was unable to confirm the existence of these debtors by alternative means as service contracts, indigent and arrangement applications could not be submitted. Consequently, I was unable to determine whether any adjustment relating to consumer debtors was necessary.

6. My report was modified in the prior year as the municipality had not assessed the consumer debtors, individually or by category, for any indication that these assets may be impaired. The municipality's records did not permit the application of alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit evidence as to the completeness and valuation of consumer debtors and impairment of debtors. In addition, contrary to the SA Standards of GRAP, GRAP 1, *Presentation of Financial Statements*, details in respect of the aging of consumer debtors were not disclosed in note 6 to the financial statements to achieve fair presentation. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Cash and cash equivalents

7. Unreconciled deposits to the amount of R3 762 995 are included in the bank reconciliation at 30 June 2012. This amount represents deposits on the bank statements that could not be traced to the accounting records of the municipality. Consequently, cash and cash equivalents disclosed in note 7 are understated by R3 762 995. I was unable to determine the adjustment required to revenue, receivables and accumulated surplus in the financial statements due to the nature and extent of the entity's transactions and records.

8. During 2011 I was unable to obtain sufficient appropriate audit evidence about cash and cash equivalents reflected as R16 669 779. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Property, plant and equipment

9. Capital work-in-progress to the amount of R27 731 934 has been incorrectly accounted for in general expenses in the financial statements. Consequently, capital work-in-progress included in property, plant and equipment is understated and general expenses and the accumulated surplus at year-end overstated by R27 731 934, respectively. The municipality did not recognise property plant and equipment as required by SA Standards of GRAP, GRAP 17, *Property, plant and equipment* at fair value as an acceptable substitute for historical cost. In addition, I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment reflected as R785 052 365 (2011: R208 542 470) as per note 8 to the financial statements, as valuations were not correctly performed for certain assets; useful lives of certain assets were incorrectly assessed; certain assets could not be physically verified; there were differences between the financial statements and asset register, and I was unable to confirm completeness of land. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for property plant and equipment.

Investment property

10. Contrary to the requirements of SA Standards of GRAP, GRAP 16, Investment Property, municipal properties that conform to the definition and recognition criteria of an investment property were not disclosed as such in the financial statements and were not included in an investment property register. Due to the lack of sufficient appropriate audit evidence, it was impracticable to determine the total extent of this understatement of investment property and overstatement of property, plant and equipment as disclosed in note 8 to the financial statements.

Payables from exchange transactions

11. I was unable to obtain sufficient appropriate evidence to confirm the completeness of retention creditors disclosed as R3 372 618 in note 13 to the financial statements due to lack of proper recordkeeping regarding retention monies owed. In the absence of a retention register, I was unable to perform alternative procedures. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for retention creditors.

12. During 2011, I was unable to obtain sufficient appropriate audit evidence about payables from exchange transactions reflected as R59 443 450. I was unable to confirm trade payables by alternative means. Consequently, I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Value-added tax (VAT)

13. I was unable to obtain sufficient appropriate audit evidence to confirm VAT payable disclosed as R11 371 335 (2011: R5 649 738) in note 14 to the financial statements due to an inadequate record management system. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for VAT Payable.

Unspent conditional grants and receipts

14. During 2011, I was unable to obtain sufficient appropriate audit evidence about unspent conditional grants and receipts reflected as R2 200 692. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Accumulated surplus

15. Various suspense accounts included under payables and receivables to the amount of R71 265 577 were cleared to accumulated surplus during the year under review. These suspense accounts also included current year movements that were cleared to accumulated deficit. No evidence could be obtained of any reconciliation performed before the accounts were written off. In addition, I was unable to obtain sufficient appropriate audit evidence regarding asset transfers disclosed as R489 219 039 against accumulated surplus to account for the depreciated replacement cost of assets due to an unsubstantiated difference of R79 845 042 between the amount recognised in the statement of changes in net asset and note 8 to the financial statements. The municipality's system did not allow the performance of alternative procedures. Consequently, I could not practically quantify the resulting misstatement in other account balances, classes of transactions and disclosures.

Employee benefits

16. Contrary to Standards of Generally Recognised Accounting Practice GRAP 3, *Accounting estimates, change in accounting estimates and errors*, the municipality did not restate the opening balance for the prior period presented for the post-retirement medical aid plan liability disclosed in note 17 as well as the current and past service cost included in employee-related cost in note 28, finance cost disclosed in note 32 and fair value adjustments disclosed in note 35 relating to 2011. The municipality's system did not allow the performance of alternative procedures. Consequently, I could not practically quantify the resulting misstatement in other account balances, classes of transactions and disclosures.

Revenue

17. Inconsistencies were identified between the market values of properties per the valuation roll and the system on which billings were generated. Consequently, property rate income and consumer debtors are overstated in the financial statements by R3 974 411 respectively. In addition, I was unable to obtain sufficient appropriate audit evidence about property rates reflected as R19 167186 as per note 21 to the financial statements, due to an unsubstantiated difference of R6 903 139 between the chargeable rates per the valuation roll and the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for property rates.

18. In accordance with the SA Standards of GRAP, GRAP 1, *Presentation of Financial Statements*, the financial statements should be prepared on the accrual basis. On this basis, transactions are recognised when they occur. I was unable to obtain sufficient appropriate audit evidence regarding the completeness of service charges of R67 415 830 as disclosed in note 22 to the financial statements as well as other income disclosed as R3 739 751 in note 25 to the financial statements. The municipality's system did not allow the performance of alternative procedures. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for revenue.

19. During 2011, I was unable to obtain sufficient appropriate audit evidence about revenue reflected as R147 508 379. I was unable to confirm revenue by alternative means. Consequently, I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Expenditure

20. Expenditure was identified that has been allocated inclusive of VAT to the statement of financial performance; consequently repairs and maintenance are overstated by R958 533, other expenses are overstated by R4 830 333 and VAT payable is overstated by R5 788 866. In addition I was unable to obtain sufficient appropriate audit evidence for expenses to the amount of R11 861 744 (2011: R148 991 812), as disclosed in note 34 to the financial statements. In the absence of the required supporting records, I was unable to perform alternative procedures. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for expenditure.

21. Audit fees are disclosed as R9 448 742 in note 34 to the financial statements, while the actual audit fees for the year under review amounted to R2 634 254. Consequently, I was unable to determine whether any adjustments to the amount disclosed were necessary.

Finance cost

22. I was unable to obtain sufficient appropriate audit evidence for finance cost on trade and other payables to the amount of R5 876 970, as disclosed in note 31 to the financial statements. In the absence of the required supporting records, I was unable to perform alternative procedures. Consequently, I was unable to determine whether any further adjustments were necessary to the amount disclosed for finance cost.

Employee cost

23. During 2011, I was unable to obtain sufficient appropriate audit evidence about employee cost reflected as R56 167 507. I was unable to confirm employee cost by alternative means. Consequently, I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Irregular expenditure

24. The municipality did not have adequate systems in place to detect and disclose irregular expenditure. The municipality made payments in contravention of the supply chain management (SCM) requirements which were not included in irregular expenditure, resulting in irregular expenditure being understated by R27 065 229 (2011: R11 578437). In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the completeness of irregular expenditure stated at R29 024434 (2011: R1 469 230) in note 47 to the financial statements. I was unable to confirm the completeness of irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to the amount disclosed for irregular expenditure in note 47 to the financial statements for the current year and the corresponding figure were necessary.

Unauthorised expenditure

25. I was unable to obtain sufficient appropriate audit evidence about unauthorised expenditure stated at R17 925 031 in note 45 to the financial statements. I was unable to confirm unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to the amount disclosed for unauthorised expenditure was necessary.

Commitments

26. I was unable to obtain sufficient appropriate audit evidence to confirm the completeness of commitments to the amount of R30 936 917 as disclosed in note 37 to the financial statements, due to an inadequate record management system. I was unable to confirm the completeness of commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the amounts disclosed for commitments.

Cash flow statement

27. I was unable to obtain sufficient appropriate audit evidence as to whether the cash flow statement and the related notes for the current and prior financial years were fairly stated, due to the material effect of misstatements and scope limitations identified in the financial statements, as set out in this report. I was unable to confirm the cash flow by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed in the cash flow statement.

Pension and medical aid

28. The municipality did not disclose pension and medical aid contributions as required by section 125(1)(c) of the MFMA. Due to the lack of controls, information and reconciliations, I was unable to determine the pension and medical aid contributions that should have been disclosed.

Disclaimer of opinion

29. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

30. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

31. As disclosed in notes 39 and 40 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2011-2012 in the financial statements of the Mafube Local Municipality at, and for the year ended 30 June 2011.

Going concern

32. The accounting officer's report on page xx and note 41 to the financial statements indicates that Mafube Local Municipality has been experiencing financial difficulties. These conditions, along with the other matters as set forth in the accounting officer's report and note 41, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern. The ability of the municipality to continue as a going concern is dependent on a number of factors, the most significant being that the accounting officer continues to procure funding for the ongoing operations of the municipality.

Material losses and impairments

33. As disclosed in note 49 to the financial statements, material losses to the amount of R8 465 109 were incurred as a result of losses on the electricity distribution network up to February 2012 when the municipality entered into a public private partnership for the distribution of electricity.

34. As disclosed in note 6 to the financial statements, material impairments on trade and other receivables of R91 896 208 (2011: R85 771 168) were incurred as a result of irrecoverable debtors.

35. As disclosed in note 39, material losses to the amount of R21 671 551 were reported by the municipality as a result of a reversal of property rate income due to abandonment of the valuation roll implemented on 1 July 2009.

Additional matters

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material inconsistencies in other information included in the annual report

37. The municipality did not submit a draft annual report for the financial period under review and, consequently, the consistence and accuracy of information that will be reported in the annual report could not be confirmed against the audited financial statements.

Unaudited supplementary schedules

38. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

39. In accordance with the PM and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

40. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.

41. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*. The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

42. The material findings are as follows:

Usefulness of information

Consistency

43. The Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) section 41 (c) requires that the service delivery and budget implementation plan (SDBIP) should form the basis for the annual report, thus requiring the consistency of objectives, indicators and targets between planning and reporting documents. All of the selected reported objectives were not consistent with the objectives as per the approved SDBIP. This is due to the lack of a municipal performance management framework and policy for the financial period under review.

