

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

I am responsible for the preparation of these annual financial statements, which are set out on page 4 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Acting Municipal Manager
K J Motlhale

Date

TSWELOPELE LOCAL MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2009

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GENERAL INFORMATION

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

GENERAL INFORMATION (continued)

Registered address	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank
Auditors	The Auditor-General: Free State
Acting Municipal Manager	K J Motlhale
Chief Financial Officer	J W Young
Relevant Legislation	The Constitution of the Republic of South Africa. The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004 The Basic Conditions of the Employment Act 75 Of 1997 The VAT Act 89 of 1991 The Skills Development Act 9 of 1999 The Water Services Act 108 of 1997 The Housing Act 107 of 1997

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

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	Note	2009 R	2008 R
ASSETS			
Current assets		#REF!	37 639 969
Cash and cash equivalents	1	#REF!	23 301 011
Trade and other receivables from exchange transactions	2	8 640 372	7 775 762
Other receivables	3	#REF!	1 924 482
Inventory	4	#REF!	830 742
VAT Receivable	10	-	3 807 972
Non-current assets		79 824 223	88 683 957
Investments	5	212 455	212 455
Property, plant and equipment	6	79 581 237	88 471 502
Intangible assets	7	30 531	-
Total Assets		#REF!	126 323 926
LIABILITIES			
Current liabilities		#REF!	39 305 759
Trade and other payables from exchange transactions	8	#REF!	8 972 714
Consumer deposits	9	402 689	380 282
VAT Payable	10	425 177	-
Unspent conditional grants and receipts	11	#REF!	29 241 448
Current portion of borrowings	12	405 056	316 563
Current portion of finance lease liabilities	13	696 261	394 753
Non-current liabilities		11 682 588	11 271 130
Non-current borrowings	12	10 491 797	10 580 290
Non-current finance lease liability	13	1 190 790	690 840
Total Liabilities		#REF!	50 576 890
Net assets		#REF!	75 747 036
NET ASSETS			
Capital Replacement Reserve		9 630 382	10 947 193
Accumulated Surplus/(Deficit)		#REF!	64 799 843

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

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	Notes	2009 R	2008 R
REVENUE		75 399 512	66 310 086
Property rates	14	3 803 590	3 711 214
Services charges	15	20 704 070	20 109 595
Rental of facilities and equipment	16	590 938	478 814
Interest earned - external investments	17	1 683 531	1 787 902
Fines		73 367	53 996
Licences and permits		1 380	1 575
Government grants and subsidies	18	48 141 181	34 091 280
Other income		401 454	6 075 709
EXPENDITURE		81 909 798	73 400 291
Employee related costs	19	19 993 864	17 696 003
Remuneration of Councillors	20	3 427 763	3 008 179
Bad debts		2 600 000	-
Depreciation and amortisation expense	21	10 011 457	10 155 633
Repairs and maintenance		3 875 767	3 851 923
Finance costs	22	2 163 234	2 127 142
Bulk purchases	23	8 856 511	8 319 092
General expenses	25	30 981 201	28 242 319
SURPLUS/(DEFICIT) FOR THE YEAR		(6 510 286)	(7 090 205)

Refer to Appendix D for the comparison with the approved budget

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

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	Pre- GAMAP/GRAP Reserves and Funds	Capitalisation Reserve	Government Grant Reserve	Accumulated Surplus/(Deficit)	TOTAL
2008					
Balance at 1 July 2007	10 947 193	-	-	(5 912 409)	5 034 784
Implementation of GRAP	(10 947 193)	10 947 193	-	88 713 311	88 713 311
Restated balance	-	10 947 193	-	82 800 902	93 748 094
Surplus/(deficit) for the year (as previously stated)	-	-	-	2 664 066	2 664 066
Prior period errors	-	-	-	(9 754 272)	(9 754 272)
Appropriation for the year	-	-	-	(10 910 853)	(10 910 853)
Transfer to CRR	-	-	-	-	-
Property, plant and equipment purchased	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-
Asset disposals	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-
Restated balance at 30 June 2008	-	10 947 193	-	64 799 843	75 747 035
	-	-	-	-	-
Restated balance at 30 June 2008	-	10 947 193	-	64 799 843	75 747 035
Surplus/(deficit) for the year	-	-	-	(6 510 286)	(6 510 286)
Transfer to CRR	-	(1 316 810)	-	-	(1 316 810)
Movement in appropriation	-	-	-	#REF!	#REF!
Property, plant and equipment purchased	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-
Asset disposals	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-
Balance at 30 June 2009	-	9 630 382	-	#REF!	#REF!

