



Annual Financial Statements

for the year ended

30 June 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 75, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowance and benefits of Councillors as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S Msibi
Municipal Manager

Date

MANGAUNG LOCAL MUNICIPALITY

INDEX	page
General Information	3 - 5
Report of the Auditor-General	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Accounting Policies to the Annual Financial Statements	11 - 26
Notes to the Annual Financial Statements	27 - 65
Appendix A: Schedule of External Loans	66
Appendix B: Analysis of Property, Plant and Equipment	67 - 68
Appendix C: Segmental Analysis of Property, Plant and Equipment	69
Appendix D: Segmental Statement of Financial Performance	70
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	71- 72
Appendix E(2): Actual versus Budget (Property, Plant and Equipment)	73
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 2003	74 - 75
Appendix G: Annual Financial Statements of Centlec (Pty) Ltd	76

**MANGAUNG LOCAL MUNICIPALITY
GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009**

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Mangaung area
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority
Jurisdiction of entity	Area FS172, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS172
Executive Mayor	Mr. FK Morule
Councillors	<p><u>Speaker:</u> Councillor AT Stander</p> <p><u>Deputy Executive Mayor:</u> Councillor MA Siyonzana</p> <p><u>Councillor Members of The Mayoral Committee:</u> Councillor SKM Choene Councillor KNL Makhanya Councillor T Marais Councillor NG Mokotjo Councillor LS Moroka Councillor NM Mzozana Councillor FB Nzapheza Councillor N Phupha Councillor CSK Sechoaro</p> <p><u>Council Whip:</u> Councillor SM Sefuthi</p> <p><u>Councillors of the Council:</u> Councillor NL Adoons Councillor PM Baatman Councillor GM Bacela Councillor R Botes Councillor PI Chobane Councillor ME Dennis Councillor GC Dithebe Councillor JC Erasmus Councillor SE Finger Councillor GS Fouche Councillor EK Goliath Councillor JU Grobbelaar Councillor MD Hlujane Councillor W Horn Councillor JS Human Councillor TA Jacobs Councillor TB Jacobs Councillor DE Janse Van Vuuren Councillor CE Jenkinson Councillor LR July Councillor ZT Khi Councillor MS Khutlane Councillor JAA Lazenby Councillor MJ Lephoi Councillor PS Leraisa Councillor TK Litabe Councillor GD Lubbe Councillor PP Machelebeta Councillor PA Maduna Councillor MM Makhele Councillor MJ Masita Councillor M Masoabi Councillor MJ Matsoenyane Councillor MA Mavuya Councillor MB Mbangwe Councillor TM Mfazwe Councillor H Minnie Councillor SO Mogorosi</p>

**MANGAUNG LOCAL MUNICIPALITY
GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009**

Councillors	Councillor BM Mohloua Councillor ME Moilwa Councillor LG Mokgothu Councillor SG Moletsane Councillor MR Mompati Councillor TA Monyabane Councillor TA Mophethe Councillor LS Moroka Councillor B Motaung Councillor TS Mpakathe Councillor KJ Mtshwane Councillor SS Nakedi Councillor WT Nkikane Councillor J Nothnagel Councillor TS Nthako Councillor GJ Olivier Councillor JE Petersen Councillor NA Phupha Councillor DJ Phuthi Councillor XD Pongolo Councillor JD Powell Councillor MA Ramokone Councillor FP Ramokotjo Councillor TM Ramona Councillor GK Saohatse Councillor MA Seeco Councillor E Snyman- Van Deventer Councillor SN Soebehle Councillor PM Somimi Councillor SP Tanyane Councillor AP Terblanche Councillor AL Toba Councillor MM Tsomela Councillor PJJ Van Bijlon Councillor JP Van Der Merwe Councillor R Van Der Merwe Councillor WC Van Wyk Councillor AS Zerwick
Registered office	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
Business address	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
Postal address	P O Box 288 Bloemfontein 9300
Bankers	ABSA Bank Limited
Auditors	The Auditor-General: Free State Registered Auditors
Municipal Manager	Mr. S Msibi
Attorneys	Bezuidenhouts Attorneys Bosiu Attorneys EG Coopers Attorneys Fourie Attorneys Hill, McHardy & Herbst Attorneys Kramer Weihmann & Joubert Attorneys Mabalane Seobe Attorneys NW Phalatsi & Partners Attorneys Rosendorff Reitz Barry Attorneys Van der Merwe & Sorour Attorneys Vermaak & Dennis Attorneys

**MANGAUNG LOCAL MUNICIPALITY
GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009**

Debt collectors

Messrs Alberts
Messrs Bezuidenhouts
Messrs Claude Reid
Messrs Hill, McHardy & Herbst
Messrs Matsepes
Messrs Nauders
Messrs Phatshoane Henry Inc
Messrs Rosendorff Reits Barry
Messrs Stander, Venter & Kleyhnans
Messrs Symington & De Kok
Messrs Thoabala Attorney
Messrs Van Wyk & Prelier
Messrs Vermaak & Dennis
Messrs Vorster & Partners
Messrs Webbers

Grading of local authority

Mangaung Local Municipality is a Grade 5 local authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

Relevant legislation

The Constitution of the Republic of South Africa.
The Municipal Structures Act 117 of 1998
The Municipal Systems Act 32 of 2000
The Municipal Finance Management Act 56 of 2003
The Municipal Property Rates Act 6 of 2004
The Basic Condition of the Employment Act 75 of 1997
The Value Added Tax Act 89 of 1991
The Skills Development Act 9 of 1999
The Water Service Act 108 of 1997
The Housing Act of 1997
The Promotion of Access to Information Act 2 of 2000
The Disaster Management Act 57 of 2000

MANGAUNG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	Restated 2008 R
ASSETS			
Non-current assets			
		3 230 203 872	2 845 191 426
Property, plant and equipment	1	2 459 809 479	2 104 478 329
Intangible assets	2	5 055 438	7 568 815
Investments	3	8 795	8 900
Non-current receivables	4	765 330 160	733 135 382
Current assets			
		534 878 927	486 897 146
Inventory	5	6 310 911	5 168 289
Consumer receivables from exchange transactions	6	194 324 181	177 436 756
Other receivables from exchange transactions	7	98 202 841	68 903 145
Other receivables from non-exchange transactions	8	315 259	344 095
Current portion of non-current receivables	4	14 239 482	10 961 189
Investments	3	-	161 547
Cash and cash equivalents	9	221 486 253	223 922 125
Total assets		<u>3 765 082 799</u>	<u>3 332 088 572</u>
NET ASSETS AND LIABILITIES			
Net assets			
		2 397 990 436	2 177 022 982
Housing development fund	10	21 376 064	33 071 514
Capitalisation reserve	11.1	-	382 691 159
Donations and public contribution reserve	11.2	-	5 967 997
Self insurance reserve	11.3	73 190 116	73 259 404
COID reserve	11.4	13 654 504	12 856 623
Revaluation reserve	11.5	584 022 037	587 850 107
Mark-to-market reserve	11.6	6 160	6 265
Accumulated surplus/(deficit)		1 705 741 555	1 081 319 913
LIABILITIES			
Non-current liabilities			
		380 785 972	382 469 287
Non-current borrowings	12	12 493 642	14 298 178
Finance lease liability	41.1	1 311 455	2 624 744
Non-current provisions	13	69 859 875	64 459 365
Defined benefit plan obligation	14	297 121 000	301 087 000
Current liabilities			
		986 306 391	772 596 303
Consumer deposits	15	23 889 773	22 519 063
Payables from exchange transactions	16	489 366 874	490 545 634
Payables from non-exchange transactions	17	3 251 757	3 505 663
Unspent conditional grants and receipts	18	416 585 975	217 215 996
VAT payable	19	49 815 813	35 595 707
Current portion of non-current borrowings	12	1 785 058	1 636 885
Finance lease liability	41.1	1 611 141	1 577 355
Total net assets and liabilities		<u>3 765 082 799</u>	<u>3 332 088 572</u>

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

	Note	2009 R	Restated 2008 R
REVENUE			
Property rates	20	275 064 648	246 682 769
Service charges	21	390 315 239	338 741 274
Rental of facilities and equipment	22	18 928 815	24 183 399
Interest earned	23	156 439 702	169 268 419
Fines		4 733 684	7 486 454
Licenses and permits		237 948	262 502
Income for agency services	24	90 508 674	82 382 451
Government grants and subsidies	25	722 291 388	576 626 581
Other income	26	94 948 901	69 631 213
Total revenue		<u>1 753 468 999</u>	<u>1 515 265 062</u>
EXPENDITURE			
Employee related costs	27	589 446 274	528 501 398
Remuneration of councillors	28	19 902 076	18 905 682
Bad debts and provision for bad debts	29	163 089 712	218 005 087
Depreciation and amortisation		121 631 975	98 756 689
Repairs and maintenance		92 916 317	81 483 152
Finance costs	30	43 513 370	10 320 459
Bulk purchases	31	168 020 206	166 193 170
Contracted services		42 985 723	25 443 464
Grants and subsidies paid	32	85 757 729	62 073 650
General expenses	33	201 433 365	177 947 563
Total expenditure		<u>1 528 696 747</u>	<u>1 387 630 314</u>
(Profit)/Loss due to foreign exchange transactions		(23 377)	232 105
SURPLUS FOR THE YEAR	34	<u>224 795 629</u>	<u>127 402 643</u>

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

	Housing Development Fund R	Capitalisation Reserve R	Government Grant Reserve R	Donations and Public Contribution Reserve R	Self Insurance Reserve R	COID Reserve R	Revaluation Reserve R	Mart-to-market Reserve	Accumulated Surplus/ (Deficit) R	Total R
2008										
Balance at 30 June 2007	42 567 563	422 563 207	324 590 572	6 580 227	72 865 442	12 991 730	709 578 175	-	1 651 527 661	3 243 264 577
Correction of error (Refer to note 50)	-	-	-	-	-	-	(11 672 200)	-	(1 065 313 891)	(1 076 986 091)
Change in accounting policy (Refer to note 51)	-	-	(324 590 572)	-	-	-	-	-	324 590 572	-
Restated balance	42 567 563	422 563 207	-	6 580 227	72 865 442	12 991 730	697 905 975	-	910 804 342	2 166 278 486
Surplus for the year	-	-	-	-	-	-	-	-	127 402 643	127 402 643
As previously stated	-	-	-	-	-	-	-	-	285 468 692	285 468 692
Correction of error	-	-	-	-	-	-	-	-	(158 066 049)	(158 066 049)
Capital grants used to purchase property, plant and equipment	-	-	-	-	-	-	-	-	-	-
As previously stated	-	-	299 481 069	-	-	-	-	-	(299 481 069)	-
Change in accounting policy	-	-	(299 481 069)	-	-	-	-	-	299 481 069	-
Contribution to insurance reserve	-	-	-	-	1 612 037	2 049 749	-	-	(3 661 786)	-
Insurance claims processed	-	-	-	-	(1 218 075)	(2 184 856)	-	-	3 402 931	-
Transfer from Housing Fund	(9 496 049)	-	-	-	-	-	-	-	9 496 049	-
Insurance claims processed	-	-	-	-	-	-	-	6 265	-	6 265
As previously stated	-	-	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	6 265	-	6 265
Asset disposals	-	(3 452 754)	-	-	-	-	-	-	(3 155 790)	(6 608 544)
As previously stated	-	-	-	-	-	-	-	-	(116 664 412)	(116 664 412)
Correction of error	-	(3 452 754)	(395 460)	-	-	-	-	-	113 904 082	110 055 868
Change in accounting policy	-	-	395 460	-	-	-	-	-	(395 460)	-
Asset revaluation (Refer to note 9)	-	-	-	-	-	-	(110 055 868)	-	-	(110 055 868)
As previously stated	-	-	-	-	-	-	(121 728 068)	-	121 728 068	-
Correction of error	-	-	-	-	-	-	11 672 200	-	(121 728 068)	(110 055 868)
Offsetting of depreciation	-	(36 419 294)	-	(612 230)	-	-	-	-	37 031 524	-
As previously stated	-	(36 419 294)	(29 237 941)	(612 230)	-	-	-	-	66 269 465	-
Change in accounting policy	-	-	29 237 941	-	-	-	-	-	(29 237 941)	-
Balance at 30 June 2008	33 071 514	382 691 159	-	5 967 997	73 259 404	12 856 623	587 850 107	6 265	1 081 319 913	2 177 022 982
As previously stated	33 071 514	386 143 913	594 833 700	5 967 997	73 259 404	12 856 623	587 850 107	-	1 718 085 599	3 412 068 857
Change in accounting policy (Refer to note 50)	-	(3 452 754)	(395 460)	-	-	-	-	6 265	(1 231 203 926)	(1 235 045 875)
Change in accounting policy (Refer to note 51)	-	-	(594 438 240)	-	-	-	-	-	594 438 240	-
2009										
Surplus for the year	-	-	-	-	-	-	-	-	224 795 629	224 795 629
Unbundling of reserves	-	(382 691 159)	-	(5 967 997)	-	-	-	-	388 659 156	-
Contribution to insurance reserve	-	-	-	-	1 762 598	2 082 464	-	-	(3 845 062)	-
Insurance claims processed	-	-	-	-	(1 831 886)	(1 284 583)	-	-	3 116 469	-
Transfer from Housing Fund	(11 695 450)	-	-	-	-	-	-	-	11 695 450	-
Fair value loss	-	-	-	-	-	-	-	(105)	-	(105)
Asset disposals	-	-	-	-	-	-	-	-	-	-
Asset revaluation (Refer to note 1)	-	-	-	-	-	-	(3 828 070)	-	-	(3 828 070)
Balance at 30 June 2009	21 376 064	-	-	-	73 190 116	13 654 504	584 022 037	6 160	1 705 741 555	2 397 990 436

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

	Note	2009 R	Restated 2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		1 760 189 959	1 570 918 701
- Taxation		14 220 106	14 216 649
- Sales of goods and services		477 439 577	503 582 933
- Grants		921 661 367	689 348 459
- Interest received		156 439 702	183 273 078
- Other receipts		190 429 207	180 497 582
Payments		(1 245 092 461)	(989 367 807)
- Employee costs		(600 663 350)	(547 083 256)
- Suppliers		(305 838 088)	(184 892 939)
- Interest paid		(11 580 370)	(10 320 459)
- Inventories		(1 142 622)	(1 195 267)
- Revaluation of assets		-	(7 324 461)
- Other payments		(325 868 031)	(238 551 425)
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>515 097 498</u>	<u>581 550 894</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(478 511 037)	(489 704 334)
Proceeds from sale of property, plant and equipment		233 219	6 608 545
Purchase of intangible assets		-	(140 236)
(Increase)/decrease in non-current receivables		(37 851 943)	(79 676 942)
Decrease/(increase) in non-current investments		-	5 658
Decrease in current investments		161 547	66 697 445
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>(515 968 214)</u>	<u>(496 209 864)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 656 363)	(1 545 027)
Finance lease payments		(1 279 503)	(603 770)
Increase in consumer deposits		1 370 710	5 789 641
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(1 565 156)</u>	<u>3 640 844</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2 435 872)</u>	<u>88 981 874</u>
Cash and cash equivalents at the beginning of the year		223 922 125	134 940 251
Cash and cash equivalents at the end of the year	35	221 486 253	223 922 125

MANGAUNG LOCAL MUNICIPALITY

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

1 Property, plant and equipment

30 June 2009							
	Land and Buildings	Infra-structure	Community assets	Other assets	Leased assets	Heritage assets	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2008	970 482 125	998 164 130	17 258 089	114 966 671	3 607 314	-	2 104 478 329
Cost	1 197 595 924	1 804 662 502	26 583 920	322 594 920	8 985 484	1 190 608	3 361 613 358
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	(227 113 799)	(806 498 372)	(9 325 831)	(207 628 249)	(5 378 170)	(1 190 608)	(1 257 135 029)
Acquisitions	7 623 580	57 219 119	14 932	12 238 403	813 040	-	77 909 074
Capital under construction	214 296 441	169 702 140	-	16 603 382	-	-	400 601 963
Decreases in revaluation	(3 828 070)	-	-	-	-	-	(3 828 070)
Depreciation	(19 371 548)	(77 410 739)	(900 226)	(19 342 808)	(2 093 277)	-	(119 118 598)
- based on cost	(19 371 548)	(77 410 739)	(900 226)	(19 342 808)	(2 093 277)	-	(119 118 598)
- based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	(11 994)	-	(5 455)	(215 770)	-	-	(233 219)
Cost / revaluation	(11 994)	-	(5 455)	(2 819 819)	(252 000)	-	(3 089 268)
Accumulated depreciation	-	-	-	2 604 049	252 000	-	2 856 049
Carrying values at 30 June 2009	1 169 190 534	1 147 674 650	16 367 340	124 249 878	2 327 077	-	2 459 809 479
Cost	1 419 503 951	2 031 583 761	26 593 397	348 616 886	9 546 524	1 190 608	3 837 035 127
Revaluation	(3 828 070)	-	-	-	-	-	(3 828 070)
Accumulated depreciation	(246 485 347)	(883 909 111)	(10 226 057)	(224 367 008)	(7 219 447)	(1 190 608)	(1 373 397 578)

30 June 2008							
	Land and Buildings	Infra-structure	Community assets	Other assets	Leased assets	Heritage assets	Total
	R	R	R	R			R
Carrying values at 1 July 2007	927 352 357	794 909 086	15 116 312	92 710 794	4 439 123	-	1 834 527 672
Cost	1 146 683 559	1 537 870 750	23 664 308	285 764 772	7 899 818	1 190 608	3 003 073 815
Revaluation	(767 400)	-	-	-	-	-	(767 400)
Accumulated depreciation	(218 563 802)	(742 961 664)	(8 547 996)	(193 053 978)	(3 460 695)	(1 190 608)	(1 167 778 743)
Acquisitions	171 295 508	266 791 752	2 919 612	40 542 173	1 085 666	-	482 634 711
Depreciation	(11 928 686)	(63 536 708)	(777 835)	(17 858 937)	(1 917 475)	-	(96 019 641)
- based on cost	(11 928 686)	(63 536 708)	(777 835)	(14 394 918)	(1 917 475)	-	(92 555 622)
- based on revaluation	-	-	-	(3 464 019)	-	-	(3 464 019)
Carrying value of disposals	(116 237 054)	-	-	(427 359)	-	-	(116 664 413)
Cost / revaluation	(119 615 743)	-	-	(3 712 025)	-	-	(123 327 768)
Accumulated depreciation	3 378 689	-	-	3 284 666	-	-	6 663 355
Carrying values at 30 June 2008	970 482 125	998 164 130	17 258 089	114 966 671	3 607 314	-	2 104 478 329
Cost	1 197 595 924	1 804 662 502	26 583 920	322 594 920	8 985 484	1 190 608	3 361 613 358
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	(227 113 799)	(806 498 372)	(9 325 831)	(207 628 249)	(5 378 170)	(1 190 608)	(1 257 135 029)

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

Erven were revalued on a current value basis on 1 July 2003 by an independent valuer with the qualifications of an associated valuer. Interim valuations are performed when erven are for example subdivided or consolidated.