Measurability

44. The National Treasury *Framework for managing programme performance information* (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. All of the targets relevant to objectives relating to access to basic electricity and sanitation were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

45. The National Treasury FMPPI requires that performance targets be measurable. The required performance could not be measured for all of the targets relevant to objectives relating to access to basic electricity and sanitation. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Compliance with laws and regulations

46. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PM, are as follows:

Budgets

47. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

48. Quarterly reports were not submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

49. The 2011-12 adjustment budget was not approved by the council as required by municipal budget and reporting regulation 25.

50. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

51. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.

52. The accounting officer did not assess the municipality's performance for the first half of the financial year, as required by section 72(1) and 72(1)(a)(ii) of the MFMA.

Annual financial statements, performance and annual report

53. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements or supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

54. The 2010-11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

55. A written explanation was not submitted to council setting out the reasons for the delay in the tabling of the 2010-11 annual report in the council, as required by section 127(3) of the MFMA.

56. The accounting officer did not make the 2010-11 annual report public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the MFMA.

57. The municipal council did not adopt an oversight report, containing comments on the annual report, within two months from the date on which the 2010-11 annual report was tabled, as required by section 129(1) of the MFMA.

58. The accounting officer did not make public the council's oversight report on the 2010-11 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

Audit committees

59. The audit committee did not advise the council, accounting officer and management staff on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.

60. The audit committee did not advise the council, political office bearers, accounting officer and the management staff on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.

61. The audit committee did not advise the council, political office bearers, accounting officer and the management staff on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 166(2)(a)(vii) of the MFMA.

62. The audit committee did not respond to the council on the issues raised in the audit reports of the Auditor-General, as required by section 166(2)(c) of the MFMA.

63 The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

64. The audit committee was not constituted, as required by section 166(4)(a) of the MFMA as the audit committee did not consist of at least 3 members for the entire year under review.

65. A performance audit committee was not in place and the audit committee established in terms of MFMA section 166(1) was not used for this function, as required by municipal planning and performance management (MPPM) regulation 14(2)(a).

Internal audit

66. An internal audit unit was not established for the majority of the year, as required by section 165(1) of the MFMA.

67. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:

- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
- it did not report to the audit committee on the implementation of the internal audit plan.
- it did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

68. The internal audit unit did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b) of the MFMA.

69. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPM regulation 14(1)(a}.

70. The internal audit unit did not assess the functionality of the performance management system as required by MPPM regulation 14(1)(b)(i).

Procurement and contract management

71. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).

72. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).

73. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

74. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids or that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM regulations 19(a) and 36(1).

75. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM regulation 27(2)(a).

76. Sufficient appropriate audit evidence could not be obtained that contract and quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM regulation 43.

77. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

78. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

79. The preference point system was not applied in the procurement of goods and services above R30 000 as per the requirements of section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).

80. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).

Human resource management and compensation

81. Sufficient appropriate audit evidence could not be obtained that the municipality appointed managers directly accountable to municipal managers who had not been dismissed in the past 10 years for financial misconduct, as required by section 57 A of the MSA.

82. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1)(b) of the MSA.

83. The competencies of financial and supply chain management officials were not assessed promptly in order to identify and address gaps in competency levels as required by regulation 13 of the MRMCL.

84. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury, as required by regulation 14(2)(a) of the MRMCL.

Expenditure management

85. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.

86. Payments were made without the approval of the accounting officer or a properly authorised official as required by section 11 (1) of the MFMA.

87. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place as required by section 65(2)(a) of the MFMA.

89. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.

89. The accounting officer did not take reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

90. Unauthorised, irregular and fruitless and wasteful expenditure was not investigated and as a result it was not recovered from the liable person, as required by section 32(2) of the MFMA.

Revenue management

91. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors and accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.

92. Revenue received was not always reconciled on a weekly basis, as required by section 64(2)(h) of the MFMA.

Conditional grants received

93. The municipality did not table a three year capital budget as part of its 2010-11 financial year's budget, as required by the *Division of revenue grant framework*, as published in *Government Gazette No. 34280 of 20 May 2011*.

94. The municipality did not timeously submit project registration forms, for projects it intended implementing in the financial year under review, to the provincial department of local government, as required by the *Division of revenue grant framework*.

95. The municipality did not submit project implementation plans to the national department (Cooperative Governance and Traditional Affairs) (CoGTA), as required by the *Division of revenue grant framework*.

96. The municipality did not submit MFMA implementation plans to the National Treasury to address weaknesses in financial management, as required by the *Division of revenue grant framework*.

97. The municipality did not submit its signed activity plan and in the prescribed format to the CoGTA, as required by the *Division of revenue grant framework*.

98. The municipality did not submit, within 20 days after the end of each month, its monthly expenditure reports to CoGTA, as required by the *Division of revenue grant framework*.

99. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of DoRA.

100. The municipality did not evaluate its performance in respect of programmes funded by the allocation and submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of DoRA.

Asset management

101. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

102. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

103. The council did not approve the investment policy of the municipality, as required by municipal investment regulation 3(1)(a).

104. The required reports describing the investment portfolio of the municipality was not submitted to the mayor at the end of each month, as required by municipal investment regulation 9(1).

Strategic and performance management

105. We were unable to confirm whether the municipal council adopted an integrated development plan (IDP), as required by section 25 of the MSA.

106. The municipal council did not consult with the local community in the drafting and implementation of the municipality's IDP, by means of a municipal wide structure for community participation or through a forum that enhances community participation, as required by section 28 of the MSA and MPPM 15(1)(a)(i).

107. The municipality did not afford the local community at least 21 days to comment on the final draft of its IDP before the plan was submitted to council for adoption, as required by regulation 15(3) of the MPPM.

108. The municipal council did not review its IDP annually in accordance with an assessment of its performance measurements in terms of section 41 and to the extent that changing circumstances demanded, as required by section 34 of the MSA and MPPM regulation.

109. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

110. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

111. The municipality did not:
- set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan
- set measurable performance targets with regard to each development priority and objective
- monitor performance, with regard to each of those development priorities and objectives and against the key performance indicators and targets set
- measure and review performance at least once per year, with regard to each of those development priorities and objectives and against the key performance indicators and targets set as required by section 41 of the MSA.

Financial misconduct

112. Investigations were not instituted into all allegations of financial misconduct against officials of the municipality, as required by section 171(4)(a) of the MFMA due to the fact that irregular expenditure was incurred but was not investigated.investigated.

Environmental management

113. The municipality operated their waste disposal sites) without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).

Internal control

114. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

115. The oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not effectively implemented by management as it was not monitored on a continuous basis during the year and staff were not held accountable.

116. The action plans to address internal control deficiencies were not developed and monitored in such a manner to ensure that it addresses all issues and is effectively implemented. Poor performance was also not effectively managed.

117. The IT governance framework that supports and enables the business, delivers value and improves performance were not established and implemented by management.

Financial and performance management

118. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

119. The accounting officer did not regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures. Action taken by management was not done timely to prevent non-compliance issues during the period under review. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

120. Appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored were not implemented due to a lack of resources.

121. Although the municipality has an internal audit division, it is not adequate for the purposes of the audit as it did not function as intended during the year under review as the internal auditor was only appointed in April 2012.

122. The audit committee did not function effectively throughout the year as the internal auditor was only appointed in April 2012.

Auditor-General

Bloemfontein
30 November 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note(s)	2012 (R)	2011 (R)
Assets			
Current Assets			
Inventories	3	678,891	725,288
Other financial assets	4	110,848	105,689
Receivables from exchange transactions	5	16,170,660	51,242,180
Consumer debtors	6	42,265,874	2,611,102
Cash and cash equivalents	7	329,930	16,815,381
		59,556,203	**71,499,640**
Non-Current Assets			
Property, plant and equipment	8	785,052,365	212,265,746
Intangible assets	9	202,500	531,979
Other financial assets	4	262,945	151,425
		785,517,810	**212,949,150**
Total Assets		**845,074,013**	**284,448,790**
Liabilities			
Current Liabilities			
Current portion of non current borrowings	11	323,297	239,291
Current portion of finance lease liabilities	12	1,213,540	762,307
Payables from exchange transactions	13	133,386,042	71,035,960
VAT payable	14	11,371,335	8,336,887
Consumer deposits	15	684,969	622,996
Unspent conditional grants and receipts	16	7,068,011	2,200,692
Bank overdraft	7	3,124,278	–
		157,171,472	**83,198,133**
Non-Current Liabilities			
Non-Current borrowings	11	1,931,835	1,900,042
Finance lease liabilities	12	355,358	1,344,158
Employee benefits	17	11,059,799	9,624,299
Non-Current provisions	18	2,964,000	2,586,691
		16,310,992	**15,455,190**
Total Liabilities		**173,482,464**	**98,653,323**
Net Assets		**671,591,549**	**185,795,467**
Net Assets			
Accumulated surplus		671,591,549	185,795,467

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2012

	Note(s)	2012 (R)	2011 (R)
Revenue			
Property rates	21	19,167,186	2,998,795
Service charges	22	67,415,830	43,153,066
Rental of facilities and equipment	23	400,758	477,955
Fines		218,185	357,913
Government grants and subsidies	24	106,096,725	69,258,163
Other income	25	4,202,270	2,894,623
Interest received	26	9,166,555	7,447,128
Total Revenue		**206,667,509**	**126,587,643**
Expenditure			
Employee related costs	28	(54,870,580)	(57,460,090)
Remuneration of councillors	29	(5,427,985)	(4,365,842)
Depreciation and amortisation	30	(1,058,409)	(960,069)
Finance costs	31	(7,860,121)	(1,424,158)
Debt impairment	32	(9,430,773)	(33,769,230)
Repairs and maintenance		(10,767,643)	(9,417,770)
Bulk purchases	33	(35,672,450)	(43,640,375)
General expenses	34	(84,339,500)	(47,494,260)
Total Expenditure		**(209,427,461)**	**(198,531,794)**
Fair value adjustments	35	(663,003)	(423,000)
Deficit for the year		**(3,422,955)**	**(72,367,151)**