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

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	Notes	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		#REF!	66 310 086
Cash paid to suppliers and employees		#REF!	(21 219 985)
Cash generated from / (required by) operating activities	26	#REF!	45 090 101
Interest received		1 683 531	1 787 902
Interest paid		(2 163 234)	(2 127 142)
Dividends received		(31 361)	(50 045)
Net cash flows from operating activities		#REF!	44 700 815
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1 265 915)	(30 208 544)
Proceeds from sale of property, plant and equipment		-	-
Decrease/(increase) in non-current investments		-	-
Net cash flows from investing activities		(1 265 915)	(30 208 544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1 797 005
Repayment of borrowings		(354 439)	(3 170 352)
Increase/(decrease) finance lease liability		801 459	-
Increase/(decrease) in consumer deposits		22 407	56 150
Net cash flows from financing activities		469 427	(1 317 197)
Net increase/(decrease) in net cash and cash equivalents		#REF!	13 175 074
Cash and cash equivalents at the beginning of the year		23 301 011	10 125 937
Cash and cash equivalents at the end of the year	1	#REF!	23 301 011

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1 PRINCIPAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

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

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

1.5

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

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

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

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

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

GRAP 103 Heritage Assets - issued July 2008

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

IAS 19 Employee Benefits - effective 1 January 2009

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

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

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

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

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

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2 PROPERTY, PLANT AND EQUIPMENT (continued)

2.4 DEPRECIATION AND IMPAIRMENT

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

Infrastructure

Roads and Paving
Pedestrian Malls
Electricity
Water
Sewerage

Community

Buildings
Recreational Facilities
Security
Halls
Libraries
Parks and gardens
Other assets

Finance lease assets

Office equipment
Other assets

Other

Buildings
Specialist vehicles
Other vehicles
Office equipment
Furniture and fittings
Watercraft
Bins and containers
Specialised plant and equipment
Other items of plant and equipment
Landfill sites
Quarries
Emergency equipment
Computer equipment
Other

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

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

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;

3 INTANGIBLE ASSETS (continued)

3.1 INITIAL RECOGNITION (continued)

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

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

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

3.4 DERECOGNITION

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

4 BIOLOGICAL ASSETS

4.1 INITIAL RECOGNITION

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

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

4.2 SUBSEQUENT MEASUREMENT

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

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

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

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

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

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

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

Biological assets	%
Trees in plantation	
Maize	
Wheat	
Sheep	
Pigs	
Dairy Cattle	
Other Assets	

5 INVENTORIES

5.1 INITIAL RECOGNITION

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

5 INVENTORIES (continued)

5.2 SUBSEQUENT MEASUREMENT

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

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

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

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

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

6.2.1 INVESTMENTS

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

6.2.2 TRADE AND OTHER RECEIVABLES

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

6 FINANCIAL INSTRUMENTS

6.2 SUBSEQUENT MEASUREMENT (continued)

6.2.2 TRADE AND OTHER RECEIVABLES

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

6.2.3 TRADE PAYABLES AND BORROWINGS

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

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

7 UNAUTHORISED EXPENDITURE

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

8 IRREGULAR EXPENDITURE

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

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

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

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

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

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

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

- the business or part of a business concerned;
- the principal locations affected;

the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented; and

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

11 LEASES

11.1 MUNICIPALITY AS LESSEE

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

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

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

11 LEASES (continued)

11.2 MUNICIPALITY AS LESSOR

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

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

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

12 REVENUE

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

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

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

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

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

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

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

14 RETIREMENT BENEFITS

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

Insert defined contribution plan information here

Insert defined benefit plan information here.

15 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying

amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised

immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	#REF!	77 920
Cash at bank	1 468 204	223 743
Money market fund	2 098 987	22 991 469
Savings account	-	7 879
	<u>#REF!</u>	<u>23 301 011</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Bultfontein Branch Account Number 810142227		
Cash book balance at beginning of year	<u>223 743</u>	<u>(2 228 483)</u>
Cash book balance at end of year	<u>1 468 204</u>	<u>223 743</u>
Bank statement balance at beginning of year	<u>1 903 730</u>	<u>372 118</u>
Bank statement balance at end of year	<u>5 798 274</u>	<u>1 903 730</u>
<u>Money market fund</u>		
ABSA Bank Limited - Bultfontein branch Account number 9108352550		
Cash book balance at beginning of year	<u>22 991 469</u>	<u>12 343 926</u>
Cash book balance at end of year	<u>2 098 987</u>	<u>22 991 469</u>
Bank statement balance at beginning of year	<u>22 991 469</u>	<u>12 343 926</u>
Bank statement balance at end of year	<u>2 139 530</u>	<u>22 991 469</u>
<u>Savings Account</u>		
ABSA Bank Limited - Bultfontein branch Account number 917438302		
Cash book balance at beginning of year	<u>7 879</u>	<u>7 653</u>
Cash book balance at end of year	<u>-</u>	<u>7 879</u>
Bank statement balance at beginning of year	<u>7 879</u>	<u>7 653</u>
Bank statement balance at end of year	<u>-</u>	<u>7 879</u>
<u>Cash on hand</u>	<u>#REF!</u>	<u>77 920</u>
Total cash and cash equivalents	<u>#REF!</u>	<u>23 301 011</u>
Total bank overdraft	<u>-</u>	<u>-</u>