A GRAP compliant asset register is still in progress,

Transitional provisions

2008/09 is the first year that GRAP 17 is applied and the municipality would like to make use of the transitional provisions contained in Directive 3 as from 1 July 2008. The Property, Plant and Equipment of Thaba Nchu and Botshabelo were acquired through a transfer of functions during 2000. According to the transitional provisions of the standard the municipality is not required to measure this Property, Plant and Equipment for a period of three years, from the later date of the transfer of functions or the implementation date of the standard, i.e. 1 July 2008.

The Property, Plant and Equipment has almost been written off in total, but has been taken up on the Asset Register of Mangaung and the provisional amounts not yet written off, are therefore included in the above Property, Plant and Equipment figures. The Property, Plant and Equipment fully written

The cost of Property, Plant and Equipment of Thaba Nchu and Botshabelo, respectively, as reflected on their individual Balance Sheets at date of transfer was as follow:

Thaba Nchu Municipality	R 40 935 100
Botshabelo Municipality	R 109 206 357

The municipality would also like to make use of the transitional provisions contained in Directive 3 regarding the valuation of new identified Property, Plant and Equipment, the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment allow individual entities a period of up to three years from the date of initial adoption of the Standard of GAMAP to comply in full with the recognition requirements of that Standard, for those assets that were not previously recognised. Where entities have taken advantage of that transitional period, the period remains in force, even where entities are adopting the Standard of GRAP on Property, Plant and Equipment for the first time.

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

	2009	Restated
	R	2008
		R
2 Intangible assets		
Reconciliation of carrying value for computer software		
Opening carrying values	7 568 815	10 165 592
Cost	17 350 361	17 210 125
Accumulated depreciation	(9 781 546)	(7 044 533)
Acquisitions	-	140 236
Depreciation	(2 513 377)	(2 737 013)
Closing carrying values	5 055 438	7 568 815
Cost	17 350 361	17 350 361
Accumulated depreciation	(12 294 923)	(9 781 546)

3 Investments

Financial instruments

Unlisted

Available-for-sale financial assets

Investment in municipal entity - Centlec (Pty) Ltd

OVK Holdings Ltd

Total unlisted

	100	100
	8 695	8 800
Total unlisted	<u>8 795</u>	<u>8 900</u>

Held-to-maturity financial assets

Held-to-maturity investments maturing within 4 to 12 months from reporting date

Total cash investments

	-	161 547
Total cash investments	<u>-</u>	<u>161 547</u>

Total investments

	8 795	170 447
Total investments	<u>8 795</u>	<u>170 447</u>

Included in Held-to-maturity investments for 2008, is an amount of R125,647, being the impaired value of an investment at New Republic Bank currently under curatorship. Surplus funds are invested until used for specific purposes.

Interest on investments held to maturity

	(18 371 666)	(22 459 987)
	<u>(18 371 666)</u>	<u>(22 459 987)</u>

Council's valuation of unlisted investments

Investment in municipal entity - Centlec (Pty) Ltd

OVK Holdings Ltd

	9 977 828	38 493 477
	8 695	8 800
	<u>9 986 523</u>	<u>38 502 277</u>

The valuations are based on the following:

Investment in municipal entity - Centlec (Pty) Ltd - Net assets and liabilities value

OVK Holdings Ltd - Valuation obtained from OVK Holdings Ltd - Quoted market value

4 Non-current receivables

30 June 2009

	Gross amount	Impairment	Net balance
Shareholders loan to Centlec (Pty) Ltd	639 899 751	-	639 899 751
Other loans to Centlec (Pty) Ltd	115 867 998	-	115 867 998
Motor vehicle loans	1 443 469	(648 629)	794 840
Study loans	61 509	(59 599)	1 910
Erven loans	16 714 938	(6 280 082)	10 434 856
Housing selling scheme loans	40 174 899	(27 604 613)	12 570 286
Sub-total	<u>814 162 564</u>	<u>(34 592 923)</u>	<u>779 569 641</u>
Less: Current portion transferred to current assets	36 129 168	(21 889 687)	14 239 481
Other loans to Centlec (Pty) Ltd	10 905 285	-	10 905 285
Motor vehicle loans	950 364	(648 629)	301 735
Study loans	61 509	(59 599)	1 910
Erven loans	8 575 725	(6 280 082)	2 295 643
Housing selling scheme loans	15 636 285	(14 901 377)	734 908
Total non-current receivables	<u>778 033 396</u>	<u>(12 703 236)</u>	<u>765 330 160</u>

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

	2009 R	Restated 2008 R
4 Non-current receivables continued		
30 June 2008	Gross amount	Impairment
		Net balance
Shareholders loan to Centlec (Pty) Ltd	624 708 447	-
Other loans to Centlec (Pty) Ltd	94 838 339	-
Motor vehicle loans	2 655 045	(747 310)
Study loans	73 560	(62 503)
Erven loans	15 927 901	(5 771 367)
Housing selling scheme loans	38 107 329	(25 632 871)
Sub-total	776 310 621	(32 214 051)
Less: Current portion transferred to current assets	31 072 080	(20 110 892)
Other loans to Centlec (Pty) Ltd	5 582 794	-
Motor vehicle loans	2 250 778	(747 310)
Study loans	73 560	(62 503)
Erven loans	8 004 582	(5 771 367)
Housing selling scheme loans	15 160 366	(13 529 712)
Total non-current receivables	745 238 541	(12 103 159)

Reconciliation of impairment for motor vehicle loans

Balance at beginning of year	747 310	-
Contributions to provision	(98 681)	747 310
Balance at the end of the year	648 629	747 310

Reconciliation of impairment for study loans

Balance at beginning of year	62 503	-
Contributions to provision	(2 904)	62 503
Balance at the end of the year	59 599	62 503

Reconciliation of impairment for erven loans

Balance at beginning of year	5 771 367	-
Contributions to provision	508 715	5 771 367
Balance at the end of the year	6 280 082	5 771 367

Reconciliation of impairment for housing selling scheme loans

Balance at beginning of year	25 632 871	-
Contributions to provision	1 971 742	25 632 871
Balance at the end of the year	27 604 613	25 632 871

Shareholders loan to Centlec (Pty) Ltd

A shareholders loan account was established in accordance with the sale of business agreement for the purchase of the electricity service by Centlec. The capital amount outstanding bears interest at a rate of 5.17%. (2008: The capital amount outstanding bore interest from the effective date of 1 July 2005 by applying an interest rate on the loan account to achieve an agreed upon revenue for the municipality, based upon the past contribution to the Rate and General Services division.

Other loans to Centlec (Pty) Ltd

Loans are granted to Centlec for capital expenditure at an interest rate of 10% per annum and are repayable over the estimated life of the financed asset.

Motor vehicle loans

Permanent staff obtained loans at 8.50% interest per annum repayable over a period of 3 to 6 years. Other staff's loans bear interest of prime plus 1% and are also repayable over a period of 3 to 6 years. These loans are repaid on a monthly basis by way of salary deductions. These loans are being phased out and are completely repayable in the year 2010.

Study loans

Staff members qualified for interest free study loans under the approved study scheme of the municipality. These loans are repaid on a monthly basis by way of salary deductions. These loans are being phased out and no further loans are granted.

Erven loans

Loans were granted to the public for the sale of erven, repayable over a maximum period of 5 years at an interest rate of 1% above the bank rate of the municipality. These loans are repaid on a monthly basis by way of salary deductions. No further loans are granted.

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

	2009	Restated
	R	2008
		R
4 Non-current receivables continued		
<i>Housing selling scheme loans</i>		
Housing loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable over 20 years. These loans are repaid on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations.		
5 Inventory		
Consumable stores - at cost	3 320 426	1 835 573
Water maintenance material - at cost	952 150	1 065 138
Water in reservoirs - at cost	588 489	849 423
Water in pipes - at cost	336 941	-
Fuel - at cost	1 112 905	1 418 155
Total inventory	6 310 911	5 168 289
6 Consumer receivables from exchange transactions		
As at 30 June 2009	Gross	Impairment
		Net Balance
Service receivables		
Rates	315 753 776	(276 844 654)
Electricity	3 123 024	-
Water	318 282 037	(205 840 324)
Sewerage	166 976 802	(134 349 818)
Housing rentals	16 139 850	(8 916 512)
Total consumer receivables	820 275 489	(625 951 308)
		194 324 181
As at 30 June 2008	Gross	Impairment
		Net Balance
Service receivables		
Rates	243 412 840	(193 302 173)
Electricity	3 551 992	-
Water	243 314 256	(160 274 084)
Sewerage	128 795 832	(91 301 882)
Housing rentals	13 490 036	(10 250 061)
Total consumer receivables	632 564 956	(455 128 200)
		177 436 756
<u>Rates: ageing</u>		
Current (0 – 30 days)		23 954 287
31 - 60 Days		12 990 450
61 - 90 Days		11 423 351
90+ Days		267 385 688
Total		315 753 776
<u>Electricity: ageing</u>		
90+ Days		3 551 992
Total		3 551 992
<u>Water and sewerage: ageing</u>		
Current (0 – 30 days)		38 172 121
31 - 60 Days		26 058 132
61 - 90 Days		21 055 513
90+ Days		399 973 073
Total		485 258 839
<u>Housing rentals: ageing</u>		
Current (0 – 30 days)		563 249
31 - 60 Days		489 740
61 - 90 Days		435 735
90+ Days		14 651 126
Total		16 139 850

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

	2009 R	Restated 2008 R
6 Consumer receivables from exchange transactions continued		
30 June 2008		
<u>Summary of receivables by customer classification</u>	Residential	Industrial/ Commercial
		National and Provincial Government
Current (0 – 30 days)	39 996 112	17 639 947
31 - 60 Days	17 908 535	8 366 828
61 - 90 Days	16 356 500	4 792 960
90+ Days	398 098 196	57 299 552
Sub-total	<u>472 359 343</u>	<u>88 099 287</u>
Less: Impairment	(383 684 639)	(19 418 282)
Total receivables by customer classification	<u><u>88 674 704</u></u>	<u><u>36 074 008</u></u>
Restatements for the 2008 figures to the amount of R735,655 could not be allocated per classification group.		
30 June 2009		
<u>Summary of receivables by customer classification</u>	Residential	Industrial/ Commercial
		National and Provincial Government
Current (0 – 30 days)	38 035 102	20 270 280
31 - 60 Days	22 809 873	9 388 944
61 - 90 Days	20 564 454	7 770 891
90+ Days	527 607 773	74 067 732
Sub-total	<u>609 017 202</u>	<u>111 497 847</u>
Less: Impairment	(470 571 330)	(63 782 450)
Total receivables by customer classification	<u><u>138 445 872</u></u>	<u><u>47 715 397</u></u>
<u>Reconciliation of impairment</u>		
Balance at beginning of year		455 128 200
Contributions to provision		170 823 108
Bad debts written off against provision		-
Balance at the end of the year		<u><u>625 951 308</u></u>
7 Other receivables from exchange transactions		
Deferred lease income		39 223 560
Interest on investments		435 572
Leave receivables		552 453
Outstanding health claims		1 537 952
Sundry receivables		67 150 525
Sub-total		<u>108 900 062</u>
Less: Impairment of sundry receivables		(10 697 221)
Total other receivables		<u><u>98 202 841</u></u>
<u>Reconciliation of impairment of sundry debtors</u>		
Balance at beginning of year		20 809 490
Contributions to provision		(10 112 269)
Balance at the end of the year		<u><u>10 697 221</u></u>
8 Other receivables from non-exchange transactions		
Conditional grant		274 867
Insurance claims		40 392
		<u>315 259</u>
9 Cash and cash equivalents		
The municipality has the following bank accounts:		
<u>Current account (primary bank account)</u>		
ABSA Bank		
Account number 470000465		
Cashbook balance at the beginning of the year		19 359 571
Cashbook balance at the end of the year		<u><u>63 938 582</u></u>
		<u><u>15 215 159</u></u>
		<u><u>19 359 571</u></u>

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

	2009	Restated
	R	2008
		R
9 Cash and cash equivalents continued		
Bank statement balance at the beginning of the year	20 288 117	42 215 585
Bank statement balance at the end of the year	<u>79 463 381</u>	<u>20 288 117</u>
<u>Current account (fresh produce market)</u>		
ABSA Bank		
Account Number 470001348		
Cashbook balance at the beginning of the year	2 565 036	2 738 547
Cashbook balance at the end of the year	<u>3 093 304</u>	<u>2 565 035</u>
Bank statement balance at the beginning of the year	2 565 036	2 738 547
Bank statement balance at the end of the year	<u>3 093 304</u>	<u>2 565 036</u>
<u>Current account (2010 FIFA world cup)</u>		
ABSA Bank		
Account Number 4067877886		
Cashbook balance at the beginning of the year	60 651 781	4 013 816
Cashbook balance at the end of the year	<u>57 566 021</u>	<u>60 651 781</u>
Bank statement balance at the beginning of the year	60 651 781	4 013 816
Bank statement balance at the end of the year	<u>57 566 021</u>	<u>60 651 781</u>
<u>Total cashbook balance at the beginning of the year</u>	<u>82 576 388</u>	<u>21 967 522</u>
<u>Total cashbook balance at the end of the year</u>	<u>124 597 907</u>	<u>82 576 387</u>
The municipality has the following cash on hand:	54 719	46 318
Held-to-maturity investments maturing within 1 to 3 months from reporting date	<u>96 833 627</u>	<u>141 299 420</u>
Total cash and cash equivalents	<u>221 486 253</u>	<u>223 922 125</u>
10 Housing development fund		
Housing Development Fund		
Unappropriated surplus	<u>21 376 064</u>	<u>33 071 514</u>
The Housing Development Fund is represented by the following assets and liabilities:		
Housing selling scheme loans (See note 4)	40 174 899	38 107 329
Housing rental receivables (See note 6)	<u>(1 104 100)</u>	<u>3 239 975</u>
Sub-total	39 070 799	41 347 304
Payables	<u>(57 209)</u>	<u>(56 627)</u>
Total Housing Development Fund assets and liabilities	<u>39 013 590</u>	<u>41 290 677</u>
The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include net rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.		
11 Reserves		
11.1 Capitalisation Reserve	<u>-</u>	<u>382 691 159</u>
On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The full reserve was realised to the accumulated surplus/(deficit) at the end of the 2009 financial year.		

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

	2009	Restated
	R	2008
		R
11 Reserves continued		
11.2 Donations and Public Contributions Reserve	-	5 967 997
When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The full reserve was realised to the accumulated surplus/(deficit) at the end of the 2009 financial year.		
11.3 Self-Insurance Reserve	73 190 116	73 259 404
The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The contribution to the fund is determined by the council's insurance broker and is transferred to the fund from the accumulated surplus/(deficit). Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus. The balance of the self-insurance fund should be invested.		
11.4 COID Reserve	13 654 504	12 856 623
The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the Compensation Commissioner, the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID Reserve from the accumulated surplus based on the amounts as approved in the annual budget as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.		
Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).		
11.5 Revaluation Reserve	584 022 037	587 850 107
The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.		
Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in surplus/(deficit).		
11.6 Mark-to-Market Reserve	6 160	6 265
The surplus arising from the market value adjustment of financial assets classified as available-for-sale financial instruments (OVK Holding Ltd shares). On disposal, the net mark-to-market surplus realise to the Statement of Financial Performance.		
12 Non-current borrowings		
Annuity loans	14 278 700	15 935 063
Less: current portion transferred to current liabilities	(1 785 058)	(1 636 885)
Total long-term borrowings	<u>12 493 642</u>	<u>14 298 178</u>
All annuity loans are from The Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015 and the loans carry interest between 10% and 14% per annum.		
Refer to Appendix A for more detail on long-term borrowings.		
13 Non-current provisions		
Provision for rehabilitation of landfill sites	65 688 464	60 794 506
Provision for the rehabilitation of quarry sites	4 171 411	3 664 859
Total non-current provisions	<u>69 859 875</u>	<u>64 459 365</u>

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

	2009	Restated 2008
	R	R
13 Non-current provisions continued		
The movement in the non-current provision is reconciled as follows:		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of the year	60 794 506	56 048 177
Expenditure incurred	-	-
Increase in provision due to discounting	4 893 958	4 746 329
Transfer to current provisions	-	-
Balance at the end of year	65 688 464	60 794 506

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, 28 of 2002. The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques. Landfills consist of:

Botshabelo landfill site
Bloemfontein Northern landfill site
Bloemfontein Southern landfill site
Thaba Nchu landfill site

Provision for rehabilitation of quarry sites:

Balance at the beginning of the year	3 664 859	3 172 201
Increase in provision	506 552	492 658
Balance at the end of year	4 171 411	3 664 859

In terms of the Mineral and Petroleum Resources Development Act, 28 of 2002, it is required from the municipality to execute the environmental management program to restore the Petra Quarry site after its useful life. Provision has been made for this cost based on the present value of future cash flows arising from the rehabilitation cost expected as at 31 May 2016. Discount rates used for the present value calculation was based on inflation and amounts to 10%.