STATEMENT OF CHANGES IN NET ASSETS AT 30 JUNE 2012

	Capital replacement reserve	Capitalisation reserve (R)	Government grant reserve (R)	Total reserves (R)	Accumulated surplus (R)	Total assets (R)
Opening balance as previously reported	6 720 724	2 380 323	174 777 871	183 878 918	89 035 878	272 914 796
Adjustments						
Change in accounting policy	(6,720,724)	(2 380 323)	(174 777 871)	(183 878 918)	183 878 918	–
Balance at 01 July 2010 as restated	**–**	**–**	**–**	**–**	**272 914 796**	**272 914 796**
Changes in net assets						
Surplus for the year	–	–	–	–	(5 662 572)	(5 662 572)
Total changes	–	–	–	–	(5 662 572)	(5 662 572)
Balance at 01 July 2011	**–**	**–**	**–**	**–**	**268 398 406**	**268 398 406**
Changes in net assets						
Surplus for the year	–	–	–	–	(57 650 940)	(57 650 940)
Total changes	–	–	–	–	(57 650 940)	(57 650 940)
Balance at 30 June 2012	**–**	**–**	**–**	**–**	**210 747 466**	**210 747 466**
Note(s)	12	13	14			

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note(s)	2012 (R)	2011 (R)
Cash flows from operating activities			
Receipts			
Grants		106,096,725	69,258,163
Interest received		9,166,555	7,418,100
		115,263,280	76,676,263
Payments			
Employee costs		(54,870,580)	(57,460,090)
Finance costs		(7,336,816)	(464,475)
Remuneration of councillors		(5,427,985)	(4,365,842)
		(67,635,381)	(62,290,407)
Net cash flows from operating activities	**36**	**47,627,899**	**14,385,856**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(4,451,468)	(244,091)
Proceeds from sale of financial assets		(5,159)	(257,114)
Net cash flows from investing activities		**(4,456,627)**	**(501,205)**
Cash flows from financing activities			
Repayment of non-current borrowings		115,799	213,274
Finance lease payments		(1,060,872)	1,146,782
Net cash flows from financing activities		**(945,073)**	**1,360,056**
Net increase in cash and cash equivalents		**42,226,199**	**15,244,707**
Cash and cash equivalents at the beginning of the year		16,815,381	42,920,198
Cash and cash equivalents at the end of the year	**7**	**(2,794,348)**	**16,815,381**

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

Receivables and consumer debtors

The municipality assesses its receivables and consumer debtors for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of investment property is based on the market conditions. A valuation is performed on investment property by a professional valuer every five years.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 Provisions.

Useful lives of moveable assets

The municipality's management determines the estimated useful lives and related depreciation charges for the moveable assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful.

Retirement benefit obligations

The present value of the post retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement benefit obligations.

The actuaries determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuaries make reference to market yields at the year end date of South African long term bonds

Other key assumptions for post retirement benefit obligations are based on current market conditions. Additional information is disclosed in Note 17.

Effective interest rate

The municipality used the prime interest rate at year end to discount future cash flows.

1.2 Comparative figures

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

The comparative figures have been restated.

1.3 Presentation of currency

These annual financial statements are presented in South African Rand which is the Municipality's functional currency. All financial information has been rounded to the nearest Rand.

1.4 Offsetting

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

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration i.e. non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of operations and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Other financial assets

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

Investments

Investments are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as held for trading and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period.

1.7 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e. non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Estimated useful life in years
Computer software	5

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost.

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

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

Where an asset is acquired at no cost, or for a nominal cost, i.e. non-exchange transaction, its cost is its fair value as at date of acquisition.

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.

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

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

Subsequent cost

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Estimated useful life in years
Vehicles, tractors and trailers	5-7

Infrastructure	
- Electricity network	10-80
- Water network	10-80
- Roads and bridges	7-50
- Sanitation	7-80
- Solid waste - Landfills	15-75
- Storm water	7-50
Community	7-80
- Cemeteries	15-80
- Livestock facilities	7-55
- Municipal buildings	7-80
- Parks and gardens	7-80
- Sport facilities	7-80
- Housing	7-50
Other plant and equipment	
- Computer equipment	3-10
- Office equipment	3-5
- Furniture and fixtures	3-10
- Other	3-10
Leased assets	3-5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into loans and receivables category.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity
These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.10 Impairment of cash-generating assets

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.11 Impairment of non cash-generating assets

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

1.12 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for services rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that services:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans or State plans

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

The entity classifies a multi-employer plan or state plans as a defined contribution plan or a defined benefit plan under the terms of the plan.

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee services in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service costs as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation.

The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. A provision is reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense in surplus or deficit.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition, contingent liabilities recognised in entity combinations that are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised, except in entity combinations. Contingencies are disclosed in note 38.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounting for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class are revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non cash-generating assets.

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Conditional grants and receipts

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

1.20 Investment income

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

1.21 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Capital commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised only disclosed. Capital commitments are disclosed in note 37.

1.23 Unauthorised expenditure

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and subsequently where recovered, it is accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Public private partnerships (PPP's)

The municipality have the following PPP's:

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal network, inclusive of the revenue management process, as well as the implementation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/initial assets ("network assets") and will also install new assets ("investment asset"). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of

Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the network and shall ensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the investment assets will transfer to the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Rural shall pay to the Municipality a monthly royalty for the use of the Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed

except with regards to annual rates increases. Rural shall be entitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statements will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shall bear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respect of all demonstrable losses and damages including but not limited to, loss of future income as well as market-related compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guideline when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;

The municipality controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

- The underlying assets in the arrangement are recognised by the municipality;
- Any unitary payments made are split between the asset and service element;
- The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private party will receive a consideration from the municipality).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011
IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011
IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011
IGRAP 6: Loyalty Programmes 01 April 2011	01 April 2011
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011
IGRAP 9: Distributions of Non cash Assets to Owners	01 April 2011
IGRAP 10: Assets Received from Customers	01 April 2011
IGRAP 13: Operating Leases – Incentives	01 April 2011
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011
GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011
GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011
GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011
GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011
GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011
GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011
GRAP 11 (as revised 2010): Construction Contracts	01 April 2011
GRAP 12 (as revised 2010): Inventories	01 April 2011
GRAP 13 (as revised 2010): Leases	01 April 2011
GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011
GRAP 16 (as revised 2010): Investment Property	01 April 2011
GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011
GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011
GRAP 100 (as revised 2010): Non current Assets Held for Sale and Discontinued Operations	01 April 2011
GRAP 105: Transfers of functions between entities under common control	01 April 2011

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	01 April 2013	Unlikely that the standard will have a material impact.
GRAP 23: Revenue from Non exchange Transactions	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 24: Presentation of Budget Information In the Financial Statements	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 103: Heritage Assets	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 21: Impairment of non cash generating assets	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 26: Impairment of cash generating assets	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 25: Employee benefits	01 April 2013	Unlikely that the standard will have a material impact.
GRAP 104: Financial Instruments	01 April 2012	Unlikely that the standard will have a material impact.
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 106: Transfers of functions between entities not under common control	01 April 2012	Unlikely that the standard will have a material impact.
GRAP 107: Mergers	01 April 2014	Unlikely that the standard will have a material impact.
GRAP 20: Related parties	01 April 2013	Unlikely that the standard will have a material impact.

2.3 Standards and interpretations not yet effective or relevant

For reporting periods commencing on or after 1 April 2012, there are six newly effective Standards of GRAP. For financial years ending 30 June 2013 respectively, the following Standards of GRAP should be applied by municipalities:

- GRAP 21 Impairment of Non cash generating Assets
- GRAP 23 Revenue from Non exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in the Financial Statements
- GRAP 26 Impairment of Cash generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments.

	2012 (R)	2011 (R)
3. Inventories		
Consumable stores	390,687	456,138
Water in reservoirs and pipelines	288,204	269,150
	678,891	**725,288**
Inventories recognised as an expense during the year	62,358	420,645

Inventory pledged as security

No inventory was pledged as security for any financial liability.

	2012 (R)	2011 (R)
4. Other financial assets		
Held to maturity		
VKB Agriculture Limited - Members fund	183,610	151,425

The fund arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security shareholders loan.

	2012 (R)	2011 (R)
VKB Agriculture Limited - Reserves	79,335	–

The reserve arises from special awards allocated to members. Special awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security shareholders loan.

	2012 (R)	2011 (R)
	262,945	**151,425**
Loans and receivables		
VKB Agriculture Limited - Short term shareholders loan	1,202	1,143

Member loans bears interest at 5% per annum (2011: 5%) and is available on demand.

	2012 (R)	2011 (R)
VKB Agriculture Limited - Security shareholders loan	104,646	99,546

When the members fund awards mature after 15 years it is transferred to the shareholders loan account. The loan serves as security against the trading account. The loan bears interest at 5% per annum and is payable on demand after settling any outstanding balance on the trade account.

	2012 (R)	2011 (R)
VKB Agriculture Limited - Membership deposit	5,000	5,000

Membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.

	2012 (R)	2011 (R)
	110,848	**105,689**

	2012 (R)	2011 (R)
4. Other financial assets (continued)		
Total other financial assets	373,793	257,114
Non current assets		
Held to maturity	262,945	151,425
Current assets		
Loans and receivables	110,848	105,689
	373,793	257,114

Held to maturity financial assets

None of the held to maturity financial assets were impaired for the current or prior reporting period.

The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.

There were no gains or losses realised on the disposal of financial assets in the current or prior reporting period.

Loans and receivables impaired

None of the loans and receivables were impaired for the current or prior reporting period.

The maximum exposure to credit risk at the reporting date is the fair value of each loan mentioned above. The municipality does not hold any collateral as security.

	2012 (R)	2011 (R)
5. Receivables from exchange transactions		
Prepaid expense	134,159	–
Other debtors	219,683	28,617,895
Salary control accounts	15,816,818	10,313,683
Sundry services	–	12,310,602
	16,170,660	**51,242,180**

Receivables pledged as security

None of the receivables were pledged as security for any financial liability.