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
<u>Trade receivables</u> as at 30 June 2009	R	R	R
Service debtors			
Rates	5 365 632	(190 791)	5 174 841
Electricity	1 218 322	(2 149 260)	(930 939)
Water	8 361 025	(7 265 479)	1 095 546
Sewerage	11 974 845	(10 543 888)	1 430 957
Refuse	8 780 273	(7 792 692)	987 581
Rental	965 433	(83 046)	882 387
Provision for VAT on debtors	-	-	-
Total	36 665 530	(28 025 157)	8 640 372
as at 30 June 2008			
Service debtors			
Rates	4 308 488	(145 133)	4 163 355
Electricity	1 524 395	(1 634 918)	(110 523)
Water	8 072 700	(5 526 768)	2 545 932
Sewerage	10 048 515	(8 020 617)	2 027 898
Refuse	7 218 854	(5 927 813)	1 291 041
Rental	922 088	(63 172)	858 916
Provision for VAT on debtors	-	(3 000 856)	(3 000 856)
Total	32 095 040	(24 319 278)	7 775 762
		2009	2008
		R	R
Rates: Ageing			
Current (0 – 30 days)		-	-
31 - 60 Days		259 409	244 903
61 - 90 Days		143 230	117 619
91 - 120 Days		130 215	124 903
121 - 365 Days		4 813 006	3 962 796
+ 365 Days		-	-
Total		5 345 860	4 450 221
Electricity, Water and Sewerage: Ageing			
Current (0 – 30 days)		-	-
31 - 60 Days		1 644 153	1 943 424
61 - 90 Days		502 870	440 997
91 - 120 Days		450 545	394 332
121 - 365 Days		19 048 177	61 481 722
+ 365 Days		-	-
Total		21 645 745	64 260 474

	R	R
3 OTHER RECEIVABLES		
Other debtors	#REF!	1 826 746
Prepayments	100 536	97 736
Total Other Debtors	#REF!	1 924 482
4 INVENTORIES		
Opening balance of inventories:	830 742	732 754
Game	665 600	559 000
Electricity	39 693	39 566
Spare parts	24 657	24 657
Fuel	46 640	55 251
Water	54 151	54 151
Sewerage	-	128
Additions:	1 601 472	1 318 823
Game	87 750	106 600
Electricity	35 427	62 018
Spare parts	81 363	83 080
Fuel	1 301 166	1 018 254
Water	95 766	48 871
Sewerage	-	-
Issued (expensed):	(706 253)	(1 160 870)
Game	-	-
Electricity	(3 236)	(47 040)
Spare parts	(9 990)	(69 002)
Fuel	(681 282)	(993 207)
Water	(11 745)	(51 493)
	-	(128)
Closing balance of inventories:	#REF!	830 742
Game	#REF!	665 600
Electricity	71 884	39 693
Spare parts	96 031	24 657
Fuel	#REF!	46 640
Water	#REF!	54 151
Sewerage	-	-

Inventory is net of specific provisions for obsolescence.

The municipality is in the process of phasing in the calculations of water stock in accordance with the exemption granted in terms of General notice 552 in Government Gazette 30013 of 29 June 2007.

5 **INVESTMENTS**

Listed

Tswelopele Local Municipality had not listed investments at the reporting date.

Unlisted

Financial Instruments

	R	R
Fixed Deposits	2 098 987	22 991 469
Other Investments: Senwes shares	212 455	212 455
	2 311 441	23 203 924
Less: Fixed deposits transferred to cash and cash equivalents	(2 098 987)	(22 991 469)
	212 455	212 455

Unlisted investments

Management's valuation of unlisted investments	212 455	212 455
Average gross rate of return on investments	1.36%	0.22%

Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds, trust funds and other be invested in prescribed instruments.

No investments have been written off during the year.