The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques.

These quarries include:

Cecilia Quarry
Sunnyside Quarry
Thaba Nchu Quarries
Botshabelo Quarries

14 Defined benefit plan obligation

The defined benefit plans disclosed below are represented by medical aid for retired employees and pension payments for both retired and current employees. The municipality pays 60% of the medical aid contributions of retired employees who were in the service of the Council on or before 1 October 1981, as well as a pension to retired employees based on certain criteria to be met, set out in the Municipality's Conditions of Service.

The following main assumptions were used in performing the valuation at 30 June 2009

Discount rate	9.50%	10.75%
Inflation rate	6.00%	8.00%
Pension increase allowance	6.00%	8.00%
Health care cost inflation	8.00%	10.00%
Salary inflation	7.50%	9.50%
Expected retirement age	55	55
Membership discontinued at retirement or death-in-service	10%	10%

Assumed healthcare cost trends have a significant effect on the amounts recognised in surplus for the year. The value of the liability could also be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

Movement in the present value of defined benefit obligation

Defined benefit obligation at the beginning of the year	301 087 000	301 087 000
Benefits paid by the plan	(8 069 000)	-
Current service costs	16 754 000	-
Interest	31 933 000	-
Actuarial gains and losses recognised in surplus for the year	(44 584 000)	-
Defined benefit obligation at the end of the year	297 121 000	301 087 000

The Municipality obtained actuarial valuations for the first time on defined benefit plans as at 30 June 2009, therefore no movement for restated 2008 figures reflected.

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

	2009 R	Restated 2008 R
14 Defined benefit plan obligation continued		
Analysis of defined benefit obligation:		
Present value of defined benefit obligations	2 421 000	2 599 000
Present value of unfunded obligations	294 700 000	298 488 000
Present value of obligations in excess of plan assets	<u>297 121 000</u>	<u>301 087 000</u>
Expenses and Income recognised in surplus for the year		
Current service costs - Included under employee related cost	16 754 000	-
Actuarial (gain)/loss - Included under other income	(44 584 000)	-
Interest costs - Included under finance cost	31 933 000	-
The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on the following would be (R'000):		
	2009	
	Increase 1%	Decrease 1%
Defined benefit obligation	<u>249 033 000</u>	<u>354 580 000</u>
15 Consumer deposits		
Water	22 668 765	21 694 492
Interest paid	1 221 008	824 571
Total consumer deposits	<u>23 889 773</u>	<u>22 519 063</u>
Included in deposits is an accrual of interest at an effective interest rate of 4% per annum, which is paid to consumers when deposits are refunded.		
Guarantees in lieu of water deposits	<u>5 735 215</u>	<u>4 524 995</u>
16 Payables from exchange transactions		
Deferred interest	6 152 351	5 694 474
Deferred lease expenditure	134 317	78 025
Other payables	702 720	963 705
Payments received in advance	144 943 159	95 636 666
Retentions	29 731 237	21 972 582
Staff bonuses	13 879 937	11 742 155
Staff leave	36 040 293	33 309 037
Trade payables	100 652 780	88 671 298
Sub total	<u>332 236 794</u>	<u>258 067 942</u>
Inter-company loan from Centlec (Pty) Ltd	157 130 080	232 477 691
Total payables from exchange transactions	<u>489 366 874</u>	<u>490 545 633</u>
17 Payables from non-exchange transactions		
Deposits	400 779	389 251
Other payables	2 850 978	3 116 412
Total payables from non-exchange transactions	<u>3 251 757</u>	<u>3 505 663</u>
18 Unspent conditional grants and receipts		
2010 Soccer DBSA	2 000 000	2 000 000
2010 Stadia Development Grant	34 410 831	68 179 978
2010 Stadia Provincial Grant	20 285 503	-
2010 World Cup Host City Operating Grant	50 096 750	-
DBSA Grant Capacity Building Programme	234 104	234 104
Financial Management Grant	370 629	2 105 977
Housing Grant: Municipal Accreditation Funding	3 524 578	1 854 984
Local Government & Housing Grant	9 163 022	9 296 800
Local Government & Housing Infrastructure Grant	19 705 218	30 067 358
Motheo Contribution Environmental Health	10 141 311	3 777 980
Municipal Infrastructure Grant	18 305 870	16 401 883
Municipal Systems Improvement Grant	765 366	954 651
Provincial Grant Land Use Scheme	1 395 045	1 600 000
Provincial Grant Planning and Surveying	754 763	821 100
Provincial Transfer Grasslands	4 500 000	4 500 000
Public Transport Infrastructure & System Fund Grant	229 233 853	58 030 517
Restructuring Grant	1 918 768	7 886 980

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

	2009	Restated 2008
	R	R
18 Unspent conditional grants and receipts continued		
Urban Renewal Grant	377 500	-
Water Services Operating and Transfer Subsidy (DWAF)	9 402 864	9 503 684
Total conditional grants and receipts	416 585 975	217 215 996
<p>See note 25 for reconciliation of grants from other spheres of government. These amounts are invested until utilized. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.</p>		
19 VAT payable		
VAT payable	49 815 813	35 595 707
<p>The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.</p>		
20 Property rates		
Residential and commercial	251 147 740	227 070 438
State	25 479 406	21 120 817
Municipal	1 609 031	1 457 715
Fair value adjustment	(3 171 529)	(2 966 201)
Total property rates	275 064 648	246 682 769
Valuations		
Residential	10 373 912 579	10 710 581 023
Commercial	5 001 019 917	3 858 447 767
State	1 534 313 600	1 800 526 100
Municipal	1 209 465 941	1 607 846 191
Total property valuations	18 118 712 037	17 977 401 081
<p>Valuations on land and buildings are performed at least every five years. The last valuation came into effect on 1 July 2003 and the following valuation will come into effect on 1 July 2009. The basic rates of R0.0912 (2008: R0.0829) on the value of land and R0.008238 (2008: R0.0082) on the value of improvements are applied to determine assessment rates. A rebate of 40% is granted to owners whose properties are used solely for residential purposes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes. A rebate of 20% is applied on residential properties from which an informal business is operated. A rebate of 100% is granted in the Bloemindustria industrial area.</p>		
21 Service charges		
Sale of water	285 953 701	248 556 924
Refuse removal	4 045 248	3 622 819
Sewerage and sanitation charges	106 554 681	92 146 940
Fair value adjustment	(6 238 391)	(5 585 409)
Total service charges	390 315 239	338 741 274
22 Rental of facilities and equipment		
Rental of facilities	14 671 467	13 664 338
Rental of equipment	3 454 838	9 610 187
Rental of other	802 510	908 874
Total rental of facilities and equipment	18 928 815	24 183 399
23 Interest earned		
Bank	5 104 276	-
Financial assets		
Consumer receivables	27 332 063	23 687 586
Investments	18 371 666	22 459 987
Non-current receivables	96 218 310	115 018 181
Fair value adjustment	9 413 387	8 102 665
Total interest earned	156 439 702	169 268 419

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

	Notes	2009 R	Restated 2008 R
24 Income for agency services			
Provincial Administration - Emergency call centre		195 484	803 864
Services to Centlec (Pty) Ltd:			
Employee related costs		83 016 090	74 559 732
Other services		7 301 329	7 029 322
Fair value adjustment		(4 229)	(10 467)
Total income for agency services		<u>90 508 674</u>	<u>82 382 451</u>
25 Government grants and subsidies			
The following amounts were realised to income during the period due to the conditions being fulfilled:			
2010 Soccer DBSA	25.1	-	-
2010 Stadia Development Grant	25.2	107 192 347	119 602 028
2010 Stadia Provincial Grant	25.3	44 193 822	-
2010 World Cup Host City Operating Grant	25.4	4 703 250	-
DBSA Grant Capacity Building Programme	25.5	-	-
DPLG Grant Sustainable Human Settlement	25.6	274 867	-
Equitable share	25.7	305 797 405	236 570 775
Financial Management Grant	25.8	2 235 348	149 506
Housing Grant: Municipal Accreditation Funding	25.9	830 406	1 198 861
Local Government & Housing Grant	25.1	133 778	-
Local Government & Housing Infrastructure Grant	25.1	10 362 140	-
Motheo Contribution Environmental Health	25.1	636 669	-
Municipal Infrastructure Grant	25.13	101 030 013	165 012 651
Municipal Systems Improvement Grant	25.14	589 285	336 812
National Electrification Program Grant	25.15	63 196 600	23 213 000
Provincial health subsidies	25.16	3 361 470	3 800 285
Provincial Grant Land Use Scheme	25.17	204 955	-
Provincial Grant Planning and Surveying	25.18	66 337	-
Provincial Transfer Grasslands	25.19	-	-
Public Transport Infrastructure & System Fund Grant	25.20	71 413 664	15 492 689
Restructuring Grant	25.21	5 968 212	11 249 974
Water Services Operating and Transfer Subsidy (DAAF)	25.22	100 820	-
Total government grants and subsidies		<u>722 291 388</u>	<u>576 626 581</u>
No grants were withheld due to unfulfilled conditions.			
25.1 2010 Soccer DBSA			
Balance unspent at beginning of year		2 000 000	2 000 000
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - transferred to liabilities (see note18)		2 000 000	2 000 000
Grant for the expenditure of the 2010 Soccer World Cup.			
25.2 2010 Stadia Development Grant			
Balance unspent at beginning of year		68 179 978	4 013 816
Current year receipts		73 423 200	183 768 190
Conditions met - transferred to revenue		(107 192 347)	(119 602 028)
Conditions still to be met - transferred to liabilities (see note18)		34 410 831	68 179 978
The grant is allocated to the municipality for the development and improvement of the sport stadium for the 2010 Soccer World Cup.			
25.3 2010 Stadia Provincial Grant			
Balance unspent at beginning of year		-	-
Current year receipts		64 479 325	-
Conditions met - transferred to revenue		(44 193 822)	-
Conditions still to be met - transferred to liabilities (see note18)		20 285 503	-
The grant is allocated to the municipality for the development and improvement of the sport stadium for the 2010 Soccer World Cup.			
25.4 2010 World Cup Host City Operating Grant			
Balance unspent at beginning of year		-	-
Current year receipts		54 800 000	-
Conditions met - transferred to revenue		(4 703 250)	-
Conditions still to be met - transferred to liabilities (see note18)		50 096 750	-

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

	Notes	2009 R	Restated 2008 R
25 Government grants and subsidies continued			
25.5 DBSA Grant Capacity Building Programme			
Balance unspent at beginning of year		234 104	234 104
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - transferred to liabilities (see note18)		<u>234 104</u>	<u>234 104</u>
Grant will be used for capacity building.			
25.6 DPLG Grant Sustainable Human Settlement			
Balance unspent at beginning of year		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		<u>(274 867)</u>	-
Conditions still to be met - transferred to liabilities (see note18)		<u>(274 867)</u>	-
Grant for the financial assistance for the planning and surveying of erven, geo-technical reports and relevant reports.			
25.7 Equitable share			
Balance unspent at beginning of year		-	-
Current year receipts		305 797 405	236 570 775
Conditions met - transferred to revenue		<u>(305 797 405)</u>	<u>(236 570 775)</u>
Conditions still to be met - transferred to liabilities (see note18)		-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.			
25.8 Financial Management Grant			
Balance unspent at beginning of year		2 105 977	1 755 483
Current year receipts		500 000	500 000
Conditions met - transferred to revenue		<u>(2 235 348)</u>	<u>(149 506)</u>
Conditions still to be met - transferred to liabilities (see note18)		<u>370 629</u>	<u>2 105 977</u>
The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).			
25.9 Housing Grant: Municipal Accreditation Funding			
Balance unspent at beginning of year		1 854 984	653 845
Current year receipts		2 500 000	2 400 000
Conditions met - transferred to revenue		<u>(830 406)</u>	<u>(1 198 861)</u>
Conditions still to be met - transferred to liabilities (see note18)		<u>3 524 578</u>	<u>1 854 984</u>
The grant is allocated to the municipality to finance and support the municipal accreditation project as well as capacity development.			
25.10 Local Government & Housing Grant			
Balance unspent at beginning of year		9 296 800	-
Current year receipts		-	9 296 800
Conditions met - transferred to revenue		<u>(133 778)</u>	-
Conditions still to be met - transferred to liabilities (see note18)		<u>9 163 022</u>	<u>9 296 800</u>
Upgrading of White City Hostels.			
25.11 Local Government & Housing Infrastructure Grant			
Balance unspent at beginning of year		30 067 358	-
Current year receipts		-	30 067 358
Conditions met - transferred to revenue		<u>(10 362 140)</u>	-
Conditions still to be met - transferred to liabilities (see note18)		<u>19 705 218</u>	<u>30 067 358</u>
Grant for infrastructure for housing projects for the Grassland area.			
25.12 Motheo Contribution Environmental Health			
Balance unspent at beginning of year		3 777 980	-
Current year receipts		7 000 000	3 777 980
Conditions met - transferred to revenue		<u>(636 669)</u>	-
Conditions still to be met - transferred to liabilities (see note18)		<u>10 141 311</u>	<u>3 777 980</u>
Grant for the rendering of environmental health services.			

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

	Notes	2009 R	Restated 2008 R
25 Government grants and subsidies continued			
25.13 Municipal Infrastructure Grant			
Balance unspent at beginning of year		16 401 883	11 180 463
Current year receipts		102 934 000	170 234 071
Conditions met - transferred to revenue		(101 030 013)	(165 012 651)
Conditions still to be met - transferred to liabilities (see note18)		<u>18 305 870</u>	<u>16 401 883</u>
The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.			
25.14 Municipal Systems Improvement Grant			
Balance unspent at beginning of year		954 651	1 291 463
Current year receipts		400 000	-
Conditions met - transferred to revenue		(589 285)	(336 812)
Conditions still to be met - transferred to liabilities (see note18)		<u>765 366</u>	<u>954 651</u>
The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government: Municipal Systems Act 32 of 2000.			
25.15 National Electrification Program Grant			
Balance unspent at beginning of year		-	-
Current year receipts		63 196 600	23 213 000
Conditions met - transferred to Centlec		(63 196 600)	(23 213 000)
Conditions still to be met - transferred to liabilities (see note18)		<u>-</u>	<u>-</u>
The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. The grant is transferred to Centlec (Pty) Ltd.			
25.16 Provincial health subsidies			
Balance unspent at beginning of year		-	-
Current year receipts		3 361 470	3 800 285
Conditions met - transferred to revenue		(3 361 470)	(3 800 285)
Conditions still to be met - transferred to liabilities (see note18)		<u>-</u>	<u>-</u>
The municipality renders health services on behalf of the Provincial Government and is refunded approximately 60% of total expenditure incurred. The grant is used mainly to fund primary health care services.			
25.17 Provincial Grant Land Use Scheme			
Balance unspent at beginning of year		1 600 000	880 000
Current year receipts		-	720 000
Conditions met - transferred to revenue		(204 955)	-
Conditions still to be met - transferred to liabilities (see note18)		<u>1 395 045</u>	<u>1 600 000</u>
To assist Municipality with compilation of a town planning scheme to manage land development.			
25.18 Provincial Grant Planning and Surveying			
Balance unspent at beginning of year		821 100	821 100
Current year receipts		-	-
Conditions met - transferred to revenue		(66 337)	-
Conditions still to be met - transferred to liabilities (see note18)		<u>754 763</u>	<u>821 100</u>
To assist Municipality with compilation of a Town Planning scheme to manage land development.			
25.19 Provincial Transfer Grasslands			
Balance unspent at beginning of year		4 500 000	4 500 000
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - transferred to liabilities (see note18)		<u>4 500 000</u>	<u>4 500 000</u>
Infrastructure of Grasslands area. To be used for installation of storm water drainage and regravelling of roads. Planning & surveying in respect of Phase 3.			

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

	Notes	2009 R	Restated 2008 R
25 Government grants and subsidies continued			
25.20 Public Transport Infrastructure & System Fund Grant			
Balance unspent at beginning of year		58 030 517	48 523 206
Current year receipts		242 617 000	25 000 000
Conditions met - transferred to revenue		(71 413 664)	(15 492 689)
Conditions still to be met - transferred to liabilities (see note18)		<u>229 233 853</u>	<u>58 030 517</u>
The grant is allocated to the municipality to improve public transport infrastructure and systems, in accordance with agreed project plans.			
25.21 Restructuring Grant			
Balance unspent at beginning of year		7 886 980	19 136 954
Conditions met - transferred to revenue		(5 968 212)	(11 249 974)
Operating expenditure		<u>(5 968 212)</u>	<u>(11 249 974)</u>
Capital expenditure		-	-
Conditions still to be met - transferred to liabilities (see note18)		<u>1 918 768</u>	<u>7 886 980</u>
The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.			
25.22 Water Services Operating and Transfer Subsidy (DWAF)			
Balance unspent at beginning of year		9 503 684	9 503 684
Conditions met - transferred to revenue		(100 820)	-
Conditions still to be met - transferred to liabilities (see note18)		<u>9 402 864</u>	<u>9 503 684</u>
The purpose of the grant is to fund bulk, connector and internal infrastructure for water services at a basic level of service.			
26 Other income			
Actuarial gain on defined benefit plan obligation		44 584 000	-
Administration costs recoverable		1 581 516	811 430
Building plan fees		2 172 988	3 511 675
Commission Fresh Produce Market		13 263 780	11 986 751
Entrance fees		1 090 895	1 088 971
Grave plots		2 466 006	2 722 745
National Lottery funds		-	3 634 510
Other income		9 612 823	12 970 537
Parking fees		804 625	836 295
Reconnection of water		1 783 063	2 194 754
Sale of land		12 401 238	14 472 415
Sale of redundant materials		796 940	4 031 752
SASCOC subsidy		-	7 167 637
Special removals		1 180 520	1 528 966
Training costs recoverable		885 518	560 680
Unclaimed deposits		2 324 989	2 112 095
Total other income		<u>94 948 901</u>	<u>69 631 213</u>
27 Employee related costs			
Current service cost		16 754 000	-
Employee related costs - Salaries and wages		398 908 094	368 360 176
Employee related costs - Contributions to UIF, pensions and medical aids		82 920 311	81 872 594
Housing benefits and allowances		5 160 168	4 544 706
Long-service awards		15 000	19 467
Overtime payments		35 061 137	28 978 394
Performance bonuses		2 126 847	2 976 477
Provision for bonuses		2 137 782	289 908
Provision for leave		10 662 331	10 496 275
Travel, motor car, accommodation, subsistence and other allowances		35 700 604	30 963 401
Total employee related costs		<u>589 446 274</u>	<u>528 501 398</u>

Included above are employees in service of the municipality, which are seconded to the municipal entity Centlec (Pty) Ltd. The total cost charged to Centlec in this regard is R83,016,090 (2008: R74,559,732) and is reflected in the Statement of Financial Performance as income for agency services.