	2012 (R)	2011 (R)
6. Consumer debtors		
Gross balances		
Rates	13,297,664	86,434,475
Electricity	6,023,737	1,372,094
Water	37,026,531	575,701
Sewerage	28,028,386	–
Refuse	25,924,687	–
Other	23,861,077	–
	134,162,082	**88,382,270**

6. Consumer debtors (continued)

	2012 (R)	2011 (R)
Less: Provision for debt impairment		
Rates	(9,137,307)	(85,771,168)
Electricity	(4,139,128)	–
Water	(25,150,848)	–
Sewerage	(19,282,857)	–
Refuse	(17,790,257)	–
Other	(16,395,811)	–
	(91,896,208)	**(85,771,168)**
Net balance		
Rates	4,160,357	663,307
Electricity	1,884,609	1,372,094
Water	11,875,683	575,701
Sewerage	8,745,529	–
Refuse	8,134,430	–
Other	7,465,266	–
	42,265,874	**2,611,102**
Ageing		
Rates		
Current (0 - 30 days)	1,816,764	86,434,475
31 - 60 days	732,488	–
61 - 90 days	705,707	–
91 days +	10,042,705	–
	13,297,664	**86,434,475**
Electricity		
Current (0 - 30 days)	5,658	–
31 - 60 days	8,185	–
61 - 90 days	18,791	–
91 days +	5,991,103	–
Unmetered consumption	–	1,372,094
	6,023,737	**1,372,094**
Water		
Current (0 - 30 days)	3,003,339	–
31 - 60 days	1,567,501	–
61 - 90 days	847,916	–
91 days +	31,183,662	–
Unmetered consumption	424,113	575,701
	37,026,531	**575,701**
Sewerage		
Current (0 - 30 days)	2,121,407	–
31 - 60 days	924,790	–
61 - 90 days	926,050	–
91 days +	24,056,139	–
	28,028,386	**–**

6. Consumer debtors (continued)

	2012 (R)	2011 (R)
Refuse		
Current (0 - 30 days)	1,924,808	–
31 - 60 days	849,160	–
61 - 90 days	853,847	–
91 days +	22,296,872	–
	25,924,687	**–**
Other		
Current (0 - 30 days)	1,880,434	–
31 - 60 days	884,471	–
61 - 90 days	894,073	–
91 days +	20,202,099	–
	23,861,077	**–**
Summary of debtors by customer classification		
Residential		
Current (0 - 30 days)	8,648,000	–
31 - 60 days	4,054,138	–
61 - 90 days	3,389,523	–
91 days +	94,028,801	
	110,120,462	**–**
Less: Provision for debt impairment	(91,189,111)	–
	18,931,351	**–**
Municipal and government		
Current (0 - 30 days)	1,421,795	–
31 - 60 days	639,852	–
61 - 90 days	606,083	–
91 days +	13,764,271	–
	16,432,001	–
Less: Provision for debt impairment	(67,540)	–
	16,364,461	**–**
Business and industrial		
Current (0 - 30 days)	682,615	–
31 - 60 days	272,603	–
61 - 90 days	250,778	–
91 days +	5,979,509	–
	7,185,505	**–**
Less: Provision for debt impairment	(639,557)	–
	6,545,948	**–**

6. Consumer debtors (continued)

	2012 (R)	2011 (R)
Total		
Current (0 - 30 days)	10,752,410	–
31 - 60 days	4,966,594	–
61 - 90 days	4,246,384	–
91 days +	113,772,581	–
	133,737,969	–
Unmetered consumption	424,113	–
	134,162,082	**–**
Provision for debt impairment	(91,896,208)	(85,771,168)
Reconciliation of provision for debt impairment		
Balance at beginning of the year	(85,771,168)	(52,001,938)
Contributions to provision	(9,430,773)	(33,769,230)
Debt impairment written off against provision	3,305,733	–
	(91,896,208)	**(85,771,168)**

Consumer debtors pledged as security
No consumer debtors were pledged as security for any financial liability.

7. Cash and cash equivalents

	2012 (R)	2011 (R)
Cash and cash equivalents consist of:		
Cash on hand	61,021	30,952
Bank balance	–	16,588,527
Call and short-term deposits	268,909	195,902
Bank overdraft	(3,124,278)	–
	(2,794,348)	**16,815,381**
Current assets	329,930	16,815,381
Current liabilities	(3,124,278)	–
	(2,794,348)	**16,815,381**

Combined first Continuous Covering Mortage Bond (CCMB) for R1,500,000 over erf 150 and 152 Villiers and the remaining extension of erf 915 Frankfort.

The municipality had the following bank accounts

	Bank statement balances			Cash book balances		
Account number/description	**30 June 2012 (R)**	**30 June 2011 (R)**	**30 June 2010 (R)**	**30 June 2012 (R)**	**30 June 2011 (R)**	**30 June 2010 (R)**
ABSA - Primary cheque account - 40-5282-3517	642,061	1,935,468	(252,522)	(3,124,278)	16,588,527	42,711,023
ABSA - Call account - Savings - 90-9011-1270	55,056	9,679	9,574	55,056	9,679	9,574
ABSA - Call account - Friends of the poor - 92-2961-8782	48,913	28,761	15,463	48,913	28,761	15,463
ABSA - Call account - Operation Hlasela - 92-3238-7538	12,160	11,860	85,781	12,160	11,860	85,781
ABSA - Deposit account - 20-6691-9592	152,780	145,602	138,135	152,780	145,602	138,135
Total	**910,970**	**2,131,370**	**(3,569)**	**(2,855,369)**	**16,784,429**	**42,959,976**

8. Property, plant and equipment

	2012 Cost / Valuation (R)	2012 Accumulated depreciation & accumulated impairment (R)	2012 Carrying value (R)	2011 Cost / Valuation (R)	2011 Accumulated depreciation & accumulated impairment (R)	2011 Carrying value (R)
Buildings	–	–	–	2,682,990	–	2,682,990
Communication equipment	–	–	–	70,865	–	70,865
Community	109,719,464	–	109,719,464	5,245,233	–	5,245,233
Furniture and fixtures	–	–	–	1,136,431	–	1,136,431
Housing development fund	–	–	–	4,871,559	–	4,871,559
IT equipment	–	–	–	1,374,691	–	1,374,691
Infrastructure	665,350,851	–	665,350,85	173,035,014	–	173,035,014
Land	–	–	–	694,837	–	694,837
Landfill sites	2,964,000	(276,360)	2,687,640	2,586,691	(213,707)	2,372,984
Leased assets	2,893,483	(2,121,888)	771,595	2,893,483	(1,543,191)	1,350,292
Office equipment	–	–	–	286,955	–	286,955
Other plant and equipment	1,025,371	(113,043)	912,328	2,243,913	–	2,243,913
Plant and machinery	–		–	7,914,745	–	7,914,745
Vehicles, tractors and trailers	2,688,062	(36,012)	2,652,050	8,985,237	–	8,985,237
Work in progress	2,958,437	–	2,958,437	–	–	–
Total	**787,599,668**	**(2,547,303)**	**785,052,365**	**214,022,644**	**(1,756,898)**	**212,265,746**

Reconciliation of property, plant and equipment - 2012

	Opening balance (R)	Additions (R)	Transfers (R)	Depreciation (R)	Total (R)
Buildings	2,682,990	–	(2,682,990)	–	–
Communication equipment	70,865	–	(70,865)	–	–
Community	5,245,233	–	104,474,231	–	109,719,464
Furniture and fixtures	1,136,431	–	(1,136,431)	–	–
Housing development fund	4,871,559	–	(4,871,559)	–	–
IT equipment	1,374,691	–	(1,374,691)	–	–
Infrastructure	173,035,014	–	492,315,837	–	665,350,851
Land	694,837	–	(694,837)	–	–
Landfill sites	2,372,984	377,309	–	(62,653)	2,687,640
Leased assets	1,350,292	–	–	(578,697)	771,595
Office equipment	286,955	–	(286,955)	–	–
Other property, plant and equipment	2,243,913	312,947	(1,592,964)	(51,568)	912,328
Plant and machinery	7,914,745	–	(7,914,745)	–	–
Vehicles, tractors and trailers	8,985,237	802,775	(7,099,950)	(36,012)	2,652,050
Work in progress	–	2,958,437	–	–	2,958,437
	212,265,746	**4,451,468**	**569,064,081**	**(728,930)**	**785,052,365**

Reconciliation of property, plant and equipment - 2011

	Opening balance (R)	Additions (R)	Depreciation (R)	Total (R)
Buildings	2,682,990	–	–	2,682,990
Communication equipment	70,865	–	–	70,865
Community	5,245,233	–	–	5,245,233
Furniture and fixtures	1,136,431	–	–	1,136,431
Housing development fund	4,871,559	–	–	4,871,559
IT equipment	1,374,691	–	–	1,374,691
Infrastructure	173,035,014	–	–	173,035,014
Land	694,837	–	–	694,837
Landfill sites	2,180,786	244,091	(51,893)	2,372,984
Leased assets	1,928,989	–	(578,697)	1,350,292
Office equipment	286,955	–	–	286,955
Other property, plant and equipment	2,243,913	–	–	2,243,913
Plant and machinery	7,914,745	–	–	7,914,745
Vehicles, tractors and trailers	8,985,237	–	–	8,985,237
	212,652,245	**244,091**	**(630,590)**	**212,265,746**

	2011 (R)	2010 (R)
Pledged as security No property, plant and equipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note 12.		
Assets subject to finance lease (Net carrying amount)		
Leased assets	771,595	1,350,292
Management has determined that its infrastructure assets does not have active market values, and the value of the amount at the end of its life would therefore be nil or insignificant.		

9. Intangible assets

	2012 Cost (R)	2012 Accumulated amortisation /impairment (R)	2012 Carrying value (R)	2011 Cost (R)	2011 Accumulated amortisation /impairment (R)	2011 Carrying value (R)
Computer software	1,747,397	(1,544,897)	202,500	1,747,397	(1,215,418)	531,979

Reconciliation of intangible assets - 2012	Opening balance (R)	Amortisation (R)	Total (R)
Computer software	531,979	(329,479)	202,500

Reconciliation of intangible assets - 2011	Opening balance (R)	Amortisation (R)	Total (R)
Computer software	861,459	(329,480)	531,979

Pledged as security

No intangible asset was pledged as security for any financial liability.

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight line method over a period of 5 years.