Investment in Senwes and Senwesbel shares

Issued share capital - Senwes Limited	180 789 308	180 789 308
Issued share capital - Senwesbel Limited	83 576 501	83 576 501
Percentage owned by Council - Senwes Limited	0.01%	0.01%
Percentage owned by Council - Senwesbel Limited	0.01%	0.01%
Indebtness of Senwes Limited	-	-
Dividends received - Senwes Limited	14 321	19 753
Dividends received - Senwesbel Limited	17 040	30 292

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Other Assets R	Finance lease assets R	Total R
as at 1 July 2008	8 500 455	75 178 518	3 702 045	1 090 485	88 471 502
Cost/Revaluation	15 168 453	95 331 901	8 218 238	1 971 219	120 689 811
Accumulated depreciation and impairment losses	(6 667 998)	(20 153 383)	(4 516 194)	(880 735)	(32 218 309)
Acquisitions	-	-	979	1 264 936	1 265 915
Depreciation	(2 266 867)	(6 184 804)	(1 100 500)	(457 491)	(10 009 661)
Carrying value of disposals	(1 153)	(18 500)	(126 865)	-	(146 518)
Cost/Revaluation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
as at 30 June 2009	6 232 435	68 975 214	2 475 659	1 897 930	79 581 237
Cost/Revaluation	15 167 300	95 313 401	8 092 352	3 236 155	121 809 208
Accumulated depreciation and impairment losses	(8 934 865)	(26 338 187)	(5 616 693)	(1 338 225)	(42 227 970)

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

6.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Other Assets R	Finance lease assets R	Total R
as at 1 July 2007	10 693 202	52 205 503	4 040 657	1 484 728	68 424 091
Cost/Revaluation	-	-	-	-	-
Correction of error (note 29)	-	-	-	1 971 219	1 971 219
Change in accounting policy (note 28)	15 173 953	66 167 944	7 173 652	-	88 515 548
Accumulated depreciation and impairment losses	(4 480 750)	(13 962 440)	(3 132 995)	(486 491)	(22 062 676)
Acquisitions	-	29 163 957	1 044 587	-	30 208 544
Depreciation	(2 187 248)	(6 190 943)	(1 383 199)	(394 244)	(10 155 633)
Carrying value of disposals	(5 500)	-	-	-	(5 500)
Cost/Revaluation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
as at 30 June 2008	8 500 455	75 178 518	3 702 045	1 090 485	88 471 502
Cost/Revaluation	15 168 453	95 331 901	8 218 238	1 971 219	120 689 811
Accumulated depreciation and impairment losses	(6 667 998)	(20 153 383)	(4 516 194)	(880 735)	(32 218 309)

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

The municipality did not review the useful life or the depreciation method used or residual values on the assets recognised in the annual financial statements in accordance with the exemption granted in terms of General notice 552 of 2007 in Government Gazette 30013 of 29 June 2007. Furthermore, the municipality did not consider impairment.

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value	Computer Software R
as at 1 July 2008	-
Cost	-
Correction of error (note 48)	-
Change in accounting policy (note 47)	-
Accumulated amortisation and impairment losses	-
Acquisitions	32 327
Amortisation	(1 796)
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2009	30 531
Cost	32 327
Accumulated amortisation and impairment losses	(1 796)

7 INTANGIBLE ASSETS (continued)

7.2 Reconciliation of carrying value	Computer Software R
as at 1 July 2007	-
Cost	-
Correction of error (note 29)	-
Change in accounting policy (note 28)	-
Accumulated amortisation and impairment losses	-
Acquisitions	-
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2008	-
Cost	-
Accumulated amortisation and impairment losses	-

	2009 R	2008 R
8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade and other creditors	#REF!	3 926 489
Payments received in advance	910 491	1 040 109
Staff leave accrual	2 022 372	2 775 675
Staff bonuses accrual	#REF!	412 258
Audit fees accrual	-	818 182
Total creditors	#REF!	8 972 714
The fair value of trade and other payables approximates their carrying amounts.		
9 CONSUMER DEPOSITS		
Electricity and Water	402 689	380 282
Total consumer deposits	402 689	380 282
No interest accrues on the balance of the Consumer Deposits held by the Municipality.		
No guarantees are kept in lieu of electricity deposits.		
10 VALUE ADDED TAX		
10.1 VAT RECEIVABLE		
VAT receivable	-	3 807 972
10.2 VAT PAYABLE		
VAT payable	425 177	-
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.		
11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
11.1 Unspent Conditional Grants from other spheres of Government	#REF!	29 217 367
Skills Development Grant	135 459	63 723
MIG Grants	3 405 348	26 869 454
MSIG Grants	#REF!	106 482
FMG Grants	-	20 428
Grant - purchase and repair of moveable assets	5 561	67 888
Grant - town planning and surveying	-	60 448
Vuna Award	466 705	732 473
Tikwana 100 Housing	1 285 873	1 285 873
Planning Provincial Government	-	10 600
11.2 Other Unspent Conditional Grants and Receipts	#REF!	24 080
DBSA Grant	-	24 080
Lotto Grant	#REF!	-
Total Unspent Conditional Grants and Receipts	#REF!	29 241 448
See note 18 for reconciliation of grants from other spheres of government. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.		