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

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

	Notes	2009 R	Restated 2008 R
27 Employee related costs continued			
Remuneration of the Municipal Manager			
Annual remuneration		981 988	1 069 714
Performance bonus		212 543	-
Car allowance		150 000	180 000
Contribution to UIF, medical and pension funds		15 767	15 679
Total		<u>1 360 298</u>	<u>1 265 393</u>
Remuneration of the Chief Financial Officer			
Annual remuneration		876 704	681 423
Performance bonus		7 140	-
Car allowance		156 000	156 000
Contribution to UIF, medical and pension funds		182 769	164 232
Total		<u>1 222 613</u>	<u>1 001 655</u>
Remuneration of the Chief Operating Officer			
Annual remuneration		1 028 086	863 956
Car allowance		72 165	130 440
Contribution to UIF, medical and pension funds		8 415	7 259
Total		<u>1 108 666</u>	<u>1 001 655</u>
Remuneration of individual Executive Directors:			
Executive Director: Community and Social Development			
Annual remuneration		-	367 740
Car allowance		-	25 000
Contribution to UIF, medical and pension funds		-	65 322
Total		<u>-</u>	<u>458 062</u>
The remuneration as reflected in 2008 is for a period of 5 months due to the resignation during 2008.			
Executive Director: Corporate Services			
Annual remuneration		952 637	837 066
Performance bonus		172 905	-
Car allowance		84 000	84 000
Contribution to UIF, medical and pension funds		1 539	1 511
Total		<u>1 211 081</u>	<u>922 577</u>
Executive Director: Economic Development and Planning			
Annual remuneration		542 033	880 144
Performance bonus		57 986	-
Car allowance		60 000	120 000
Contribution to UIF, medical and pension funds		769	1 511
Total		<u>660 788</u>	<u>1 001 655</u>
The remuneration as reflected in 2009 is for a period of 6 months due to the resignation during 2009.			
Executive Director: Infrastructure			
Annual remuneration		812 880	430 741
Performance bonus		-	-
Car allowance		240 000	138 000
Contribution to UIF, medical and pension funds		11 479	6 277
Total		<u>1 064 359</u>	<u>575 018</u>
The remuneration as reflected in 2008/09 is for a period of 12 months and 2007/08 is for a period of 7 months due to a new appointment during 2007/08.			
28 Remuneration of councillors			
Executive Mayor		625 594	568 334
Deputy Executive Mayor		504 680	454 667
Speaker		500 474	454 667
Chief Whip		473 138	426 250
Mayoral Committee Members		4 219 997	3 836 250
Councillors		13 578 193	13 165 514
Total Councillors' Remuneration		<u>19 902 076</u>	<u>18 905 682</u>

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

	Notes	2009 R	Restated 2008 R
28	Remuneration of councillors continued		
	<i>In-kind benefits</i>		
	The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
	The Executive Mayor and Deputy-Executive Mayor have use of council owned vehicles for official duties.		
	The Executive Mayor and Deputy Executive Mayor have five bodyguards and an official driver at the cost of Council.		
29	Bad debts and provision for bad debts		
	Non-current receivables	(98 680)	747 310
	Consumer receivables from exchange transactions	170 823 108	164 981 546
	Other receivables from exchange transactions	<u>(10 112 269)</u>	<u>20 809 490</u>
	Total bad debts and provision for bad debts	<u><u>160 612 159</u></u>	<u><u>186 538 346</u></u>
30	Finance costs		
	Borrowings - The Development Bank of South Africa	2 257 982	1 745 118
	Consumer deposits	1 221 008	824 571
	Defined benefit plan obligation	31 933 000	-
	Finance leases	406 030	509 020
	Fair value adjustment to payables	7 695 350	7 241 750
	Total interest on external borrowings	<u><u>43 513 370</u></u>	<u><u>10 320 459</u></u>
31	Bulk purchases		
	Water	168 020 206	166 193 170
	Total bulk purchases	<u><u>168 020 206</u></u>	<u><u>166 193 170</u></u>
32	Grants and subsidies paid		
	Bursaries - employees	723 253	527 372
	Centlec (Pty) Ltd - free services recoverable	21 306 898	33 400 879
	Central Agricultural Society	7 370	5 915
	Cost of living allowance - pensioners	141 874	112 841
	Ex-employees - medical aid contribution	-	4 460 470
	Miscellaneous grants	83 434	69 073
	National Electrification Program Grant	63 196 600	23 213 000
	S P C A	298 300	284 100
	Total grants and subsidies	<u><u>85 757 729</u></u>	<u><u>62 073 650</u></u>

Bursaries - employees

Bursaries are paid to employees in accordance with the approved study scheme.

Centlec (Pty) Ltd - free services recoverable

The free electricity provided by Centlec (Pty) Ltd is recoverable from the equitable share grant.

Central Agricultural Society

The payment to the Central Agricultural Society is for the maintenance of council's property at the show grounds, which are used in accordance with an agreement with the society.

Cost of living allowance - pensioners

The cost of living allowance is applicable to Black pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

Ex-employees - medical aid contribution

The medical aid contribution of pensioners is subsidised by the municipality to a maximum of 60% of the cost of the prescribed basic medical plan.

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

	Notes	2009 R	Restated 2008 R
32 Grants and subsidies paid continued			
<i>Miscellaneous grants</i>			
Miscellaneous grants are allocated mainly for ad hoc grants and the free use of council facilities, as approved during the year.			
<i>National Electrification Program Grant</i>			
The National Electrification Program Grant received by the municipality was transferred to Centlec. See note 25.1			
<i>S P C A</i>			
The subsidy to SPCA is paid annually to assist this organisation in performing its tasks.			
33 General expenses			
Included in general expenses are the following:			
Accommodation expenses (SA Games)		-	6 699 157
Advertising		1 612 744	2 773 907
Bank charges		3 638 005	3 722 528
Chemicals		6 536 979	3 304 928
Community development projects		4 022 022	4 010 891
Conferences and delegations		3 547 697	3 908 329
Electricity and water		23 702 586	16 049 243
Financial Management Grant - projects		2 235 348	149 506
Fuel		22 829 907	19 814 776
Hire equipment		3 642 622	2 734 935
IDP CBP and ward committee planning		2 906 447	3 529 652
Indigent burials		3 123 240	2 465 444
Insurance		3 414 747	3 724 341
Inventory write-offs		1 129	308 846
Legal expenses		4 674 841	1 043 255
Marketing		6 850 739	2 272 245
Other general expenses		40 225 392	14 983 168
Postage		4 660 886	4 709 085
Printing and stationery		5 634 709	4 876 206
Provision for rehabilitation of quarries and landfill sites		5 400 510	4 960 559
Reconnection test and removal - meters		2 668 787	1 364 017
Refreshments		673 750	3 488 777
Restructuring Grant - projects		5 968 212	11 221 556
Skills development		451 639	2 141 927
Skills development levy		3 985 203	3 596 837
Special projects - cleansing		46 952	5 057 516
Stores and material		3 567 601	3 422 751
Subscriptions		3 698 845	2 381 930
Telephone and cellular costs		12 229 277	10 956 895
Tools, plant and equipment		536 387	2 586 878
Training costs		1 907 893	2 585 443
Uniforms and protective clothing		3 185 204	3 468 987
Vacuum services		4 325 629	3 626 247
Vehicle tracking system		684 682	2 524 194
Water leakage awareness and repairs		4 984 223	9 500 000
Water research		1 795 716	1 874 610
Workmen's compensation contributions		2 062 815	2 107 997
Total		201 433 365	177 947 563
34 Surplus for the year		224 795 629	127 402 643
Included in the surplus for the year is the following:			
Operating lease charges:			
Buildings		7 641 195	7 641 195
Depreciation of property, plant and equipment		(119 118 598)	(96 019 641)
- Buildings		(19 371 548)	(11 928 686)
- Infrastructure		(77 410 739)	(63 536 708)
- Community assets		(900 226)	(777 835)
- Other assets		(19 342 808)	(17 858 937)
- Lease assets		(2 093 277)	(1 917 475)
Amortisation of intangible assets		(2 513 377)	(2 737 013)

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

	2009	Restated
	R	2008
		R
35 Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following amounts indicating financial position:		
Investments maturing in less than the first 3 months after reporting date	96 833 627	141 299 420
Positive bank balances	124 597 907	82 576 387
Cash on hand	54 719	46 318
Total cash and cash equivalents	221 486 253	223 922 125

Refer to note 9 for a breakdown of cash book balances and balance per bank statements.

36 Additional disclosures in terms of the Municipal Finance Management Act

36.1 Contributions to organised local government

Opening balance	-	-
Council subscriptions	2 889 434	1 998 435
Amount paid - current year	(2 889 434)	(1 998 435)
Balance unpaid (included in payables)	-	-

36.2 Audit fees

Prior year audit fee	5 140 190	3 417 346
Current year regularity audit fees	668 683	-
Current year performance audit fees	619 419	-
Amount paid - current year	(6 268 448)	(3 417 346)
Balance unpaid (included in payables)	159 844	-

36.3 VAT

VAT paid/(claimed)	(28 128 657)	(26 919 241)
---------------------------	---------------------	---------------------

All VAT returns have been submitted by the due date during the year.

36.4 PAYE and UIF

Opening balance	5 311 370	-
Current year payroll deductions	72 963 362	63 739 357
Amount paid - current year	(67 360 417)	(58 427 987)
Amount paid - previous years	(5 311 370)	-
Balance unpaid (included in payables)	5 602 945	5 311 370

36.5 Pension and medical aid deductions

Current year payroll deductions and council contributions	121 676 920	112 366 539
Amount paid - current year	(121 427 373)	(112 366 539)
Balance unpaid (included in payables)	249 547	-

36.6 Skills Development Levy

Opening balance	345 839	-
Payable during the current year	4 587 943	2 141 927
Amount paid - current year	(4 209 191)	(1 796 088)
Amount paid - previous years	(345 839)	-
Balance unpaid (included in payables)	378 752	345 839

36.7 Councillor's arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days.

30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor:			
Adoons NL	597	-	597
Choene SKM	2 213	1 108	1 105
Ditthebe GC	69	-	69
Goliath EK	4 226	1 234	2 992
Human JS	15 889	3 293	12 596
Joubert JJ	1 352	86	1 266
July LR	1 286	720	566
Lubbe GD	844	552	292
Masita MJ	172	155	17
Matsoenyane MJ	2 320	284	2 036
Mbange MB	20 237	4 416	15 821
Minnie H	540	-	540

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

36.7 Councillor's arrear consumer accounts continued	30 June 2009 Councillor:	Total	2009	Restated
			R	2008
			Outstanding less than 90 days	Outstanding more than 90 days
	Mokotjo NG	9 349	2 717	6 632
	Monyabane TA	25 262	2 142	23 120
	Moroko LS	652	206	446
	Morule FK	27 323	1 688	25 635
	Motaung B	14 594	893	13 701
	Mtshiwane KJ	2 381	543	1 838
	Nothnagel J	6 026	1 807	4 219
	Nzapheza FB	269	18	251
	Petersen JE	4 315	851	3 464
	Ramokone MA	241	-	241
	Saohatse GK	6 761	705	6 056
	Sechoaro CSK	461	-	461
	Sefuthi SM	379	-	379
	Siyonzana MA	2 623	957	1 666
	Somini PM	816	240	576
	Stander AT	8 151	969	7 182
	Tanyane SP	296	83	213
	Tsomela MM	1 502	344	1 158
	Total councillor arrear consumer accounts	161 146	26 011	135 135

30 June 2008 - Restated Councillor:	Total	Outstanding	Outstanding
		less than 90 days	more than 90 days
Horn W	3 006	1 607	1 399
Human JS	10 185	8 752	1 433
Jansen van Vuuren E	95	10	85
Joubert JJ	2 977	2 514	463
Lubbe GD	472	358	114
Mbange MB	24 305	4 228	20 077
Minnie H	1 950	1 314	636
Modise MM	301	301	-
Nothnagel J	58 901	13 881	45 020
Nzapheza FB	1 403	459	944
Petersen JE	1 529	1 144	385
Ralebese ME	189	106	83
Siyonzana MA	1 210	422	788
Zweni TA	363	204	159
	106 886	35 300	71 586

During the year the following councillors had arrear accounts outstanding for more than 90 days:

30 June 2008 Councillor:	Highest Amount Outstanding	Ageing
Dithebe GL	1 737	>90 Days
Jenkinson CE	4 398	>90 Days
Makhanya KNL	2 674	>90 Days
Minnie H	1 961	>90 Days
Moahi MM	280	>90 Days
Mzozana NM	796	>90 Days
Mzuzwana P	1 406	>90 Days
Van Biljon PJJ	7 851	>90 Days
	21 103	

30 June 2008 Councillor:	Highest Amount Outstanding	Ageing
Choene SKM	403	>90 Days
Dithebe GL	1 665	>90 Days
Erasmus JC	907	>90 Days
Goliath EK	1 304	>90 Days
Janse van Vuuren E	468	>90 Days
Joubert JJ	3 058	>90 Days

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

	2009 R	Restated 2008 R
36.7 Councillor's arrear consumer accounts continued		
	Highest Amount Outstanding	Ageing
30 June 2008		
Councillor:		
July LR	701	>90 Days
Makhanya KNL	8 208	>90 Days
Modise MM	11 251	>90 Days
Nakedi SS	1 636	>90 Days
Nothnagel J	57 826	>90 Days
Scheepers MA	2 167	>90 Days
Siyonzana MA	1 055	>90 Days
Zweni TA	12 390	>90 Days
	<u>103 039</u>	

37 Capital commitments

Commitments in respect of capital expenditure:

-Approved and contracted for		
Infrastructure	516 317 295	45 089 410
Community	11 052 946	14 253 000
Total	<u>527 370 241</u>	<u>59 342 410</u>

38 Retirement benefit information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.

38.1 Defined contribution plan

The following are defined contribution plans: Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund, SAMWU Provident Fund, Old Mutual Orion Pension Fund and National Provident Fund for Municipal Workers. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.

38.2 Defined benefit plan

See note 14 for the Defined benefit obligation.

The Sala Pension Fund and the Government Employment Pension Fund are also classified as defined benefit plans however, treated as a defined contribution plan. These are multi-employer plans and according to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan in terms of IAS 19 (AC116).

Some employees belongs to the Sala Pension Fund. The latest actuarial valuation of Sala Pension Fund was performed on 1 July 2007. These valuations indicate that the fund is in a sound financial position. The estimated liability of the fund is R5,580 million which is adequately financed by assets of R6,138 million.

Some employees belongs to the Government Employment Pension Fund. The latest actuarial valuation of GEPF was performed on 31 March 2006. These valuations indicate that the fund is in a sound financial position. The estimated liability of the fund is R447,474 million which is adequately financed by assets of R545,563 million.

39 Contingent liabilities

Guarantees by Council in respect of housing loans at financial institutions for officials	<u>3 197 981</u>	<u>3 465 848</u>
---	------------------	------------------

Pending claims

The municipality is being sued in the following pending claims against the Council. All the claims are being contested based on legal advice.

- A claim for payment of animals which have died after the date of delivery.	160 000	160 000
- A claim for an alleged breach of contract in respect of the allocation of a tender.	300 000	300 000
- Outstanding claims regarding labour disputes.	30 300 000	30 300 000
- Claim against municipality from person wishing to evict persons from erf in Botshabelo.	1 260 000	1 260 000
- A claim for an alleged breach of contract regarding the constructing of the Free State stadium for 2010.	22 000 000	5 700 000
- A claim for death benefits paid to dependants of Tshelana on behalf of the municipality	80 000	-

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

	2009	Restated
	R	2008
		R
39 Contingent liabilities continued		
- A claim for death benefits paid to dependants of Manjingolo on behalf of the municipality	65 000	-
- A claim for damages due to wrongful sale of property.	-	200 000
- Claims by individuals due to injuries in various incidents.	2 745 436	2 745 436
- Claims by individuals due to damage of vehicles in various incidents.	208 500	208 500
- A claim for damage to electrical appliances at Ascot Court.	78 547	78 547
- A claim for loss of property stored in carport at Mirage flats.	230 000	230 000
- A claim for damages to property due to spread of fire at 2 Kiepersol, Hillside.	30 000	30 000
- A claim by Murray and Roberts Properties for repayment of Service Charges	350 000	-
	57 807 483	41 212 483

40 Related parties

Controlled Entities:

Relationships

Parent

Mangaung Local Municipality

Subsidiary

Centlec (Pty) Ltd

A company, Centlec (Pty) Ltd of which Mangaung Local Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account. All electricity assets, including certain of the receivables of the electricity service were taken over by Centlec (Pty) Ltd. The income formerly derived from the electricity service, was replaced by interest to be received on a loan account. The company has commenced with business on 1 July 2005.