10. Financial assets by category

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

2012	Loans and receivables (R)	Held to maturity investments (R)	Total (R)
Other financial assets - Current	110,848	–	110,848
Other financial assets - Non-current	–	262,945	262,945
Receivables from exchange transactions	16,170,660	–	16,170,660
Cash and cash equivalents	329,930	–	329,930
Consumer debtors	42,265,874	–	42,265,874
	58,877,312	**262,945**	**59,140,257**

2011	Loans and receivables (R)	Held to maturity investments (R)	Total (R)
Other financial assets - Current	105,689	–	105,689
Other financial assets - Non-current	–	262,945	262,945
Receivables from exchange transactions	51,242,180	–	51,242,180
Cash and cash equivalents	16,815,381	–	16,815,381
Consumer debtors	2,611,102	–	2,611,102
	70,774,352	**151,425**	**70,925,777**

11. Non current borrowings	**2012 (R)**	**2011 (R)**
Held at amortised cost		
DBSA Loan 61000406	–	2,139,333
This loan is from the Development Bank of Southern Africa (DBSA) and repayments are made on a 6 monthly basis. The loan will be redeemed on 31 December 2018 and bears interest at a fixed rate of 5% on the loan and 7% on arrears.		
DBSA Loan 61006963	2,255,132	–
This loan is from the Development Bank of Southern Africa (DBSA) and repayments are made on a 3 monthly basis. The loan will be redeemed on 31 December 2021 and bears interest at a fixed rate of 5% on the loan and 7% on arrears.		
	2,255,132	**2,139,333**

The municipality defaulted on the repayment of the loan number 61000406 as no repayments were made.

The terms were renegotiated and loan number 61000406 was rescheduled on 1 March 2012 to loan number 61006963. None of the terms attached to the loan number 61000406 was changed for loan number 61006963, except for the repayments from 6 monthly (half yearly) to 3 monthly (quarterly).

The municipality defaulted on the repayment of the loan number 61006963 as no repayments were made. Subsequent to year end, repayments to the amount of R 140,661 was made on loan number 61006963.

The carrying amount of loan number 61006963 in arrear at the end of the current reporting period was R 140,661.

	2012 (R)	2011 (R)
Non-current liabilities		
At amortised cost	1,931,835	1,900,042
Current liabilities		
At amortised cost	323,297	239,291
	2,255,132	**2,139,333**

12. Finance lease liabilities	**2012 (R)**	**2011 (R)**
Minimum lease payments due		
- within one year	1,379,391	1,060,872
- in second to fifth year inclusive	366,380	1,521,030
	1,745,771	**2,581,902**
Less: Future finance charges	(176,873)	(475,437)
Present value of minimum lease payments	**1,568,898**	**2,106,465**
Present value of minimum lease payments due		
- within one year	1,213,540	762,307
- in second to fifth year inclusive	355,358	1,344,158
	1,568,898	**2,106,465**
Non current liabilities	355,358	1,344,158
Current liabilities	1,213,540	762,307
	1,568,898	**2,106,465**

It is municipality policy to lease certain photo copier machines and office equipment under finance leases.

The lease term is 5 years and the average effective borrowing rate was 15.5% (2011: 15.5%).Interest rates are fixed at the contract date. All leases escalate at 15% per annum and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets to the carrying value of R 771,596 (2011: R 1,350,292) as per note 8.

Defaults
The municipality did not default on the repayments during the current and prior reporting period. No terms and conditions were renegotiated.

13. Payables from exchange transactions	2012 (R)	2011 (R)
13th Cheque accrual*	1,135,183	977,260
Accrued expenses	9,379,117	3,168,598
Accrued leave pay	5,201,775	2,187,136
Department of Water Affairs and Forestry (DWAF)	38,864,425	35,205,921
Electricity payable**	2,890,882	–
Eskom	43,300,768	27,259,267
Income received in advance***	7,023,44	–
Other payables	12,160	30,739,858
Pre payments received from consumer debtors	11,358,853	8,507,562
Retention's on contract creditors	3,372,618	–
Trade payables	10,846,816	(37,009,642)
	133,386,042	**71,035,960**

	2012 (R)	2011 (R)
13. Payables from exchange transactions (continued)		
The Municipality defaulted on the payment of suppliers within legislative 30 days.		
* Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year		
- end represents the portion of the bonus which has vested with regards to the current salary.		
** Being the electricity usage on municipal buildings, street lights, traffic lights and pumps due to the service provider Rural Maintenance (Pty) Ltd.		
*** The Municipality is receiving an inflow of resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.		
14. VAT payable		
VAT payable	11,371,335	8,336,887
The Municipality is registered on the cash basis for VAT purposes. This means VAT is only declared once cash is received or actual payment is made.		
15. Consumer deposits		
Electricity and water	684,969	622,996
No guarantees are held in lieu of consumer deposits.		
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Minerals and Energy grant (DME)	6,144,218	2,239,020
Finance management grant (FMG)	438,602	–
Municipal infrastructure grant (MIG)	–	(38,328)
Municipal systems improvement grant (MSIG)	485,191	–
	7,068,011	**2,200,692**

See note 24 for detail of grant received 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 for the current and prior reporting period.

17. Employee benefits

Post retirement medical aid plan

The municipality has a post employment medical aid fund for its pensioners, where the employer subsidy policy is 60% of the total contribution payable for the principal member and spouse where applicable, until the time of death of the principal member.These post retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC) which was signed on 17 January 2003.

Long service benefits

The municipality's liability for long service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five years's service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed July 2010.

	2012 (R)	2011 (R)
17. Employee benefits (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligations	11,059,799	9,624,299
These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	9,624,299	3,685,000
Benefits paid and contributions made	(592,873)	–
Net expense recognised in the statement of financial performance	2,028,373	5,939,299
Closing balance	**11,059,799**	**9,624,299**
Net expense recognised in the statement of financial performance		
Current and past service cost	453,049	5,215,299
Interest cost	800,801	301,000
Actuarial losses recognised	774,523	423,000
Total included in employee related costs	**2,028,373**	**5,939,299**
Calculation of actuarial gains and losses		
Actuarial losses – Obligations	774,523	423,000
Key assumptions used		
Discount rate	7.77 %	8.50 %
Medical aid inflation rate	6.27 %	7.00 %
Salary inflation rate	5.77 %	6.50 %

Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme option as at 1 January 2012.

Retirement age, it has been assumed that both male and female members retire at age 65. No allowance has been made for early retirement either due to ill health or at the option of the member.

Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement.

Pre retirement, mortality of continuation members and withdrawal rates are in accordance with SA85 90 ultimate male and female tables.

Post retirement, mortality of continuation members and withdrawal rates are in accordance with PA(90) ultimate male and female tables, assuming that there is a 4 year age difference between male and female spouse.

The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS 19.

17. **Employee benefits (continued)**

Other assumptions

Assumed medical inflation rate has a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed medical aid inflation rate would have the following effects:

	2012 (R)	2011 (R)
	One percentage point increase	**One percentage point decrease**
Increase in defined benefit obligation	850,842	(736,125)
Increase in service cost and interest cost	80,764	(69,780)

The municipality expects to pay benefits of R 454,044 towards post retirement medical aid and R 436,904 towards long service benefits to its employee benefits in 2013.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

	2012 (R)	2011 (R)	2010 (R)	2009 (R)	2008 (R)
Defined benefit obligations	(11,059,799)	(9,624,299)	(3,685,000)	–	–

Defined contribution plans

Included in defined contribution plan information above, are the following plans which are multi employer funds and are defined benefit plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as a defined benefit plans. The municipality accounted for the following plans as defined contribution plans:

South African Local Authorities Pension Fund (SALA)
Free State Municipal Pension Fund (FSMPF)

This is in line with the exemption in IAS19 paragraph 30 which states that where information required for proper defined benefit 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.

South African Local Authorities Pension Fund (SALA):
Some employees belong to the South African Local Authorities Pension Fund (SALA). The latest actuarial valuation of the fund was 1 July 2010. The valuation indicated that the fund is in sound financial position. The actuarial valuation state that the fund is currently 96% funded by employer contributions. This has remained stable since the previous valuation date. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation. The total liabilities of the fund are R7,418 million which are financed by net assets of R7,110 million.

Free State Municipal Pension Fund (FSMPF):
Some employees belong to the Free State Municipal Pension Fund (FSMPF). The latest actuarial valuation of the fund was 30 June 2005. The valuation indicated that the fund is in sound financial position. The total liabilities of the fund are R1,308 million which are financed by net assets of R1,530 million. According to the actuaries it is not possible to report separately for each municipality on these funds, thus the reason for treating the funds as contribution plans in terms of IAS19 paragraph 30.

18. **Non-current provisions**

Reconciliation of non current provisions - 2012

	Opening balance (R)	Additions (R)	Total (R)
Rehabilitation of landfill sites	2,586,691	377,309	2,964,000

Reconciliation of non current provisions - 2011

	Opening balance (R)	Additions (R)	Total (R)
Rehabilitation of landfill sites	2,342,600	244,091	2,586,691

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through site investigations conducted as part of the study. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs and Forestry which falls under the Waste Act (Act No. 59 of 2008).

The payment dates of total closure and rehabilitation are uncertain.

The Municipality has four active landfill sites as per the infrastructure asset register:
- Frankfort Landfill;
- Mafahlaneng Landfill (Tweeling);
- Ntshwanatsatsi Landfill (Cornelia); and
- Villiers Landfill.

A permit issued to any landfill site before 2008 would have fallen under the Environment Conservation Act (Act No. 73 of 1989). It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licensed as required by the Waste Act (Act No. 59 of 2008).

19. Financial liabilities by category

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

	Financial liabilities at amortised cost	Total (R)
2012		
Consumer deposits	684,969	684,969
Current portion of finance lease liabilities	1,213,540	1,213,540
Payables from exchange transactions	133,386,044	133,386,044
Bank overdraft	3,124,278	3,124,278
Current portion of non-current borrowings	323,297	323,297
Non current borrowings	1,931,835	1,931,835
Finance lease liabilities	355,358	355,358
	141,019,321	**141,019,321**
2011		
Consumer deposits	622,996	622,996
Current portion of finance lease obligation	762,307	762,307
Payables from exchange transactions	71,035,960	71,035,960
Current portion of non-current borrowings	239,291	239,291
Non current borrowings	1,900,042	1,900,042
Finance lease obligation	1,344,158	1,344,158
	75,904,754	**75,904,754**

20. Revenue

	2012 (R)	2011 (R)
Fines	218,185	357,913
Government grants and subsidies	106,096,725	69,258,163
Property rates	19,167,186	2,998,795
Rental of facilities and equipment	400,758	477,955
Service charges	67,415,830	43,153,066
	193,298,684	116,245,892
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	67,415,830	43,153,066
Rental of facilities and equipment	400,758	477,955
	67,816,588	**43,631,021**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	19,167,186	2,998,795
Fines	218,185	357,913
Transfer revenue		
Government grants and subsidies	106,096,725	69,258,163
	125,482,096	**72,614,871**

21. Property rates

	2012 (R)	2011 (R)
Rates received		
Residential	12,845,002	13,175,954
Business and industrial	12,516,132	10,080,465
Farms and agriculture	455,566	1,399,879
Income forgone*	(6,649,514)	(21,657,503)
	19,167,186	**2,998,795**

* Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2012 (R)	2011 (R)
Valuations		
Residential	1,200,356,066	571,146,879
Business and industrial	199,749,880	130,385,000
Municipal and government	21,343,250	13,316,220
Farms and agriculture	289,608,435	445,524,998
Institutional, educational and churches	56,668,032	91,823,000
	1,767,725,663	**1,252,196,097**

Valuations on land and buildings are performed every 4 years. Supplementary valuations will be done be done on an annual basis to ensure that the valuation roll is properly maintained. The updated general valuation was done in November 2010 and the valuation roll was implemented on 1 July 2011.

The first R50,000 of the valuation of residential property is exempted from rates.

Rates become due and payable monthly in advance and interest as prescribed by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) will be charged on amounts not paid within 30 days.

From 1 July 2011 the basic rates were adjusted as follows:
R0.008980 on the value of rateable residential property
R0.052000 on the value of rateable government property
R0.000505 on the value of agricultural property
R0.017960 on the value of rateable business property
R0.044900 on the value of vacant stands

22. Service charges

	2012 (R)	2011 (R)
Refuse removal	11,449,812	8,696,948
Sale of electricity	25,044,915	29,765,418
Sale of water	17,513,749	13,643,568
Sundry service charges	857,142	(18,096,587)
Sewerage and sanitation charges	12,534,612	9,129,319
Solid waste	15,600	14,400
	67,415,830	**43,153,066**

	2012 (R)	2011 (R)
23. Rental of facilities and equipment		
Premises		
Premises	369,610	444,915
Venue hire	31,148	33,040
	400,758	**477,955**
24. Government grants and subsidies		
Department of Minerals and Energy grant (DME)	8,194,397	2,518,386
Department of Water Affairs and Forestry grant (DWAF)	674,790	–
Equitable share	67,056,228	61,766,236
Fezile Dabi District Municipality	3,199,209	–
Finance management grant (FMG)	1,011,398	755,701
Local Government Sector Education and Training Authority grant (LGSETA)	233,963	–
Municipal infrastructure grant (MIG)	25,421,931	3,467,840
Municipal systems improvement grant (MSIG)	304,809	750,000
	106,096,725	**69,258,163**

Equitable share

In terms of the Constitution of the Republic of South Africa No. 108 of 1996, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Department of Minerals and Energy grant (DME)	2012 (R)	2011 (R)
Balance unspent at beginning of year	2,239,020	–
Current year receipts	12,100,000	8,000,406
Conditions met - transferred to revenue	(8,194,397)	(5,761,386)
Other	(405)	–
	6,144,218	**2,239,020**

Conditions still to be met - remain liabilities (see note 16).

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. (INEP)

Department of Water Affairs and Forestry (DWAF)	2012 (R)	2011 (R)
Current-year receipts	674,790	–
Conditions met - transferred to revenue	(674,790)	–
	–	**–**

Conditions still to be met remain liabilities (see note 16).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

	2012 (R)	2011 (R)
24. Government grants and subsidies (continued)		
Finance management grant (FMG)		
Current-year receipts	1,450,000	1,000,000
Conditions met transferred to revenue	(1,011,398)	(1,000,000)
	438,602	**–**

Conditions still to be met remain liabilities (see note 16).

The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.

Municipal infrastructure grant (MIG)	2012 (R)	2011 (R)
Balance unspent at beginning of year	(38,328)	(19,192)
Receipts	21,303,000	14,385,000
Conditions met transferred to revenue	(25,421,931)	(14,404,136)
Own funding	4,157,259	–
	–	**(38,328)**

Conditions still to be met remain liabilities (see note 16).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

This 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.

Municipal systems improvement grant (MSIG)	2012 (R)	2011 (R)
Current year receipts	790,000	750,000
Conditions met transferred to revenue	(304,809)	(750,000)
	485,191	**–**

Conditions still to be met remain liabilities (see note 16).

The purpose of this 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 and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2012 (Act No. 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming financial years.

25. Other income

	2012 (R)	2011 (R)
Auction fees	190,919	502,472
Building plans	56,643	75,667
Cemetery fees	165,705	121,774
Certificates	70,339	46,381
Connection fees	169,875	269,134
Ground gravel and soil	27,862	48,174
Income from agency services*	292,644	–
Licences and permits	1,313	2,952
Meter fees	6,406	49,476
Other income	35,304	10,495
Recoveries - Other	–	16,414
Recoveries - Salary cost**	1,254,972	248,157
Sundry income	1,916,472	1,490,209
Tender deposits	13,816	13,318
	4,202,270	**2,894,623**

* Rural Maintenance (Pty) Ltd electricity addition assets received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income from agency services over the term of the PPP agreement.

** The municipality pay the employees seconded to Rural Maintenance (Pty) Ltd and invoice Rural to recover the salary cost.

26. Investment revenue

	2012 (R)	2011 (R)
Interest revenue		
Other financial asset	5,159	29,028
Cash and cash equivalents	239,438	–
Interest charged on trade and other receivables	8,921,958	7,418,100
	9,166,555	**7,447,128**

27. In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance during the current or prior year.

28. Employee related costs

	2012 (R)	2011 (R)
Acting allowances	571,235	486,703
Basic	33,794,398	33,140,491
Bonus	2,482,813	2,601,971
Car allowance	2,005,739	1,566,942
Housing benefits and allowances	23,606	133,337
Industrial council levy	73,090	84,342
Leave	3,671,381	2,176,402
Medical aid	2,048,346	2,174,615
Other allowances	839,725	645,501
Overtime payments	1,531,343	1,292,269
Pension	5,232,798	5,580,356
Service cost - Retirement benefit obligations	(139,824)	5,215,299
SDL	700,044	798,765
Telephone allowances	5,473	18,103
Travel and subsistence allowances	1,623,090	1,144,754
UIF	407,323	400,240
	54,870,580	**57,460,090**

Remuneration of Municipal Manager - Radebe P I

	2012 (R)	2011 (R)
Annual remuneration	510,214	285,304
Back pay	59,059	–
Contributions to SDL	7,032	7,445
Contributions to UIF	1,497	1,497
Contributions to medical aid	–	42,796
Contributions to pension funds	168,080	171,182
Travel allowance	213,978	213,978
	959,860	**722,202**

Remuneration of Chief Finance Officer - Molefe N N

	2012 (R)	2011 (R)
Acting allowance	215,470	251,957
Annual remuneration	281,895	214,232
Back pay	52,255	–
Contributions to SDL	6,097	5,569
Contributions to UIF	1,497	1,497
Contributions to pension funds	23,801	–
Travel allowance	113,410	135,367
	694,425	**608,622**

	2012 (R)	2011 (R)
28. Employee related costs (continued)		
Director Corporate Services - Malindi M S		
Acting allowance	210,216	269,518
Annual bonus	–	25,738
Annual remuneration	303,083	255,865
Back pay	51,650	–
Contributions to SDL	6,206	5,963
Contributions to UIF	1,622	1,497
Contributions to medical aid	–	5,451
Contributions to pension funds	49,665	66,795
Leave paid out	44,516	–
Travel allowance	97,476	54,149
UIF allowance	–	624
	764,434	**685,600**
Director Community Services - Mofokeng Z E		
Annual remuneration	536,677	512,620
Back pay	49,809	–
Contributions to SDL	7,109	5,311
Contributions to UIF	1,622	1,497
Contributions to medical aid	–	13,313
Contributions to pension funds	79,892	106,522
Leave paid out	109,082	–
Travel allowance	74,017	74,017
	858,208	**713,280**
Director Land use and Human Settlement - Radebe N E		
Annual remuneration	514,685	505,447
Backpay	53,657	–
Contributions to SDL	6,420	5,886
Contributions to UIF	1,497	1,497
Contributions to pension funds	8,753	–
Travel allowance	96,000	96,000
	681,012	**608,830**

	2012 (R)	2011 (R)
29. Remuneration of councillors		
Mayor - Ntombela L M D	704,950	679,188
Speaker - Moloi T M	616,451	562,493
Part time Councillors	4,106,584	3,124,161
	5,427,985	**4,365,842**

In-kind benefits

The Mayor and Speaker are full time employees of the municipality and each are provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a separate Council owned vehicle for official duties.