40 Related parties continued

Investment in municipal entity

	Centlec (Pty) Ltd	Centlec (Pty) Ltd
Issued share capital	100	100
Percentage owned by council (%)	100%	100%
Balances at reporting date:		
Indebtness of municipal entity	755 767 749	719 546 786
Inter-company loan from Centlec (Pty) Ltd	(157 130 080)	(232 477 691)
Transactions:		
Administration fees received	(5 444 009)	(5 184 770)
Electricity charges paid	20 174 655	12 135 029
Employee related costs received	(83 016 090)	(74 559 732)
Insurance received	(502 520)	-
Interest received: Shareholder's loan	(84 435 645)	(94 000 000)
Interest received: Loan advances	(9 622 364)	(6 428 060)
Management fees received	(1 354 800)	(1 417 950)
Water charges received	(11 398)	(19 756)

Key management personnel

See note 27 and 28 for remuneration of key management personnel and Council.

Loans to key management personnel

	Original transaction amount	Outstanding balance as at 30 June 2009	Outstanding balance as at 30 June 2008
Motor vehicle loans			
Henama B L	245 000	-	4 128
Mochochoko T M M	125 000	256	14 561
Moleme R M M	283 000	-	34 002
Mpheli T J	168 000	-	40 646
Tsotetsi T S	435 699	-	28 767
	1 256 699	256	122 104

Senior staff obtained loans at 8.50% interest per annum repayable over a maximum period of 6 years. Repayments are made on a monthly basis by way of salary deductions. These loans are being phased out and are repayable in the year 2010.

41 Leases

41.1 Finance Leases

Lessee

The council leases various equipment under finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. The maximum lease term is 5 years and the average borrowing rate is between 9% and 15%. Some leases have fixed repayment terms and other escalate on average 10% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

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

	2009 R	Restated 2008 R
41 <u>Finance Leases continued</u>		
<u>Lessee</u>		
	Minimum lease payment	Future finance charges
		Present value of minimum lease payments
30 June 2009		
Amounts payable under finance leases		
Within one year	1 857 151	246 010
In the second to fifth year inclusive	1 391 763	80 308
	3 248 914	326 318
Less: Amount due for settlement within 12 months		(1 611 141)
		1 311 455
30 June 2008		
Amounts payable under finance leases		
Within one year	1 978 795	401 440
In the second to fifth year inclusive	2 917 196	292 452
	4 895 991	693 892
Less: Amount due for settlement within 12 months		(1 577 355)
		2 624 744

41.2 Operating Leases
Lessor

The council leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 6 - 12% per year with the agreements varying between 2 - 50 years. Rental income, for these agreements, to the value of R 6,879,692 has been recognised in the Statement of financial performance during the year.

No contingent rental agreements existed for the reporting period.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Receivable within 1 year	6 874 893	6 634 041
Receivable within 1 - 5 years	25 481 293	24 623 646
Receivable later than 5 years	132 489 941	131 807 200
	164 846 127	163 064 887

Lessee

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of three years.

No sublease contracts existed for the reporting period.

No contingent rental agreements existed for the reporting period.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

Receivable within 1 year	594 149	594 149
Receivable within 1 - 5 years	1 336 836	1 930 985
Receivable later than 5 years	-	-
	1 930 985	2 525 134

42 Events after reporting date
None

43 Irregular expenditure

Reconciliation of irregular expenditure identified:

Opening balance	26 123 577	4 841 948
Irregular expenditure current year	1 338 491	5 295 516
Irregular expenditure not previously disclosed	-	15 986 113
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	27 462 068	26 123 577

Incident: Vehicle tracking expenditure 14 706 860 13 373 966

Disciplinary steps: Officials suspended, investigation ongoing

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

	2009	Restated
	R	2008
		R
43 Irregular expenditure continued		
<i>Incident:</i> Irregularities surrounding circumstances of the awarding of tender MD58 - 2006/2007	967 608	962 011
<i>Disciplinary steps:</i> The Contract has been terminated, Internal audit have recommended that the supplier be blacklisted.		
<i>Incident:</i> Irregular catering costs incurred.	89 500	89 500
<i>Disciplinary steps:</i> The matter is being investigated.		
<i>Incident:</i> Irregular training costs incurred.	751 789	751 789
<i>Disciplinary steps:</i> The matter was investigated. The official has resigned on the 1st March 2009. No costs have been recovered from the Official. The expenditure is awaiting condonement from Council.		
<i>Incident:</i> Irregular skills development costs incurred.	1 291 436	1 291 436
<i>Disciplinary steps:</i> The matter was investigated. The official has resigned on the 1st March 2009. No costs have been recovered from the Official. The expenditure is awaiting condonement from Council.		
<i>Incident:</i> Expenditure incurred without adhering to the Supply Chain Management Policy requiring 3 quotations.	784 697	784 697
<i>Disciplinary steps:</i> The matter is being investigated.		
<i>Incident:</i> Expenditure incurred without adhering to the Supply Chain Management Policy requiring 3 quotations.	5 526 866	5 526 866
<i>Disciplinary steps:</i> The matter is being investigated.		
<i>Incident:</i> Expenditure incurred on invoices which are not in the name of the Municipality.	236 000	236 000
<i>Disciplinary steps:</i> The matter is being investigated.		
<i>Incident:</i> Expenditure incurred for which no tender documents could be obtained.	2 825 766	2 825 766
<i>Disciplinary steps:</i> The matter is being investigated.		
<i>Incident:</i> Expenditure incurred without adhering to the Supply Chain Management Policy paragraph 7.2.21.1.	281 546	281 546
<i>Disciplinary steps:</i> The matter is being investigated.		
	-	-
	<u>27 462 068</u>	<u>26 123 577</u>
44 Fruitless and wasteful expenditure		
<p>During 2008 an amount of R41,490 was identified as fruitless and wasteful expenditure that was paid as penalties and interest to SARS on late payment of UIF for Councillors. The municipality ceased payment of UIF for councillors according to a directive received from SALGA during 2003. During 2006/07 it was determined that UIF was payable to SARS, which resulted in penalties and interest on late payment of UIF. This amount is not recoverable as no official of the municipality is liable for the non-payment of the UIF contributions. No fruitless and wasteful expenditure was identified for 2009.</p>		
45 Unauthorised expenditure		
<p>Reconciliation of unauthorised expenditure identified:</p>		
Opening balance	120 251 226	-
Unauthorised expenditure current year	-	107 235 351
Unauthorised expenditure current year - not reported	-	13 015 875
Unauthorised expenditure awaiting authorisation	<u>120 251 226</u>	<u>120 251 226</u>
Incident:		
Unbudgeted expenditure		
Unbudgeted capital expenditure-Environmental Management.		107 235 351
Unbudgeted capital expenditure-Infrastructure Services		423 098
		12 592 777
		<u>120 251 226</u>
46 Key sources of estimation uncertainty		
<p>(i) Provision for water consumption up to 30 June 2009: Sundry Debtors R20,888,310.52 (2008: R15,616,036.45). The consumption from the last meter reading until 30 June 2009 was estimated based on the pro-rata consumption billed in July 2009. The June 2009 tariff was used for the calculation.</p>		

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

	2009	Restated
	R	2008
		R

46 Key sources of estimation uncertainty continued

(ii) Impairment of financial assets: Refer to notes 4,6 and 7. The impairments were calculated based on a risk scoring matrix, whereby management estimated the risk of recoverability associated with each debtor category based on prior experience and knowledge of the consumer demographic. Based on the results of the risk scoring, the period for which the debt is expected to still be outstanding was calculated. The expected period was then used to present value the receivables. The present value is then compared to the balance as previously stated at year end, the difference between the balances is the impairment to be recognised.

The following assumptions were used in the present value calculations:

Discount rate – The rate was based on the risk associated with each debtors' class. The risk free rate was used as a starting point for the calculation and adjusted for by risk factors relevant to each class of debtor. The discounting rate varied from 14.43% to 15.05% between the different consumer debtor classes, sundry debtors and housing rentals (risk groups).

Discount period – The discount period was based on management's expectation of when the debtors would settle outstanding balances. The discount period ranged from 30 days to 53.92 days between consumer receivables, sundry receivables and housing rentals (risk groups).

(iii) Initial recognition of income and expenditure: Refer to Impairment of financial assets assumptions on discount rate and discount period.

Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets or liabilities.

47 Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. The entity complied with the supply chain management policy.

48 Comparison with the budget

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

49 Financial instruments

49.1 Categories of financial instruments

Financial assets

Available for sale investments	8 795	8 900
Held to maturity investments	-	161 547
Loans and receivables (including cash and cash equivalents)	1 293 333 864	1 213 950 766
Total financial assets	1 293 342 659	1 214 121 213

Financial liabilities

Loans and payables	891 072 311	698 657 160
--------------------	-------------	-------------

49.2 Financial risk management objectives and policies

The Municipality has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the Annual Financial Statements.

49.3 Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations. Financial assets exposed to credit risk at year end were as follows:

- Trade and other receivables
- Investments
- Loans receivable
- Cash and cash equivalents

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

	2009	Restated 2008
	R	R

49 Financial instruments continued

49.3 Credit risk continued

Trade and other receivables

The Municipality's trade receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. Consumer receivables constitutes approximately 47% of the Municipality's total exposure to maximum credit risk. The Municipality's exposure and credit ratings of its customers are continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties, thus legal action has been institute against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

Loans receivable

Loans to the Municipality's subsidiary Centlec (Pty) Ltd accounts for 43% of the maximum credit risk exposure for the Municipality. The loan originated in accordance with the sale of business agreement for the purchase of the electricity service by Centlec (Pty) Ltd. The loan is of good credit quality and a loan agreement supports the recoverability of the loan. Other loans are monitored on a ongoing basis and only credit worthy counterparties are transacted with. Loans to the Municipality's subsidiary Centlec Pty Ltd accounts for 43% of the maximum credit risk exposure for the Municipality. The loan originated in accordance with the sale of business agreement for the purchase of the electricity service by Centlec. The loan is of good credit quality and a loan agreement supports the recoverability of the loan.

Other loans are monitored on a ongoing basis and only credit worthy counterparties are transacted with. No loans have been pledged as security. Certain loans that are past due have been defaulted on by counterparties, thus legal action has been taken in certain circumstances against the counterparties in an attempt to recover the loan. When loans become irrecoverable they are written off. No conditions or terms of the loans have been re-negotiated with counterparties.

Cash and cash equivalents

Mangaung Local Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date was:

Available for sale investments	8 795	8 900
Held-to-maturity investments	161 547	161 547
Cash and cash equivalents	221 486 253	223 922 125
Total maximum exposure to credit risk (excluding loans and receivables)	221 656 595	224 092 572

Maximum exposure to credit risk at reporting date for loans and receivables as per counter parties was:

Trade and other receivables from exchange transactions	820 254 930	632 564 956
Trade and other receivables from non - exchange transactions	315 259	344 095
Loans to group entities - Centlec (pty) Ltd	755 767 749	719 546 786
Study loans	61 509	73 560
Motor vehicle loans	1 443 469	2 655 045
Erven loans	16 714 938	15 927 901
Housing selling scheme loans	40 174 900	38 107 329
Other receivables	108 356 310	88 960 709
Total maximum exposure to credit risk for loans and receivables	1 743 089 064	1 498 180 381

Impairment losses

All of the Municipality's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision of R671,403,000 (2008: R508,151,741) has been recorded accordingly. The impaired trade receivables are mostly due from consumers defaulting on service costs levied by the Municipality. Refer to Note 4, 6 and 7 for the impairment reconciliation of trade and other receivables and note 3 for impairment of investments.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

Not more than 90 days	25 226 249	62 730 726
More than 90 days but not more than 120 days	1 671 139	1 453 187
More than 120 days but not more than 180 days	243 350	548 322
More than 180 days	9 360 544	26 183 321
	36 501 282	90 915 556

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

	2009	Restated 2008
	R	R
49.3 Credit risk continued		
The ageing of impaired trade receivables at reporting date was as follows:		
Not more than 90 days	62 449 685	52 361 285
More than 90 days but not more than 120 days	20 835 729	13 162 782
More than 120 days but not more than 180 days	41 471 931	25 981 885
More than 180 days	501 193 963	363 622 247
	625 951 308	455 128 199

49.4 Market risk

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term loans.

At reporting date the interest rate profile of the Municipality's interest bearing financial instruments was:

Fixed rate instruments

Financial assets	755 767 749	719 546 786
Financial liabilities	38 168 473	38 454 126
	793 936 222	758 000 912

Variable rate instruments

Financial assets	537 566 115	494 565 527
Financial liabilities	855 826 434	664 405 133
	1 393 392 549	1 158 970 660

Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at reporting date would not affect surplus for the year.

Cash flow sensitivity analysis for variable rate instruments

The analysis below assumes that all other variables except interest rates will remain constant. A 200 basis points (2008: 300 basis points) increase or decrease was used to report possible changes in surplus for the year due to interest rate risk. The sensitivity rates are based on managements assessments of reasonable possible changes in interest rates. A decrease in rates used of 1% in comparison to the prior year is the result of anticipated Reserve Bank repo rate adjustments in an attempt to keep interest rates consistent and hence stabilising the economy during the global economic crisis. The prime lending rates are thus affected by these changes. The prior periods expected fluctuation was larger as interest rates increased quite significantly owing to the rising inflation rates which is not the case as at this reporting date. Inflation has remained constant owing to the global economic recession.

	Surplus for the year	
30 June 2009	200 bp increase	200 bp decrease
Variable rate instruments	25 523 632	25 523 632
Cash flow sensitivity	25 523 632	25 523 632

	Surplus for the year	
30 June 2008	300 bp increase	300 bp decrease
Variable rate instruments	31 540 676	(31 540 676)
Cash flow sensitivity	31 540 676	(31 540 676)

Other market price risk

The Municipality is exposed to equity price risk through its investment in a widely held company. The investment is with a reputable public company thus limiting the Municipality's exposure to price risk. Price risk is also limited due to minimal rand value of the investment. A sensitivity analysis was based on managements estimates of anticipated changes in market prices of the shares at reporting date, this equated to a 3% (2008: 1%) variation. The rate used for the sensitivity analysis increased by 2% in comparison to prior year due to the effects of the global recession and instability in the economy. The effects of this variation would constitute a R264 decrease or increase in equity (2008: R89).

49.5 Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

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

49.5 Liquidity risk continued

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non- Derivative financial liabilities

	Carrying amount	Contractual cash flows	0-1 years
30 June 2009			
Secured bank loans	14 278 700	19 443 210	3 153 202
Trade and other payables	456 955 879	456 955 879	456 955 879
Finance lease liability	2 922 596	3 575 232	2 103 161
	<u>474 157 175</u>	<u>479 974 321</u>	<u>462 212 242</u>
30 June 2008			
Secured bank loans	15 935 063	22 643 424	3 200 213
Trade and other payables	465 506 101	465 506 101	465 506 101
Finance lease liability	4 202 099	5 589 883	2 380 235
	<u>485 643 263</u>	<u>493 739 408</u>	<u>471 086 549</u>

49.6 Fair values

The fair value of financial assets with standard terms and conditions and traded in an active market is determined with reference to quoted market bid prices and ask prices respectively. Except as detailed below, disclosures of all other fair values of applicable financial instruments has not been made as a reliable estimate of their values could not be determined, furthermore the investment in Centlec (Pty) Ltd, a subsidiary of the Municipality to the value of R100, is stated at cost as this equity instrument is not traded in an open market, and consequently no fair value could be reasonably estimated:

	30 June 2009	
	Carrying amount	Fair value
Available for sale investments	2 535	8 695
	<u>2 535</u>	<u>8 695</u>
	30 June 2008	
	Carrying amount	Fair value
Available for sale investments	2 535	8 800
	<u>2 535</u>	<u>8 800</u>

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors

Summary of restatement due to error:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	1 065 313 891
<i>Adjustments affecting the statement of financial performance</i>	
Decrease in Property rates	3 490 711
Decrease in Service charges	1 469 613
Increase in Rental of facilities and equipment	(3 546 132)
Increase in Interest earned	(20 540 407)
Decrease in Fines	102 436
Decrease in Licenses and permits	2 510
Increase in Income for agency services	(416 135)
Decrease in Other income	(642 075)
Increase in Employee related costs	270 524
Increase in Bad debts	175 406 098
Increase in Depreciation and amortisation	269 485
Decrease in Repairs and maintenance	(182 908)
Increase in Finance costs	7 400 543
Decrease in Bulk purchases	(3 012 968)
Decrease in Contracted services	(478 560)
Decrease in Grants and subsidies paid	(2 286 506)
Increase in General expenses	759 820
	158 066 049
<i>Adjustments affecting the statement of financial position</i>	
Decrease in Property, Plant and Equipment	(15 950 271)
Increase in Intangible assets	7 568 815
Increase in Investments	6 265
Decrease in Non-current receivables	(726 743 660)
Increase in Inventory	285 958
Decrease in Consumer receivables from exchange transactions	(108 004 018)
Increase in Other receivables from exchange transactions	11 753 389
Decrease in Current portion of non-current receivables	(20 110 892)
Decrease in Capitalisation reserve	3 452 754
Decrease in Government grant reserve	395 460
Increase in Mark-to-market reserve	(6 265)
Decrease in Accumulated surplus/(deficit)	7 823 986
Decrease in Finance lease liability (non-current)	291 161
Increase in Non-current provisions	(60 794 506)
Increase in Defined benefit plan obligation	(301 087 000)
Increase in Payables from exchange transactions	(20 515 800)
Decrease in Unspent conditional grants and receipts	234 104
Increase in VAT payable	(1 981 278)
Decrease in Finance lease liability (current)	1 858
	(1 223 379 940)

The following errors were corrected regarding 2007/08 Prior Period Errors:

50.1 Expenditure paid in advance

Two invoices for Vacuum Services were dated before 30 June 2007 and only captured in July 2008. Expenses for 2007 were therefore understated and 2008 expenses were overstated. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	257 788.00
<i>Adjustments affecting the statement of financial performance</i>	
Decrease in General expenses	(257 788.00)
	(257 788.00)

50.2 Expenditure paid in advance

A payment was made during 2007 regarding the annual maintenance of the Venus system for the period July 2007 to June 2008. The expense should have been recognised during 2008. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(1 255 012.00)
<i>Adjustments affecting the statement of financial performance</i>	
Increase in General expenses	1 255 012.00
	1 255 012.00

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.3 Expenses not provided for

Invoices dated before 30 June 2007 were only captured in July 2008. Expenses for 2007 were therefore understated and 2008 expenses were overstated. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	1 143 939.00
<i>Adjustments affecting the statement of financial performance</i>	
Decrease in Contracted services	(22 391.00)
Decrease in General expenses	(1 121 548.00)
	(1 143 939.00)

50.4 Value Added Taxation incorrectly claimed

Input VAT was incorrectly claimed on payments for the recovery of fine income which constitutes non-taxable supplies. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	384 246.00
<i>Adjustments affecting the statement of financial position</i>	
Increase in Taxes payable	(384 246.00)
	(384 246.00)

50.5 Value Added Taxation incorrectly not claimed

Output VAT was incorrectly not claimed on goods and services during 2007. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(36 654.00)
<i>Adjustments affecting the statement of financial position</i>	
Decrease in Taxes payable	36 654.00
	36 654.00

50.6 Income cut-off error

Journals were processed after year-end that relating to before year-end. The rates and sanitation levies should have been recognised during 2007. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(554 232.00)
<i>Adjustments affecting the statement of financial performance</i>	
Decrease in Property rates	524 510.00
Decrease in Service charges	29 722.00
	554 232.00

50.7 Performance bonuses paid to Centlec (Pty) Ltd staff incorrectly included

Bonus paid to Centlec employees were incorrectly included in Employee related costs and the Bonus provision for 2007. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(237 217.00)
<i>Adjustments affecting the statement of financial performance</i>	
Increase in Employee related cost	237 217.00
	237 217.00

50.8 Leave provision for Centlec (Pty) Ltd staff incorrectly included

Leave expense and provision for 2007 were overstated, due to Centlec officials included in the provision. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(61 686.00)
<i>Adjustments affecting the statement of financial performance</i>	
Increase in Employee related cost	61 686.00
	61 686.00

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.9 *Payments made after termination*

Payments were made to employees after termination date, without the debt being taken on. This mistake has now been rectified and the 2008 figures restated. The result is as follows:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(24 920.00)
 <i>Adjustments affecting the statement of financial position</i>	
Increase in Other receivables from exchange transactions	24 920.00
	24 920.00

50.10 *Cut-off error on banking*

Income banked during 2007, but was only recorded during 2008. Income should have been recorded during 2007. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(159 236.00)
 <i>Adjustments affecting the statement of financial performance</i>	
Decrease in Fines	159 236.00
	159 236.00

50.11 *Cut-off error regarding income*

Spot fine income for 2007 was only recorded during 2008. Income should have been recorded during 2007. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(29 030.00)
 <i>Adjustments affecting the statement of financial performance</i>	
Decrease in Fines	29 030.00
	29 030.00

50.12 *Journals after year end 2007*

A water sales journal relating to the 2007 financial year, was processed after year-end resulting in an overstatement of 2007 water sales and an understatement of the 2008 water sales. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	740 770.00
 <i>Adjustments affecting the statement of financial performance</i>	
Increase in Service charges	(740 770.00)
	(740 770.00)

50.13 *Cut-off error for sundry income*

Receipts before year-end 2007 were only recorded after year-end during 2008. Sundry income therefore should decrease for 2008. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(4 975.00)
 <i>Adjustments affecting the statement of financial performance</i>	
Decrease in Other income	4 975.00
	4 975.00

50.14 *Incorrect classification of general expenses*

Transactions were incorrectly classified between the different classes of expenses. The reclassification is all within the general expenses class, therefore the reclassification has no effect on the current or the comparative figures. The effect of the restatement within the general expenses class is summarised below:

 <i>Adjustments affecting the statement of financial performance</i>	
Increase in General expenses	247 000.00
Increase in General expenses	13 550.00
Decrease in General expenses	(171 000.00)
Decrease in General expenses	(76 000.00)
Decrease in General expenses	(13 550.00)
	-

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.15 VAT not claimed on expenses

VAT was not claimed on valid tax invoices for general expenses during 2008. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Decrease in General expenses	(14 209.00)
	(14 209.00)

Adjustments affecting the statement of financial position

Decrease in Taxes payable	14 209.00
	14 209.00

50.16 Prepaid electricity cut-off error

The transfer of equitable share to Centlec for the month of June 2007 was recognised in 2008. The expense should have been recognised during the 2007 financial year. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	2 286 506.00
	2 286 506.00

Adjustments affecting the statement of financial performance

Decrease in Grants & subsidies paid	(2 286 506.00)
	(2 286 506.00)

50.17 Expenses not captured in correct financial years

Expenses were incorrectly recorded in the wrong financial years. The error has been corrected and the comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	1 482 660.00
	1 482 660.00

Adjustments affecting the statement of financial performance

Decrease in General expenses	(313 455.00)
	(313 455.00)

Adjustments affecting the statement of financial position

Increase in Payables from exchange transactions	(1 169 205.00)
	(1 169 205.00)

50.18 Centlec insurance claims and contributions processed against the Municipality self insurance fund

Centlec insurance claims and contributions processed against the Municipality self insurance fund for the period after the service level agreement has expired. Centlec is therefore responsible for their own insurance claims and contributions. The error has been corrected and the comparative statements for 2008 has been restated. The effect of the restatements is summarised below:

Adjustments affecting the statement of financial performance

Increase in Income for Agency services	(426 602.00)
Increase in General expenses	426 602.00
	-

50.19 VAT not claimed on expenses

VAT was not claimed on expenses directly related to grant received. In terms of section 11 of the Value Added Tax Act, 89 of 1991, grants received from government is zero rated and therefore VAT may be claimed on expenditure incurred with the grant funds. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Decrease in General expenses	(14 209.00)
	(14 209.00)

Adjustments affecting the statement of financial position

Decrease in Taxes payable	14 209.00
	14 209.00

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.20 Impairment of investment

Impairment of investments was incorrectly debited against bad debt provision in the statement of financial position. The impairment movement should have been recorded against the bad debt expenses. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Bad debts	233 344.00
	233 344.00

Adjustments affecting the statement of financial position

Decrease in Consumer receivables from exchange transactions	(233 344.00)
	(233 344.00)

50.21 Cut-off error regarding additions to fixed assets

Additions to fixed assets which relates to the 2008/09 financial year were recognised in 2008 financial year as well as additions for the 2007 financial year were recorded in the 2008 financial year. These additions should be recognised in the 2008/09 and 2006/7 financial years respectively. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Decrease in Property, plant and equipment	(97 166.00)
Increase in Property, plant and equipment	97 166.00
	-

50.22 Assets overstated with VAT

The value of assets purchased on year-end was overstated with the VAT. Corrections were made after year-end. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Decrease in Property, plant and equipment	(413 695.00)
Decrease in Taxes payable	413 695.00
	-

50.23 Overpayment of salary after resignation

Overpayment of salaries for four months occurred after an employee resigned and his salary was not terminated. The comparative figures for 2008 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Decrease in Employee Cost	(28 379.00)
	(28 379.00)

Adjustments affecting the statement of financial position

Increase in Other receivables from exchange transactions	28 379.00
	28 379.00

50.24 Overpayment of salaries after employees' termination of services

Payments were made during the 2008 financial year to employees after termination date. The debt due to these overpayments have to be taken on. The comparative figures for 2008 have been restated for the take on of debt. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(95 278.00)
	(95 278.00)

Adjustments affecting the statement of financial position

Increase in Other receivables from exchange transactions	95 278.00
	95 278.00

50.25 Overstatement of trade creditors

A Centlec investment was incorrectly shown as an amount payable to Centlec. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Increase in Payables from exchange transactions	(30 000 000.00)
Decrease in Payables from exchange transactions	30 000 000.00
	-

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.26 *Traffic Fine Income not accrued for at year-end.*

Traffic fine income collected by the Department of Justice and Constitutional Development on behalf of Municipality for the month of June 2008 was not correctly accrued for at year-end. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Fines	(17 340.00)
	(17 340.00)

Adjustments affecting the statement of financial position

Increase in Other receivables from exchange transactions	17 340.00
	17 340.00

50.27 *Contempt of Court Fine Income not accrued for at year-end.*

Contempt of Court fine income collected by Municipality on behalf of the Department of Justice and Constitutional Development for the month of June 2008 was not correctly accrued for at year end. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in General expenses	21 500.00
	21 500.00

Adjustments affecting the statement of financial position

Increase in Payables from exchange transactions	(21 500.00)
	(21 500.00)

50.28 *Traffic and non-Traffic fine income not accrued for at year end:*

Traffic and non-Traffic fine income collected on 30 June 2008 was not correctly accrued for at year end. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Fines	(68 490.00)
Increase in Other Income	(49 351.00)
	(117 841.00)

Adjustments affecting the statement of financial position

Increase in Payables from exchange transactions	(2 500.00)
Increase in Other receivables from exchange transactions	120 341.00
	117 841.00

50.29 *Cut-off error on receipts from swimming pool*

Receipts had only been recorded in 2008/09 although it had already been collected during 2008 by the cashiers. The receipts should be recorded in the 2008 financial year. The error has been corrected and the comparative statements of 2008 has been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Other income	(4 822.00)
	(4 822.00)

Adjustments affecting the statement of financial position

Increase in Other receivables from exchange transactions	4 822.00
	4 822.00

50.30 *Cut-off error on receipts from Zoo*

Receipts had only been recorded in 2008/09 although it had already been issued during 2008 by the cashiers. The receipts should be recorded in the 2008 financial year. The error has been corrected and the comparative statements of 2008 has been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Other income	(11 970.00)
	(11 970.00)

Adjustments affecting the statement of financial position

Increase in Other receivables from exchange transactions	11 970.00
	11 970.00

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.31 *Water in pipes not included in inventory at year-end.*

Water contained in water pipes throughout Bloemfontein was not included in the year-end inventory balance. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(271 940.00)
<i>Adjustments affecting the statement of financial performance</i>	
Decrease in Bulk purchases	(14 018.00)
	(14 018.00)
<i>Adjustments affecting the statement of financial position</i>	
Increase in Inventory	285 958.00
	285 958.00

50.32 *Grant income and grant expenditure not separately disclosed*

The grant expenditure and grant income for the Kellogg Foundation Grant was not separately disclosed in prior years. The Other income and General expenditure were therefore understated. The figures for 2008 has been corrected and the effect of these corrections are indicated below :

<i>Adjustments affecting the statement of financial performance</i>	
Increase in Other income	(803 803.00)
Increase in General expenditure	803 803.00
	-

50.33 *Cut off error on creditor invoices*

General expenses, Trade and other payables and Property, plant and equipment understated, due to creditors invoices dated 30 June 2008 not recorded in the financial statements. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustments affecting the statement of financial performance</i>	
Increase in General expenses	57 836.00
	57 836.00
<i>Adjustments affecting the statement of financial position</i>	
Increase in Property, plant and equipment	1 109 295.00
Increase in Payables from exchange transactions	(1 167 131.00)
	(57 836.00)

50.34 *Incorrect cut-off of sanitation journal*

A sanitation journal was incorrectly recorded during the 2009 financial year. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

<i>Adjustments affecting the statement of financial performance</i>	
Increase in Service charges	(27 683.00)
	(27 683.00)
<i>Adjustments affecting the statement of financial position</i>	
Increase in Consumer receivables from exchange transactions	27 683.00
	27 683.00

50.35 *VAT on motor vehicles incorrectly claimed*

VAT on motor vehicles have been incorrectly claimed and not capitalised. The error has been corrected and the comparative figures for 2008 has been restated. The effect of the restatement is summarised below:

<i>Adjustments affecting the statement of financial position</i>	
Increase in Property, plant and equipment	158 040.00
Increase in Taxes payable	(158 040.00)
	-

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.36 Duplication of Housing scheme assets

In the prior year a duplication of certain assets forming part of the housing scheme was processed. Assets and Accumulated depreciation and the Revaluation reserve were overstated as a result of this. The error was corrected and comparative figures were adjusted accordingly. The effects of the restatement is summarised below:

Adjustments affecting the statement of financial position

Decrease in Revaluation reserve	11 672 200.00
Decrease in Property, plant and equipment	(11 672 200.00)
	-

50.37 Movement in revaluation reserve incorrectly accounted for

During the 2008 financial year the movement in revaluation reserve was to account for disposal of Erven. The movement was incorrectly calculated. This error was corrected and comparative figures were adjusted accordingly. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Increase in Revaluation reserve	(121 728 068.00)
Decrease in Accumulated surplus	121 728 068.00
	-

50.38 Disposal of erven treated as revaluation and disposals not allocated to reserves from where they originated

During the 2008 financial year certain assets were disposed of. The disposal was erroneously accounted for as a revaluation in the 2008 financial years, furthermore the disposals were not offset against the reserve from where the assets originated. This error was corrected and comparative figures were adjusted accordingly. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Decrease Revaluation reserve	110 055 868.00
Decrease in Capitalisation reserve	3 452 754.00
Decrease in Government grant reserve	395 460.00
Increase in Accumulated surplus	(113 904 082.00)
	-

50.39 Capitalisation of rebuilt vehicles

The cost of the rebuilding of a fire engine was incorrectly expensed, while the original cost of the fire engine was still in the fixed asset register. The rebuilding cost should be capitalised as an asset and the original asset should be scrapped as no future service potential is expected from the asset. The comparative statements have been restated to correct this error. The effect of the restatement is summarised below:

Adjustment against opening accumulated surplus 30 June 2007

(904 932.00)

Adjustments affecting the statement of financial performance

Decrease in Depreciation	(89 148.00)
	(89 148.00)

Adjustments affecting the statement of financial position

Increase in Property, plant and equipment	994 080.00
	994 080.00

50.40 Intangible assets not disclosed separately

During the prior years there were no distinction made between intangible assets and property, plant and equipment. The comparative statements have been adjusted accordingly. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Depreciation and amortisation	2 737 013.00
Decrease in Depreciation and amortisation	(2 737 013.00)
	-

Adjustments affecting the statement of financial position

Decrease in Property, plant and equipment	(7 568 815.00)
Increase in Intangible assets	7 568 815.00
	-

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.41 Improvements to 12th floor of Bram Fischer Building was incorrectly expensed

During 2005/06 renovations/improvements were made to the 12th floor of the Braam Fischer Building, these costs were expensed as they occurred. The renovation cost should have been capitalised as an asset and not expensed. The comparative statements have been restated to correct this error. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(1 567 326.00)
<i>Adjustments affecting the statement of financial position</i>	
Increase in Property, plant and equipment	1 567 326.00
	1 567 326.00

50.42 Accrual for water income

The accrual for water income for the period between the last meter reading date in June 2007 and the financial year end was not performed at year end. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(10 321 212.00)
<i>Adjustments affecting the statement of financial performance</i>	
Increase in Service charges	(3 377 065.00)
	(3 377 065.00)
<i>Adjustments affecting the statement of financial position</i>	
Increase in Taxes Payable	(1 917 759.00)
Increase in Other receivables from exchange transactions	15 616 036.00
	13 698 277.00

50.43 Finance lease movements

Not all movements in finance leases were correctly accounted for in the prior periods. Certain leases were also erroneously omitted from the prior periods finance lease liability balance. The effects of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	176 504.00
<i>Adjustments affecting the statement of financial performance</i>	
Increase in Finance cost	158 794.00
Increase in Depreciation and amortisation	358 633.00
Decrease in General expenses	(858 028.00)
	(340 601.00)
<i>Adjustments affecting the statement of financial position</i>	
Decrease in Property, plant and equipment	(124 302.00)
Decrease in Finance lease liability	291 161.00
Increase in Payables from exchange transactions	(4 620.00)
Decrease in Current portion of Finance lease liability	1 858.00
	164 097.00

50.44 Deferred income on straight-lining of Operating leases

Not all movements in finance leases were correctly accounted The Deferred income on the straight-lining of Operating leases were calculated and disclosed incorrectly in the 2008 financial statements. The comparative statements have been restated to correct this error. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	(20 541 721.00)
<i>Adjustments affecting the statement of financial performance</i>	
Increase in Rental of facilities and equipment	(3 546 132.00)
	(3 546 132.00)
<i>Adjustments affecting the statement of financial position</i>	
Increase in Other receivables from exchange transactions	24 087 853.00
	24 087 853.00

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.45 Unallocated receipts suspense accounts

Journal adjustments were made during the process of clearing the unallocated receipts in the suspense account. The comparative statements have been restated to correct this error. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	2 764 011.00
<i>Adjustments affecting the statement of financial position</i>	
Increase in Consumer receivables from exchange transactions	15 114 195.00
Decrease in Other receivables from exchange transactions	(7 416 955.00)
Increase in Payables from exchange transactions	(10 695 355.00)
Decrease in Unspent conditional grants and receipts	234 104.00
	(2 764 011.00)

50.46 Heritage assets to be disclosed separately on the financial statements

In terms of GRAP 17 heritage assets are to be recognised and disclosed. During the prior years there were no distinction made between heritage assets and property, plant and equipment. The comparative statements have been restated to distinguish between heritage assets and property, plant and equipment. There is not effect on the statement of financial position or statement of financial performance.