	2012 (R)	2011 (R)
30. Depreciation and amortisation		
Property, plant and equipment	728,930	630,590
Intangible assets	329,479	329,479
	1,058,409	**960,069**
31. Finance costs		
Cash and cash equivalents	–	51,663
Finance leases	523,305	959,683
Late payment of taxes	532,831	301,000
Non-current borrowings	115,798	111,812
Employee benefits	800,801	–
Trade and other payables	5,887,386	–
	7,860,121	**1,424,158**
32. Debt impairment		
Contributions to debt impairment provision	9,430,773	33,769,230
33. Bulk purchases		
Electricity	32,482,291	39,834,576
Water	3,190,159	3,805,799
	35,672,450	**43,640,375**

34. General expenses

	2012 (R)	2011 (R)
Administration cost	122	–
Advertising	302,798	166,055
Assets expensed	247,298	28,857
Auditors remuneration	9,395,277	2,811,108
Bank charges	741,185	769,465
Billing charges	450	175,439
Bursaries	380,602	336,044
Chemicals	23,362,198	9,242,011
Cleaning	1,511,777	797,816
Community development and training	19,551,049	9,738,058
Conferences and seminars	144,334	24,949
Consulting and professional fees	2,109,683	817,979
Consumables	62,358	420,645
Donations	50,332	3,991
Electricity	4,654,049	1,455,186
Entertainment	395,385	268,742
Fuel and oil	2,660,919	1,921,499
IT expenses	195,875	1,171,628
Indigent subsidies	7,708,564	4,792,576
Insurance	117,554	1,053,899
Integrated development plan (IDP)	413,759	152,823
Legal fees	730,163	1,346,415
Magazines, books and periodicals	48,794	31,727
Motor vehicle expenses	1,484,606	85,455
Other expenses	–	2,706,534
Pauper burials	77,947	87,948
Penalties and interest	46,490	6,106
Policies and by-laws	332,040	498,392
Postage and courier	376,760	468,591
Printing and stationery	1,080,890	2,561,323
Protective clothing	377,923	95,173
Refuse	292,109	–
Security	493,968	415,583
Software expenses	899,233	988,673
Staff welfare	146,455	–
Subscriptions and membership fees	542,381	211,193
Telephone and fax	3,157,438	1,724,560
Training	246,735	117,817
	84,339,500	**47,494,260**

35. Fair value adjustments

	2012 (R)	2011 (R)
Actuarial loss on employee benefits	(774,523)	(423,000)
Other financial assets		
- VKB Agriculture Limited	111,520	–
	(663,003)	**(423,000)**

36. Cash generated from operations

	2012 (R)	2011 (R)
Surplus (deficit) for the year	(3,422,955)	(72,367,151)
Adjustments for:		
Depreciation and amortisation	1,058,409	960,069
Fair value adjustments	663,003	423,000
Finance costs - Finance leases	523,305	959,683
Debt impairment	9,430,773	33,769,230
Movements in operating lease liability	–	(410,061)
Movements in retirement benefit obligations	1,435,500	5,939,299
Movements in provisions	377,309	2,586,691
Other non-cash items	(18,783,629)	37,968,693
Changes in working capital:		
Inventories	46,397	(335,756)
Receivables from exchange transactions	35,071,520	(10,451,557)
Consumer debtors	(49,085,545)	(6,953,923)
Payables from exchange transactions	62,350,072	19,653,176
VAT	3,034,448	828,500
Unspent conditional grants and receipts	4,867,319	2,219,884
Consumer deposits	61,973	(403,921)
	47,627,899	**14,385,856**

37. Commitments

	2012 (R)	2011 (R)
Authorised capital expenditure		
Already contracted for but not provided for		
- Property, plant and equipment	30,936,917	12,701,718

This committed expenditure relates to plant and equipment and will be financed by available bank and external loan facilities, existing cash resources and unspent government grants and receipts.

38. Contingent liabilities

The municipality has the following contingent liabilities:

Masoka N L (Previous Municipal Manager) vs Mafube Local Municipality:
A civil claim was lodged by and employee for non payment of leave and appraisal bonus for the financial years 2008/09 and 2009/10. The attorneys estimated a total claim of R 106,738 excluding legal costs in the prior year. The case was finalised with a court order dated 1 December 2011 and it was settled by the municipality on 5 June 2012. The attorney and client costs have not yet been taxed.

Unlicensed landfill sites:
The municipality has four active landfill sites. It has been identified that the landfill sites situated in Frankfort, Tweeling, Cornelia and Villiers are not licensed as required by the National Environmental Management: Waste Act, (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R 10,000,000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

39. Prior period errors

The following errors relating to prior year were identified in the current period and have been adjusted as indicated below:

1.) The year end water inventory estimate of water in pipelines and water in reservoirs amounting to R 269,150 were not accounted for in the prior reporting period.
2.) The VKB Agriculture Limited investments amounting to R 257,114 and interest on the investments amounting to R 29,028 were not accounted for in the prior reporting period.
3.) Computer software purchased with a carrying amount of R 531,979 were incorrectly expensed as software instead of capitalising it as intangible assets. Amortisation on the assets amounting to R 329,479 were also corrected.
4.) The landfill site rehabilitation provision amounting to R 2,586,691 were not accounted for in the prior reporting period.
5.) No actuarial valuation of long service awards were performed for in the prior reporting period amounting to R2,509,702 and only 15 continuation members were valued for the post retirement medical aid however the data should contain continuation and inservice members amounting to R 2,705,597.
6.) A repayment made of R 235,912 on the DBSA loan was incorrectly allocated to the wrong vote number and was not taken into account when balancing the loan to the year end statement.
7.) The municipality lease certain photo copier machines. The lease was incorrectly accounted for as an operating lease instead of a finance lease in the prior year, amounting in an increase in finance leases of R 2,106,465 and a decrease in operating leases of R 467,036.
8.) At an ordinary council meeting held on the 10 March 2011 it was resolved by Council to abandon the process to complete implementation of the valuation on 1 July 2009 and to reverse all property tax levies raised from 1 July 2009. The reversal of rates were incorrectly done in the current financial year instead of in the two prior financial years which resulted in an overstatement of consumer debtors amounting to R 20,056,187

39. Prior period errors (continued)

The correction of the errors results in adjustments as follows:

	2012 (R)	2011 (R)
Statement of Financial Position		
Increase in inventories	269,150	269,150
Increase in other financial assets	257,114	257,114
Decrease in consumer debtors	(20,056,186)	(20,056,186)
Increase in property, plant and equipment	3,723,276	3,723,276
Increase in intangible assets	531,979	531,979
Increase in finance lease liabilities	(2,106,465)	(2,106,465)
Decrease in operating leases	467,037	467,037
Increase in non-current borrowings	(235,912)	(235,912)
Increase in employee benefits	(5,215,299)	(5,215,299)
Increase in provisions	(2,586,691)	(2,586,691)
Decrease in accumulated surplus	24,951,997	10,235,788
Statement of Financial Performance		
Decrease in property rates	–	8,953,170
Increase in interest received	–	(29,028)
Increase in employee related costs	–	5,215,299
Increase in depreciation and amortisation	–	960,069
Increase in finance cost	–	928,867
Decrease in bulk purchases	–	(269,150)
Decrease in general expenses	–	(1,043,018)

40. Comparative figures

Certain comparative figures have been reclassified to disclose and provide information that is more relevant to the users of the financial statements and to show each material class of similar items separately in the financial statements. Thus to present items of dissimilar nature or function separately in the financial stamens.

The effects of the reclassification are as follows:

	2012 (R)	2011 (R)
Statement of financial position		
Increase in receivables from exchange transactions	–	7,458,782
Increase in consumer debtors	–	6,584,968
Increase in cash and cash equivalents	–	145,602
Decrease in investments	–	(145,602)
Increase in payables from exchange transactions	–	(13,779,646)
Increase in VAT payable	–	(2,687,149)
Decrease in provisions	–	2,187,136
Decrease in non-current borrowings	–	235,912

40. Comparative figures (continued)

	2012 (R)	2011 (R)
Statement of Financial Performance		
Decrease in service charges	–	16,805,438
Increase in other income	–	(1,140,034)
Increase in government grants and subsidies	–	(4,792,576)
Decrease in miscellaneous other revenue	–	212,434
Decrease in rendering of services	–	911,330
Increase in employee related costs	–	443,126
Decrease in debt impairment	–	(18,748,920)
Decrease in bulk purchases	–	(8,038,014)
Increase in general expenses	–	13,924,216
Increase in fair value adjustments	–	423,000

41. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:
- Suppliers were not paid within the legislative 30 days;
- The municipality defaulted on the repayment of the DBSA non current borrowings;
- VAT returns were not submitted and paid to SARS on time;
- PAYE, UIF and SDL were not submitted and paid over to SARS on time;
- Statutory deductions from salaries were deducted but not paid over on time; and
- Employee benefit obligations are unfunded.

The municipality is exploring alternative options to improve it's financial position.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The accounting officer must continue to procure funding for the ongoing operations of the municipality.

Although certain going concern ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

42. Events after the reporting date

No significant events occurred after the reporting date.

43. Related parties

Relationships	
Members of key management	Refer to general info and note 28 employee related cost.
Members of Council	Refer to general info and note 29 remuneration of Councillors.

Related party balance
In terms of section 164 (1)(c) of the Municipal Finance Management Act (Act No. 56 of 2003) the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

No related party balances were identified for the current and prior reporting period.

Related party transactions
Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers.

These transactions are recorded at arms length.

44. Risk management

Capital risk management
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for all stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 11, 12, cash and cash equivalents disclosed in note 7 and net assets as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management
The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk
Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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.

Interest rate risk
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing.

The entity's interest rate risk arises from non current borrowings and finance leases. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings and finance leases are not based on prime and therefore fluctuations in prime will not affect the municipality.

44. Risk management (continued)

	2012 (R)	2011 (R)
Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:		
Financial instrument		
Non current borrowings	2,255,132	2,139,333
Finance leases	1,568,898	2,106,465

Credit risk

Credit risk is the risk that counterparty to a financial or non financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risks consists mainly of cash deposits, cash equivalent and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any on counter-party.

Consumer debtors comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis. If consumers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer debtors are presented net of an allowance for impairment. Credit risk pertaining to consumer debtors is considered to be high due to a history of nonpayment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. Consumer debtors whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer debtor or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets which exposes the municipality to credit risk at year end were as follows:

Financial instrument	2012 (R)	2011 (R)
Receivables from exchange transactions	16,170,660	51,242,180
Consumer debtors (Net)	42,265,874	2,611,102
Cash and cash equivalents (Favourable balances)	329,930	16,815,381
Other financial assets	262,945	151,425

The municipality is exposed to a guarantee for the unused bank overdraft facility in favour of ABSA bank Limited. Refer to note 7 for additional details.

Price risk

The municipality is not exposed to price risk.

	2012 (R)	2011 (R)
45. Unauthorised expenditure		
Unauthorised expenditure - budget overspending	17,925,031	–
46. Fruitless and wasteful expenditure		
Opening balance	10,728,059	7,297,463
Prior year restatement	–	619,291
Fruitless and wasteful expenditure	7,114,662	2,811,305
	17,842,721	**10,728,059**

No criminal or disciplinary steps were taken as a consequence of above expenditure.

No fruitless and wasteful expenditure was condoned during the current or previous year.

Details of fruitless and wasteful expenditure incidents	Disciplinary steps taken / criminal proceedings	2009/10
Arrear interest - DBSA Loan	Report to be submitted to Council, awaiting condonement by Council.	13,729
Interest on overdue account - DBSA	Report to be submitted to Council, awaiting condonement by Council.	7,217,711
Interest on overdue account - Eskom	Report to be submitted to Council, awaiting condonement by Council.	66,023

Details of fruitless and wasteful expenditure incidents	Disciplinary steps taken / criminal proceedings	2010/10
Arrear interest - DBSA Loan	Report to be submitted to Council, awaiting condonement by Council.	31,751
Interest and penalties on late payment of PAYE - SARS	Report to be submitted to Council, awaiting condonement by Council.	537,341
Penalties and interest on late payment of SDL - SARS	Report to be submitted to Council, awaiting condonement by Council.	49,541
Penalties and interest on late payment of UIF - SARS	Report to be submitted to Council, awaiting condonement by Council.	72,762
Interest and penalties on late payment of VAT - SARS	Report to be submitted to Council, awaiting condonement by Council.	38,080
Interest on overdue account - Eskom	Report to be submitted to Council, awaiting condonement by Council.	2,539,387
Interest on overdue account - Steadfast Engineering	Report to be submitted to Council, awaiting condonement by Council.	23,617
Interest on overdue account - Telkom	Report to be submitted to Council, awaiting condonement by Council.	3,462
Interest on overdue suppliers account	Report to be submitted to Council, awaiting condonement by Council.	10,400

46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure incidents	Disciplinary steps taken / criminal proceedings	2010/11
Legal representations against the former Mayor - Podbielski Mhlambi Inc	None	90,785
Payments to consultants for an inadequate asset register	Report to be submitted to Council, awaiting condonement by Council.	30,000
Traffic fines	None.	3,470

Details of fruitless and wasteful expenditure incidents	Disciplinary steps taken / criminal proceedings	2011/12
Arrear interest - DBSA Loan	Report to be submitted to Council, awaiting condonement by Council.	24,472
Bank charges on unused fleet cards	Report to be submitted to Council, awaiting condonement by Council.	13,001
Interest and penalties on late payment of PAYE, UIF and SDL - SARS	Report to be submitted to Council, awaiting condonement by Council.	456,539
Interest and penalties on late payment of VAT - SARS	Report to be submitted to Council, awaiting condonement by Council.	76,292
Interest and penalties on late payment of vehicle licenses	Report to be submitted to Council, awaiting condonement by Council.	4,539
Interest on late payment of pension fund contributions - SAMWU	Report to be submitted to Council, awaiting condonement by Council.	573,025
Interest on overdue account - Eskom	Report to be submitted to Council, awaiting condonement by Council.	5,876,691
Interest on overdue account - Auditor General	Report to be submitted to Council, awaiting condonement by Council.	83,823
Interest on overdue account - Heilbron Herald	Report to be submitted to Council, awaiting condonement by Council.	16
Interest on overdue account - Jurg van der Westhuizen Apteek	Report to be submitted to Council, awaiting condonement by Council.	41
Interest on overdue account - Oranje Drukkers	Report to be submitted to Council, awaiting condonement by Council.	11
Interest on overdue account - Telkom	Report to be submitted to Council, awaiting condonement by Council.	2,912
Traffic fines	Report to be submitted to Council, awaiting condonement by Council.	3,300

47. Irregular expenditure

	2012 (R)	2011 (R)
Opening balance	42,118,515	40,649,285
Add: Irregular expenditure - current year	29,024,434	1,469,230
	71,142,949	**42,118,515**

Analysis of expenditure awaiting condonation per age classification

	2012 (R)	2011 (R)
Current year	29,024,434	1,469,230
Prior years	42,118,515	40,649,285
	71,142,949	**42,118,515**

Details of irregular expenditure - current year

	Disciplinary steps taken/ criminal proceedings	2012 (R)	2011 (R)
Unsigned service level agreements	None.		29,024,434

48. Non compliance with the MFMA

During the current financial year the following MFMA non-compliance issues were identified:
- Section 65(2)(e) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) - Payments to suppliers were not made within the legislative 30 days.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2012 (R)	2011 (R)
Opening balance	770,630	308,890
Current year subscription / fee	440,296	534,290
Amount paid - previous years	(770,630)	(72,550)
	440,296	**770,630**

SALGA subscriptions for the current and prior reporting period.

Material losses
There were no material losses through criminal conduct for the current and prior financial year.

Electricity distribution losses of the municipality are in excess of 46% of the units purchased and amounts to approximately R 8,465,109.

	2012 (R)	2011 (R)
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	806,358	3,180,263
Current year fee	2,645,254	2,811,108
Interest charged on overdue account	83,823	–
Amount paid - current year	(1,593,366)	(1,900,480)
Amount paid - previous years	(345,717)	–
Restatement	–	(3,284,533)
	1,596,352	**806,358**
PAYE, UIF and SDL - 7200710400		
Opening balance	1,850,184	2,156,908
Assessments	5,108,239	4,658,958
Amounts paid	(4,214,506)	(5,501,029)
Interest and penalties	440,192	535,347
	3,184,109	**1,850,184**
Pension and medical aid deductions		
Opening balance	(6,079,060)	7,016,472
Deductions	–	11,343,962
Amounts paid	–	(24,439,494)
	(6,079,060)	**(6,079,060)**
VAT - 4000846495		
VAT payable	11,371,335	8,336,887

VAT returns were not timeously submitted by due date throughout the current and prior reporting period. Penalties and interest charged on late submission were accounted for and disclosed as fruitless and wasteful expenditure.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2012:

	Outstanding less than 90 days (R)	Outstanding more than 90 days (R)	Total (R)
Hadebe M	900	11,753	12,653
Jafta U C	432	–	432
Kubeka L S	995	17,174	18,169
Mofokeng M M	1,484	25,804	27,288
Moloi T M	635	384	1,019
Mosia A S	5,122	2,623	7,745
Mosia M A	1,481	3,663	5,144
Motloung F P	661	4,391	5,052
Motloung P	439	742	1,181
Motloung W C	721	12,016	12,737
Ntombela L M D	1,423	3,540	4,963
Sigasa J E	760	1,782	2,542
	15,053	**83,872**	**98,925**

APPENDIX A - Unaudited

APPENDIX B

Analysis of Property, Plant and Equipment	Cost				Accumulated Depreciation			
JUNE 2012	**Opening balance**	**Additions**	**Transfers**	**Closing balance**	**Opening balance**	**Depreciation**	**Closing balance**	**Carrying value**
Infrastructure								
Buildings	2,682,990	–	(2,682,990)	–	–	–	–	–
Communication equipment	70,865	–	(70,865)	–	–	–	–	–
Housing development fund	4,871,559	–	(4,871,559)	–	–	–	–	–
Land	694,837	–	(694,837)	–	–	–	–	–
Electricity								
- Low voltage	–	–	3,164,324	3,164,324	–	–	–	3,164,324
- Medium voltage	–	–	24,671,841	24,671,841	–	–	–	24,671,841
Water network								
- Potable water treatment and supply	–	–	45,133,223	45,133,223	–	–	–	45,133,223
- Raw water supply	–	–	8,400,724	8,400,724	–	–	–	8,400,724
- Reticulation network and storage	–	–	76,833,435	76,833,435	–	–	–	76,833,435
Roads and bridges	–	–	325,693,481	325,693,481	–	–	–	325,693,481
Sanitation	–	–	173,215,449	173,215,449	–	–	–	173,215,449
Solid waste Landfills	2,586,691	377,309	–	2,964,000	(213,707)	(62,653)	(276,360)	2,687,640
Other infrastructure	173,035,014	–	(164,796,640)	8,238,374	–	–	–	8,238,374
Plant and machinery	7,914,745	–	(7,914,745)	–	–	–	–	–
Work in progress	–	2,958,437	–	2,958,437	–	–	–	2,958,437
	191,856,701	**3,335,746**	**476,080,841**	**671,273,288**	**(213,707)**	**(62,653)**	**(276,360)**	**670,996,928**
Community								
Cemeteries	–	–	2,718,656	2,718,656	–	–	–	2,718,656
Livestock facilities	–	–	4,696,127	4,696,127	–	–	–	4,696,127
Municipal buildings	–	–	67,616,884	67,616,884	–	–	–	67,616,884
Parks and gardens	–	–	5,435,206	5,435,206	–	–	–	5,435,206
Sport facilities	–	–	24,878,142	24,878,142	–	–	–	24,878,142
Housing	–	–	4,374,448	4,374,448	–	–	–	4,374,448
Other community assets	–	–	5,245,233	–	–	–	–	(5,245,233)
	5,245,233 –	**–**	**104,474,230**	**109,719,463**	**–**	**–**	**–**	**109,719,463**
Other equipment								
Leased assets	2,893,483 –	–	–	2,893,483	(1,543,191)	(578,697)	(2,121,888)	771,595
Vehicles	8,985,237	802,775	(7,099,950)	2,688,062	–	(36,012)	(36,012)	2,652,050
Other equipment	2,243,913	312,947	(1,592,964)	963,896	–	(51,568)	(51,568)	912,328
Furniture and fixtures	1,136,431	–	(1,136,431)	–	–	–	–	–
IT equipment	1,374,691	–	(1,374,691)	–	–	–	–	–
Office equipment	286,955	–	(286,955)	–	–	–	–	–
	16,920,710	**1,115,722**	**(11,490,991)**	**6,545,441**	**(1,543,191)**	**(666,278)**	**(2,209,469)**	**4,335,973**
Intangible assets								
Computer software	1,747,397	–	–	1,747,397	(1,215,418)	(329,479)	(1,544,897)	202,500
	1,747,397	**–**	**–**	**1,747,397**	**(1,215,418)**	**(329,479)**	**(1,544,897)**	**202,500**
	215,770,041	**4,451,468**	**569,064,080**	**789,285,589**	**(2,972,316)**	**(1,058,410)**	**(4,030,726)**	**785,254,864**

APPENDIX D - Unaudited

APPENDIX E (1) - Unaudited

APPENDIX F - Unaudited

Notes

Physical Address
64 JJ Hadebe Street, Frankfort 9830

Postal Address
P.O Box 2, Frankfort 9830
Tel: 058 813 1051
Fax : 058 813 3072
E-mail: info@mafube.gov.za