50.47 Difference in water tariffs used regarding estimates

Corrections made when estimated consumption was replaced with actual consumption using the tariff applicable to the period during which the correction was made and not the tariff applicable to the period when the estimate was made. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	105 628.00
<i>Adjustments affecting the statement of financial position</i>	
Decrease in Consumer debtors	(105 628.00)
	(105 628.00)

50.48 Overstatement of surplus realised on sale of Centlec (Pty) Ltd

Correction of the surplus realised on the sale of Centlec. The comparative statements for 2007/8 have been restated. The effect of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	7 823 791.00
<i>Adjustments affecting the statement of financial position</i>	
Increase in Payables from exchange transactions	(7 823 791.00)
	(7 823 791.00)

50.49 Understatement of provision for landfill sites

In the past the entity did not provide for the provision of restoration costs on landfill sites due to lack of a reasonable estimate of these costs. The entity obtained an independent consultant's estimate of the costs and thus provided for the restoration costs accordingly. The 2008 figures have been restated. The effects of the restatement is summarised below:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	56 048 177.00
<i>Adjustments affecting the statement of financial performance</i>	
Increase in General expenses	4 746 329.00
	4 746 329.00
<i>Adjustments affecting the statement of financial position</i>	
Increase in Non-current provision	(60 794 506.00)
	(60 794 506.00)

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.50 *Deferred expense on straight lining of operating leases*

In instances where the municipality leases properties and there are an annual escalation in the rental amount the lease should be straight lined, this has not been done in the previous years. The 2008 figures have been restated. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in General expenses	78 025.00
	78 025.00

Adjustments affecting the statement of financial position

Increase in Payables from exchange transactions	(78 025.00)
	(78 025.00)

50.51 *OVK shares to be carried at fair value*

Unlisted available-for-sale financial assets should be carried at fair value unless the fair value cannot be reliably measured. The shares in OVK Holdings Ltd and OVK Operations Ltd do have an active market and fair value can be measured and should be carried at their fair value. The comparative statements for 2008 have been restated for this error. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial position

Increase in Investments	6 265.00
Increase in Mark-to-Market reserve	(6 265.00)
	-

50.52 *Employee Benefits*

In the past the Municipality accounted for certain defined benefits plans as defined contribution plans, consequently an actuarial valuation was performed on the defined benefit plans. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustment against opening accumulated surplus 30 June 2007

301 087 000.00

Adjustments affecting the statement of financial position

Increase in Defined benefit obligation	(301 087 000.00)
	(301 087 000.00)

50.53 *Initial fair value and subsequent amortised cost recognition of Centlec (Pty) Ltd shareholder loan*

The Centlec Shareholders loan was previously at cost, instead of initially at fair value and subsequent at amortised cost as required per IAS39 (AC133) Financial Instruments: Recognition and Measurement. The comparative statements for 2008 have been restated. The effect of the restatement is summarised below:

Adjustment against opening accumulated surplus 30 June 2007

727 078 242.00

Adjustments affecting the statement of financial performance

Increase in Interest earned	(12 437 742.00)
	(12 437 742.00)

Adjustments affecting the statement of financial position

Decrease in Long-term receivables	(714 640 500.00)
	(714 640 500.00)

50.54 *IAS 39 (AC133) Financial Instruments: Recognition and Measurement*

not apply IAS 39 to the impairment of financial assets. During the current year the impairment of loans and receivables was evaluated and the retrospective effects of the adjustment will have the following impact:

Adjustments affecting the statement of financial performance

Increase in Impairment of financial assets	175 172 754.00
	175 172 754.00

Adjustments affecting the statement of financial position

Decrease in Other receivables from exchange transactions	(20 809 490.00)
Decrease in Consumer receivables from exchange transactions	(122 149 212.00)
Decrease in Non-current receivables	(12 103 160.00)
Decrease in Current portion of Non-current receivables	(20 110 892.00)
	(175 172 754.00)

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

**Restated
2008**

50 Restatement of comparative information regarding 2008 prior period errors continued

50.55 IAS 39 (AC133) Financial Instruments: Recognition and Measurement

Adjust income and expenses to fair value at initial recognition. IAS 39 (AC133) Financial Instruments: Recognition and Measurement states that where extended payment terms are granted or received, whether explicitly or implicitly, the effect of the time value of money should be taken into account wherever this is material, irrespective of other factors such as the cash selling prices of the goods. Expenses and income were adjustment accordingly to fair value at initial recognition. The effect of the restatement is summarised below:

Adjustments affecting the statement of financial performance

Increase in Interest earned	(8 102 665.00)
Decrease in Property rates	2 966 201.00
Decrease in Service charges	5 585 409.00
Decrease in Licenses and permits	2 510.00
Decrease in Income for agency services	10 467.00
Decrease in Other income	222 896.00
Increase in Finance cost	7 241 749.00
Decrease in Repairs and maintenance	(1 437 920.00)
Decrease in Bulk purchases	(2 998 950.00)
Decrease in Contracted services	(456 169.00)
Decrease in General expenses	(2 795 038.00)
	<u>238 490.00</u>

Adjustments affecting the statement of financial position

Decrease in Consumer receivables from exchange transactions	(657 712.00)
Decrease in Other receivables from exchange transactions	(27 105.00)
Decrease in Payables from exchange transactions	446 327.00
	<u>(238 490.00)</u>

50.56 IFRS 7 Financial Instruments: Disclosure

The municipality has adopted IFRS 7 with effect 1 July 2008. This has resulted in increased disclosure relating to financial instruments, but has no impact on the reported surplus or financial position of the municipality. In accordance with the transitional requirements of the standard, the municipality has provided full comparative information. In addition to the note to the annual financial statements, disclosures under IFRS 7 relating to the nature and extent of the risks may be found in the risk management section (Refer to note 49)

51 Restatement of comparative information due to change in accounting policy

The total net effect of restatement due to change in accounting policy can be summarised as follows:

<i>Adjustment against opening accumulated surplus 30 June 2007</i>	<u>(324 590 572.00)</u>
--	-------------------------

Adjustments affecting the statement of financial position

Government grant reserve	594 438 240.00
Accumulated surplus	(269 847 668.00)
	<u>324 590 572.00</u>

51.1 Change in accounting policy of Government Grant Reserve

Previously Government Grants were accounted for in accordance with IAS20 Accounting for Government Grants and Disclosure of Government Assistance. In the absence of an effective GRAP standard the GRAP hierarchy in GRAP 3 should be followed with the result that IPSAS 23 Revenue from Non-Exchange Transactions, should be followed. The Government Grant Reserve was therefore adjusted retrospectively as a change in accounting policy. The 2008 figures have therefore been restated. The effect of the change in accounting policy is indicated below:

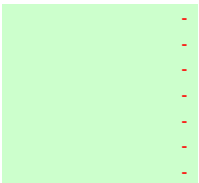
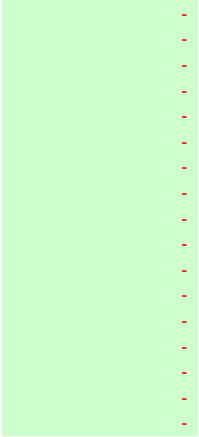
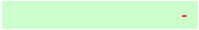
<i>Adjustment against opening accumulated surplus 30 June 2007</i>	<u>(324 590 572.00)</u>
--	-------------------------

Adjustments affecting the statement of financial position

Decrease in Government grant reserve	594 438 240.00
Increase in Accumulated surplus	(269 847 668.00)
	<u>324 590 572.00</u>

1-2 years	2-5 years	More than 5 years
3 153 202	8 801 729	4 335 077
-	-	-
368 018	1 104 053	-
<u>3 521 220</u>	<u>9 905 782</u>	<u>4 335 077</u>

1-2 years	2-5 years	More than 5 years
3 153 202	9 064 880	7 225 129
-	-	-
802 412	2 407 236	-
<u>3 955 614</u>	<u>11 472 116</u>	<u>7 225 129</u>



MANGAUNG LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2009

External loans	Loan number	Redeemable	Balance at 30/6/2007	Received during the year	Redeemed or written off during the year	Balance at 30/6/2008	Received during the year	Redeemed or written off during the year	Balance at 30/6/2009	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
			R	R	R	R	R	R	R	R	R
Annuity loans											
DBSA @ 11.25%	12279	2007/12/31	33 160	-	33 160	-	-	-	-	-	-
DBSA @ 11.25%	12280	2008/12/31	62 875	-	40 754	22 121	-	22 121	-	-	-
DBSA @ 12.00%	1529	2009/03/31	40 927	-	19 262	21 665	-	21 665	-	-	-
DBSA @ 14.00%	1864	2011/09/30	856 846	-	147 747	709 099	-	169 616	539 483	996 215	-
DBSA @ 10.00%	8001	2015/12/31	16 486 284	-	1 304 106	15 182 178	-	1 442 961	13 739 217	13 992 959	-
DBSA @ 5.00%	102803	2011/03/31	-	-	-	-	31 214 572	31 214 572	-	-	-
Total annuity loans			17 480 092	-	1 545 029	15 935 063	31 214 572	32 870 935	14 278 700	14 989 174	-
Total external loans			17 480 092	-	1 545 029	15 935 063	31 214 572	32 870 935	14 278 700	14 989 174	-

MANGAUNG LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals		Closing Balance
Land and Buildings													
Land	598 537 157	446 702	-	(3 828 070)	-	-	595 155 789	-	-	-	-	-	595 155 789
Buildings	599 058 767	7 176 878	-	-	214 296 441	11 994	820 520 092	227 113 800	19 371 547	-	-	246 485 347	574 034 745
	1 197 595 924	7 623 580	-	(3 828 070)	214 296 441	11 994	1 415 675 881	227 113 800	19 371 547	-	-	246 485 347	1 169 190 534
Infrastructure													
Roads & Storm water	646 057 973	26 445 370	-	-	56 205 934	-	728 709 277	274 166 982	40 050 492	-	-	314 217 474	414 491 803
Street Lights	16 005 958	6 590 000	-	-	-	-	22 595 958	1 588 832	639 196	-	-	2 228 028	20 367 930
Traffic Light	12 700 463	1 399 920	-	-	-	-	14 100 383	3 434 566	686 417	-	-	4 120 983	9 979 400
Railway Sidings	1 962 990	-	-	-	-	-	1 962 990	1 059 653	57 332	-	-	1 116 985	846 005
Sewerage Purification	70 999 843	-	-	-	-	-	70 999 843	29 232 412	2 690 812	-	-	31 923 224	39 076 619
Sewerage Mains	537 265 826	6 448	-	-	113 419 374	-	650 691 648	130 864 553	23 425 733	-	-	154 290 286	496 401 362
Water Purification	3 895 884	-	-	-	-	-	3 895 884	2 429 843	101 963	-	-	2 531 806	1 364 078
Water Mains	515 329 908	22 777 381	-	-	76 832	-	538 184 121	363 659 583	9 739 962	-	-	373 399 545	164 784 576
Electricity Mains	443 656	-	-	-	-	-	443 656	61 947	18 832	-	-	80 779	362 877
	1 804 662 501	57 219 119	-	-	169 702 140	-	2 031 583 760	806 498 371	77 410 739	-	-	883 909 110	1 147 674 650
Community Assets													
Parks & Gardens	26 583 920	14 933	-	-	-	5 456	26 593 397	9 325 831	900 226	-	-	10 226 057	16 367 340
	26 583 920	14 933	-	-	-	5 456	26 593 397	9 325 831	900 226	-	-	10 226 057	16 367 340
Other Assets													
Site Development	59 187 948	-	-	-	16 603 382	105	75 791 225	26 294 643	1 837 073	-	-	28 131 716	47 659 509
Furniture & Office Equipment	79 934 826	2 347 580	-	-	-	-	82 282 406	47 336 992	7 043 210	-	-	54 380 202	27 902 204
Tools, Plant & Equipment	37 912 629	1 481 862	-	-	-	3 760	39 390 731	27 664 277	2 109 644	-	-	29 773 921	9 616 810
Motor Vehicles	145 559 518	8 408 960	-	-	-	2 815 953	151 152 525	106 332 337	8 352 882	-	2 604 049	112 081 170	39 071 355
	322 594 921	12 238 402	-	-	16 603 382	2 819 818	348 616 887	207 628 249	19 342 809	-	2 604 049	224 367 009	124 249 878
Heritage assets													
Historical Buildings	1 170 929	-	-	-	-	-	1 170 929	1 170 929	-	-	-	1 170 929	-
Paintings & Artefacts	19 679	-	-	-	-	-	19 679	19 679	-	-	-	19 679	-
	1 190 608	-	-	-	-	-	1 190 608	1 190 608	-	-	-	1 190 608	-
Lease assets													
Furniture & Office Equipment	8 985 484	813 040	-	-	-	252 000	9 546 524	5 378 170	2 093 277	-	252 000	7 219 447	2 327 077
	8 985 484	813 040	-	-	-	252 000	9 546 524	5 378 170	2 093 277	-	252 000	7 219 447	2 327 077
Total	3 361 613 358	77 909 074	-	(3 828 070)	400 601 963	3 089 268	3 833 207 057	1 257 135 029	119 118 598	-	2 856 049	1 373 397 578	2 459 809 479

MANGAUNG LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2008

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals		Closing Balance
Land and Buildings													
Land	691 639 421	4 514 004	12 439 600	-	-	110 055 868	598 537 157	-	-	-	-	-	598 537 157
Buildings	454 276 738	166 781 504	(12 439 600)	-	-	9 559 875	599 058 767	218 563 803	11 928 686	-	3 378 689	227 113 800	371 944 967
	1 145 916 159	171 295 508	-	-	-	119 615 743	1 197 595 924	218 563 803	11 928 686	-	3 378 689	227 113 800	970 482 124
Infrastructure													
Roads & Storm water	575 236 439	70 821 534	-	-	-	-	646 057 973	237 030 864	37 136 118	-	-	274 166 982	371 890 991
Street Lights	15 601 829	404 129	-	-	-	-	16 005 958	965 801	623 031	-	-	1 588 832	14 417 126
Traffic Light	10 731 334	1 969 129	-	-	-	-	12 700 463	2 879 534	555 032	-	-	3 434 566	9 265 897
Railway Sidings	1 857 990	105 000	-	-	-	-	1 962 990	1 007 571	52 082	-	-	1 059 653	903 337
Sewerage Purification	70 999 843	-	-	-	-	-	70 999 843	26 955 016	2 277 396	-	-	29 232 412	41 767 431
Sewerage Mains	363 071 021	174 194 805	-	-	-	-	537 265 826	116 245 928	14 618 625	-	-	130 864 553	406 401 273
Water Purification	3 895 884	-	-	-	-	-	3 895 884	2 327 880	101 963	-	-	2 429 843	1 466 041
Water Mains	496 069 503	19 260 405	-	-	-	-	515 329 908	355 497 498	8 162 085	-	-	363 659 583	151 670 325
Electricity Mains	406 906	36 750	-	-	-	-	443 656	51 571	10 376	-	-	61 947	381 709
	1 537 870 749	266 791 752	-	-	-	-	1 804 662 501	742 961 663	63 536 708	-	-	806 498 371	998 164 130
Community Assets													
Parks & Gardens	23 664 308	2 919 612	-	-	-	-	26 583 920	8 547 996	777 835	-	-	9 325 831	17 258 089
	23 664 308	2 919 612	-	-	-	-	26 583 920	8 547 996	777 835	-	-	9 325 831	17 258 089
Other Assets													
Site Development	42 667 037	16 520 911	-	-	-	-	59 187 948	25 356 836	937 807	-	-	26 294 643	32 893 305
Furniture & Office Equipment	66 750 867	14 180 582	715 917	-	-	1 712 540	79 934 826	42 585 875	(877 800)	6 928 038	1 299 121	47 336 992	32 597 834
Tools, Plant & Equipment	35 531 812	2 412 213	-	-	-	31 396	37 912 629	25 403 310	2 278 423	-	17 456	27 664 277	10 248 352
Motor Vehicles	140 815 057	6 712 550	-	-	-	1 968 089	145 559 518	99 707 957	8 592 469	-	1 968 089	106 332 337	39 227 181
	285 764 773	39 826 256	715 917	-	-	3 712 025	322 594 921	193 053 978	10 930 899	6 928 038	3 284 666	207 628 249	114 966 672
Heritage assets													
Historical Buildings	1 170 929	-	-	-	-	-	1 170 929	1 170 929	-	-	-	1 170 929	-
Paintings & Artefacts	19 679	-	-	-	-	-	19 679	19 679	-	-	-	19 679	-
	1 190 608	-	-	-	-	-	1 190 608	1 190 608	-	-	-	1 190 608	-
Lease assets													
Furniture & Office Equipment	7 899 818	1 085 666	-	-	-	-	8 985 484	3 460 695	1 917 475	-	-	5 378 170	3 607 314
	7 899 818	1 085 666	-	-	-	-	8 985 484	3 460 695	1 917 475	-	-	5 378 170	3 607 314
Total	3 002 306 415	481 918 794	715 917	-	-	123 327 768	3 361 613 358	1 167 778 743	89 091 603	6 928 038	6 663 355	1 257 135 029	2 104 478 329

MANGAUNG LOCAL MUNICIPALITY

APPENDIX C

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

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Office of the City Manager	13 673 706	-	-	-	-	511 850	13 161 856	5 275 863	1 885 440	-	511 850	6 649 453	6 512 403
Corporate Services	171 517 861	118 106	-	-	-	-	171 635 967	79 614 320	6 879 470	-	-	86 493 790	85 142 177
Finance	25 238 460	830 541	-	-	-	155 878	25 913 123	13 180 772	875 856	-	150 956	13 905 672	12 007 451
Community and Social Development	279 037 218	3 573 517	-	-	10 928 350	916 378	292 622 707	159 911 572	11 932 529	-	792 844	171 051 257	121 571 450
Economic Development and Planning	661 586 606	8 631 716	-	(3 828 070)	2 772 055	107 227	669 055 080	29 547 226	2 595 883	-	107 121	32 035 988	637 019 092
Infrastructural Services	1 572 162 783	40 997 773	-	-	381 762 538	764 740	1 994 158 354	538 278 415	78 053 831	-	736 457	615 595 789	1 378 562 565
Miscellaneous Services	8 985 484	813 040	-	-	-	252 000	9 546 524	5 378 169	2 093 277	-	252 000	7 219 446	2 327 078
Housing	60 564 474	-	-	-	5 062 188	-	65 626 662	30 627 153	1 668 445	-	-	32 295 598	33 331 064
Fresh Produce Market	27 734 114	-	-	-	-	-	27 734 114	16 112 426	1 397 832	-	-	17 510 258	10 223 856
Water	541 112 652	22 944 381	-	-	76 832	381 195	563 752 670	379 209 113	11 736 035	-	304 821	390 640 327	173 112 343
Total	3 361 613 358	77 909 074	-	(3 828 070)	400 601 963	3 089 268	3 833 207 057	1 257 135 029	119 118 598	-	2 856 049	1 373 397 578	2 459 809 479

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

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Office of the City Manager	6 346 724	7 232 195	94 787	-	-	-	13 673 706	4 503 387	743 886	28 590	-	5 275 863	8 397 843
Corporate Services	169 953 085	2 332 176	(767 400)	-	-	-	171 517 861	72 202 251	7 412 069	-	-	79 614 320	91 903 541
Finance	18 032 385	7 407 709	-	-	-	201 634	25 238 460	12 576 726	698 561	-	94 515	13 180 772	12 057 688
Community and Social Development	253 183 332	32 795 152	6 129 000	-	-	13 070 266	279 037 218	151 839 750	9 083 663	5 556 999	6 568 840	159 911 572	119 125 646
Economic Development and Planning	757 663 432	11 977 642	2 001 400	-	-	110 055 868	661 586 606	26 989 612	2 139 615	417 999	-	29 547 226	632 039 380
Infrastructural Services	1 183 622 869	388 634 701	(94 787)	-	-	-	1 572 162 783	477 268 681	61 038 324	(28 590)	-	538 278 415	1 033 884 368
Miscellaneous Services	7 899 818	369 749	715 917	-	-	-	8 985 484	3 460 694	(5 010 563)	6 928 038	-	5 378 169	3 607 315
Housing	59 784 619	8 142 855	(7 363 000)	-	-	-	60 564 474	35 210 845	1 391 306	(5 974 998)	-	30 627 153	29 937 321
Fresh Produce Market	25 408 253	2 325 861	-	-	-	-	27 734 114	14 884 350	1 228 076	-	-	16 112 426	11 621 688
Water	520 411 898	20 700 754	-	-	-	-	541 112 652	368 842 447	10 366 666	-	-	379 209 113	161 903 539
Total	3 002 306 415	481 918 794	715 917	-	-	123 327 768	3 361 613 358	1 167 778 743	89 091 603	6 928 038	6 663 355	1 257 135 029	2 104 478 329

MANGAUNG LOCAL MUNICIPALITY

APPENDIX D

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

2008	2008	2008		2009	2009	2009
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
249 648 970	-	249 648 970	Property Rates	278 236 177	-	278 236 177
18 270 679	104 891 940	(86 621 261)	Office of the City Manager	16 424 510	122 138 397	(105 713 887)
2 946 393	54 579 251	(51 632 858)	Corporate Services	1 348 182	64 195 357	(62 847 175)
42 288 477	50 065 787	(7 777 310)	Finance	42 413 399	57 556 419	(15 143 020)
32 360 929	192 127 469	(159 766 540)	Community and Social Development	17 986 339	188 785 210	(170 798 871)
19 911 463	37 224 857	(17 313 394)	Economic Development and Planning	13 183 638	42 962 588	(29 778 950)
164 338 333	270 055 541	(105 717 208)	Infrastructural Services	202 999 394	326 920 381	(123 920 987)
652 135 032	373 621 536	278 513 496	Miscellaneous Services	784 292 874	370 412 992	413 879 882
11 636 087	26 598 933	(14 962 846)	Housing	17 711 015	27 881 822	(10 170 807)
14 109 561	10 857 057	3 252 504	Fresh Produce Market	15 287 076	11 894 135	3 392 941
307 619 138	267 840 048	39 779 090	Water	363 586 395	315 926 069	47 660 326
1 515 265 062	1 387 862 419	127 402 643		1 753 468 999	1 528 673 370	224 795 629

MANGAUNG LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009	Explanation of significant variances greater than 10% versus budget
	Actual	Budget	Variance	Variance	
Revenue	R	R	R	%	
Property rates	275 064 648	285 027 336	(9 962 688)	-3%	
Service charges	390 315 239	381 699 777	8 615 462	2%	
Rental of facilities and equipment	18 928 815	13 282 785	5 646 030	43%	In order to account for the new accounting standards for leases, an amount of R3,3 million was transferred to revenue as a deferred rental lease income. The amount was not included in the 2009 budget. The increase in rental tariffs was also more than the amounts budgeted.
Interest earned	156 439 702	130 758 303	25 681 399	20%	A decrease in the total investments as well as the decrease in interest rates have resulted in less actual income realised than initially budgeted for.
Fines	4 733 684	9 874 570	(5 140 886)	-52%	The income from traffic fines was R5.2 million less than the amount budgeted for, due to shortages of personnel and withdrawal of summonses, warrants, etc issued, by the court.
Licenses and permits	237 948	750 030	(512 082)	-68%	The amount was over budgeted if compared with the previous financial year. Less hawkker permits and levies for placards were received as the amount budgeted for.
Income for agency services	90 508 674	99 841 894	(9 333 220)	-9%	
Government grants and subsidies	722 291 388	892 670 700	(170 379 312)	-19%	An amount of R161.2 million of the Public Transport Infrastructure and Systems Grant as well as unspent balances from other government grants were not fully utilised as budgeted for in the 2009 financial year. Unspent grants are transferred to the next financial year.
Other income	94 948 901	51 169 351	43 779 550	86%	An amount of R44 million relating to the actuarial gain on the defined benefit plan obligation was not budgeted for. The recognition is due to the first time implementation of IAS19 Employee benefits.
Total Revenue	1 753 468 999	1 865 074 746	(111 605 747)		
Expenditure					
Office of the City Manager	122 138 397	121 173 397	965 000	1%	
Corporate Services	64 195 357	66 123 890	(1 928 533)	-3%	
Finance	57 556 419	57 937 635	(381 216)	-1%	
Community and Social Development	188 785 210	211 466 608	(22 681 398)	-11%	A saving of R22.6 million was realised on the provision for depreciation as a result of capital projects not purchased in the 2009 financial year. The acquisition of capital expenditure was delayed during the budget process.
Economic Development and Planning	42 962 588	45 797 664	(2 835 076)	-6%	
Infrastructural Services	326 920 381	304 362 171	22 558 210	7%	
Miscellaneous Services	370 412 992	216 251 595	154 161 397	71%	The amount budgeted for the provision of bad debt for the 2009 financial year for rates and general services was R12,5 million. The actual impairment provision amounted to R105 million.
Housing	27 881 822	32 337 931	(4 456 109)	-14%	Savings on salaries and allowances, due to vacancies, and an underspending of R2 million on the housing accreditation subsidy, resulted in a saving on the total budgeted amount. The unspent subsidy is transferred to the next financial year.
Fresh Produce Market	11 894 135	11 963 713	(69 578)	-1%	
Water	315 926 069	284 532 280	31 393 789	11%	The amount budgeted for the provision of bad debt for the 2009 financial year for water services was R7,5 million. The actual impairment provision amounted to R38 million.
Total Expenditure	1 528 673 370	1 351 946 884	176 726 486		
Net surplus/(deficit) for the year	224 795 629	513 127 862	(288 332 233)	-56%	

MANGAUNG LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008	2008	2008	2008	Explanation of significant variances greater than 10% versus budget
	Actual	Budget	Variance	Variance	
Revenue	R	R	R	%	
Property rates	246 682 769	247 342 960	(660 191)	0%	
Service charges	338 741 274	326 200 900	12 540 374	4%	
Rental of facilities and equipment	24 183 399	14 700 667	9 482 732	65%	In order to account for the new accounting standards for leases, an amount of R5.5 million was transferred to revenue as a deferred rental lease income. The amount was not included in the 2008 budget.
Interest earned	169 268 419	143 957 920	25 310 499	18%	The income source was under budgeted. The increase in outstanding consumer debt was more than anticipated.
Fines	7 486 454	9 406 830	(1 920 376)	-20%	The income from traffic fines was R1.8 million less than the amount budgeted for, due to shortages of personnel and withdrawal of summonses, warrants, etc issued, by the court.
Licenses and permits	262 502	697 570	(435 068)	-62%	The income from dog licenses and levies on placards were less than the amount budgeted for, due to shortages of personnel and withdrawal of summonses, warrants, etc issued, by the court.
Income for agency services	82 382 451	9 261 640	73 120 811	790%	The income from Centlec in the amount of R74.5 million for salaries of employees seconded to the entity was not included in the 2008 budget. The amount is also included in the expenditure of Miscellaneous Services.
Government grants and subsidies	576 626 581	583 457 064	(6 830 483)	-1%	
Other income	69 631 213	65 057 567	4 573 646	7%	
Public contributions and donations	-	-	-	0%	
Gains on disposal of property, plant and equipment	-	-	-	0%	
Total Revenue	1 515 265 062	1 400 083 118	115 181 944		
Expenditure					
Office of the City Manager	104 891 940	110 637 903	(5 745 963)	-5%	
Corporate Services	54 579 251	53 627 834	951 417	2%	
Finance	50 065 787	53 062 646	(2 996 859)	-6%	
Community and Social Development	192 127 469	208 155 599	(16 028 130)	-8%	
Economic Development and Planning	37 224 857	41 944 118	(4 719 261)	-11%	Savings on salaries and allowances due to vacancies and savings in general resulted in an under spending on the total budgeted amount.
Infrastructural Services	270 055 541	275 025 264	(4 969 723)	-2%	
Miscellaneous Services	373 621 536	97 772 363	275 849 173	282%	As indicated under revenue for agency services above, an amount of R74.5 million for salaries of employees seconded to Centlec is included as an expenditure under miscellaneous services and recoverable in full from the entity. The amount was not included in the 2008 budget. An additional amount of R22.2 million was provided for bad debt, which was not provided for in the budget
Housing	26 598 933	32 568 301	(5 969 368)	-18%	Savings on salaries and allowances due to vacancies and an under spending of R3 million on the housing accreditation subsidy resulted in a saving on the total budgeted amount. The unspent subsidy is transferred to the next financial year.
Fresh Produce Market	10 857 057	10 677 173	179 884	2%	
Water	267 840 048	260 145 479	7 694 569	3%	
Total Expenditure	1 387 862 419	1 143 616 680	244 245 739		
Net surplus/(deficit) for the year	127 402 643	256 466 438	(129 063 795)	-50%	

MANGAUNG LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance
	R	R	R	R	R	%
Office of the City Manager	-	-	-	30 000	(30 000)	(100)
Corporate Services	118 106	-	118 106	195 800	(77 694)	(40)
Finance	830 541	-	830 541	872 806	(42 265)	(5)
Community and Social Development	3 573 517	10 928 350	14 501 867	14 923 000	(421 133)	(3)
Economic Development and Planning	8 631 716	2 772 055	11 403 771	15 896 432	(4 492 661)	(28)
Infrastructural Services	40 997 773	381 762 538	422 760 311	624 697 145	(201 936 834)	(32)
Miscellaneous Services	813 040	-	813 040	-	813 040	
Housing	-	5 062 188	5 062 188	11 337 332	(6 275 144)	(55)
Fresh Produce Market	-	-	-	-	-	-
Water	22 944 381	76 832	23 021 213	23 632 960	(611 747)	(3)
	77 909 074	400 601 963	478 511 037	691 585 475	(213 074 438)	

MANGAUNG LOCAL MUNICIPALITY

APPENDIX F

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2008	Dec 2008	March 2009	June 2009	Sept 2008	Dec 2008	March 2009	June 2009	Sept 2008	Dec 2008	March 2009	June 2009		
2010 Soccer DBSA	DBSA													Yes	
2010 Stadia Development Grant	National Government	48 164 032	2 646 640	11 948 712	10 663 816	23 299 462	52 535 380	24 129 605	7 227 900	-	-	-	-	Yes	
2010 Stadia Provincial Grant	Provincial Government	-	64 479 325	-	-	-	-	15 070 480	29 123 342	-	-	-	-	Yes	
2010 World Cup Host City Grant	National Government				54 800 000				4 703 250	-	-	-	-	Yes	
DBSA Grant Capacity Building Programme	National Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
DPLG Grant Sustainable Human Settlement	Provincial Government	-	-	-	-	-	232 334	42 533	-	-	-	-	-	Yes	
DWAF Grant	National Government	-	-	-	-	-	-	-	100 820	-	-	-	-	Yes	
Equitable Share	National Government	97 257 939	72 943 454	135 596 012	-	58 683 139	57 663 348	73 569 305	115 881 613	-	-	-	-	Yes	
Financial Management Grant	National Government	500 000	-	-	-	35 593	86 983	877 454	1 235 318	-	-	-	-	Yes	
Housing Accreditation Subsidy	Provincial Government	2 000 000	-	-	500 000	14 629	61 736	162 515	591 526	-	-	-	-	Yes	
Local Government & Housing Grant	Provincial Government	-	-	-	-	-	-	5 298	128 480	-	-	-	-	Yes	
Local Government & Housing Infrastructure Grant	Provincial Government	-	-	-	-	-	-	936 939	9 425 201	-	-	-	-	Yes	
Mig Grant -Capacity building	National Government	-	-	-	-	-	6 661	31 133	135 431	-	-	-	-	Yes	
Mig Grant -Infrastructural Services	National Government	11 437 000	16 948 000	6 087 000	68 462 000	14 231 385	43 063 563	11 674 704	31 887 136	-	-	-	-	Yes	
Motheo Contr Environmental Health	Motheo Municipality	-	-	-	7 000 000	-	-	42 103	594 566	-	-	-	-	Yes	
Municipal System Improvement Grant	National Government	400 000	-	-	-	-	-	221 803	367 482	-	-	-	-	Yes	
National Electrification Program Grant	National Government	-	13 268 000	-	49 928 600	-	-	-	63 196 600	-	-	-	-	Yes	
Provincial Health Subsidies	Provincial Government	-	65 000	3 294 299	2 171	840 368	840 367	840 368	840 367	-	-	-	-	Yes	
Provincial Grant Land Use Scheme	Provincial Government	-	-	-	-	-	-	204 955	-	-	-	-	-	Yes	
Provincial Grant Planning & Surveying	Provincial Government	-	-	-	-	-	-	-	66 337	-	-	-	-	Yes	
Provincial Transfer Grasslands	Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Public Transport Infra & System Grant	National Government	80 000 000	80 000 000		82 617 000	682 848	14 397 339	26 590 919	29 742 558	-	-	-	-	Yes	
Restructuring Grant	National Government	-	-	-	-	3 972 310	620 534	901 046	474 322	-	-	-	-	Yes	
Urban Renewal Grant	Provincial Government	-	-	-	377 500	-	-	-	-	-	-	-	-	Yes	
		239 758 971	250 350 419	156 926 023	274 351 087	101 759 734	169 508 245	155 301 160	295 722 249	-	-	-	-		

MANGAUNG LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2008

Name of Grants	Name of organ of state or municipal entity					Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2007	Dec 2007	March 2008	June 2008	Sept 2007	Dec 2007	March 2008	June 2008	Sept 2007	Dec 2007	March 2008	June 2008		
2010 Soccer DBSA	DBSA	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
2010 Stadia Development Grant	National Government	12 011 359	78 025 730	21 889 436	71 841 665	-	-	-	119 602 028	-	-	-	-	Yes	
DBSA Grant Capacity Building Programme	National Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
DWAF Grant	National Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Equitable Share	National Government	78 856 925	59 142 694	98 571 156	-	14 521 384	16 307 081	15 823 565	189 918 746	-	-	-	-	Yes	
Financial Management Grant	National Government	500 000	-	-	-	36 320	52 250	13 232	47 705	-	-	-	-	Yes	
Housing Accreditation Subsidy	Provincial Government	-	2 400 000	-	-	96 206	343 401	81 639	677 614	-	-	-	-	Yes	
Local Government & Housing Grant	Provincial Government	-	-	9 296 800	-	-	-	-	-	-	-	-	-	Yes	
Local Government & Housing Infrastructure Grant	Provincial Government	-	-	30 067 358	-	-	-	-	-	-	-	-	-	Yes	
Mig Grant -Infrastructural Services	National Government	31 040 000	19 880 163	33 881 908	85 432 000	-	-	-	165 012 651	-	-	-	-	Yes	
Motheo Contr Environmental Health	Motheo Municipality	-	-	-	3 777 980	-	-	-	-	-	-	-	-	Yes	
Municipal System Improvement Grant	National Government	-	-	-	-	96 959	69 853	-	170 000	-	-	-	-	Yes	
National Electrification Program Grant	National Government	1 344 000	3 548 000	18 321 000	-	-	-	-	23 213 000	-	-	-	-	Yes	
Provincial Health Subsidies	Provincial Government	-	-	1 578 265	2 222 020	950 071	950 071	950 071	950 071	-	-	-	-	Yes	
Provincial Grant Land Use Scheme	Provincial Government	-	-	-	720 000	-	-	-	-	-	-	-	-	Yes	
Provincial Grant Planning & Surveying	Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Provincial Transfer Grasslands	Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Public Transport Infra & System Grant	National Government	-	4 167 000	20 833 000	-	-	1 126 404	5 397 486	8 968 799	-	-	-	-	Yes	
Restructuring Grant	National Government	-	-	-	-	2 288 109	1 783 352	2 579 798	4 598 715	-	-	-	-	Yes	
		123 752 284	167 163 587	234 438 923	163 993 665	17 989 049	20 632 412	24 845 791	513 159 329	-	-	-	-		