	2009 R	2008 R
12 BORROWINGS		
Annuity Loans	10 896 853	10 896 853
Less : Current portion transferred to current liabilities Annuity Loans	(405 056)	(316 563)
Total borrowings	10 491 797	10 580 290

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

Refer to Appendix A for more detail on borrowings.

13 FINANCE LEASE LIABILITY

2009	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	735 297	39 035	696 261
Within two to five years	1 286 099	95 309	1 190 790
	2 021 396	134 344	1 887 052
Less: Amount due for settlement within 12 months (current portion)			(696 261)
			1 190 790

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

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

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

14 PROPERTY RATES

Actual

State	660 557	660 557
Residential and Commercial	3 143 033	3 050 657
Total	3 803 590	3 711 214

	2009 R	2008 R
14 PROPERTY RATES (continued)		
Valuations		
Government	1 566 288	1 566 288
Residential and other	12 455 903	12 455 903
Total Property Valuations	14 022 191	14 022 191
Valuation of land and improvements is performed every five years. The last general valuation came into effect on 1 July 1996. The MEC for Local Government and Housing has however granted extension of time for the new valuations to be executed. The assessment rates are levied on the following basis: Land : Bultfontein 0.36c/R (2008: 0.36c/R); Hoopstad 0.793c/R (2008:0.793c/R) Improvements: Bultfontein nil/R (2008: nil/R); Hoopstad 0.99c/R (2008:0.99c/R). Rebates are given to the Central and Provincial Government.		
15 SERVICE CHARGES		
Sale of electricity	8 868 861	7 739 754
Sale of water	4 360 136	5 011 966
Refuse removal	2 862 791	2 823 517
Sewerage and sanitation charges	4 612 283	4 534 359
Total Service Charges	20 704 070	20 109 595
16 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	473 256	375 242
Rental of equipment	81 553	57 063
Other rentals	36 129	46 509
Total rentals	590 938	478 814
17 INTEREST EARNED - EXTERNAL INVESTMENTS		
ABSA Bank - Current Account	8 014	16 359
ABSA Bank - Money Market Account	1 675 517	1 771 543
Total interest	1 683 531	1 787 902
18 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	29 757 818	21 364 338
Central government grants	27 294 393	52 192 498
Provincial government grants	168 672	2 679 083
Grants from the District Municipality	50 000	50 000
Other	-	-
Health and Ambulance subsidies	-	-
DBSA grant	99 298	-
Total Government Grant and Subsidies	57 370 181	76 285 919
No grants were withheld due to unfulfilled conditions.		

	2009 R	2008 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.1 Equitable Share		
In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigent community members and free basic water and electricity to the remainder of the community. All consumers receive a monthly subsidy which is credited to their accounts.		
18.2 Central government grants		
18.2.1 Skills Development Grant		
Balance unspent at beginning of year	(63 723)	(63 723)
Current year receipts	(96 736)	-
Conditions met - transferred to revenue	25 000	-
Conditions still to be met - remain liabilities (see note 11)	(135 459)	(63 723)
This grant was utilised to defray training costs of personnel. The conditions of the grant have been met and no monies have been withheld.		
18.2.2 MIG Grant		
Balance unspent at beginning of year	(10 057 010)	(5 328 848)
Current year receipts	(12 775 806)	(75 354 780)
Conditions met - transferred to revenue	26 224 458	70 626 618
Conditions still to be met - remain liabilities (see note 11)	3 391 642	(10 057 010)
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.		
18.2.4 Financial Management Grant		
Balance unspent at beginning of year	(70 422)	(67 888)
Current year receipts	(250 000)	(21 883)
Conditions met - transferred to revenue	250 000	19 349
Conditions still to be met - remain liabilities (see note 11)	(70 422)	(70 422)
The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)		
18.2.5 MSIG Grant		
Balance unspent at beginning of year	(424 061)	(317 579)
Current year receipts	(799 047)	(8 734 000)
Conditions met - transferred to revenue	794 935	8 627 518
Conditions still to be met - remain liabilities (see note 11)	(428 173)	(424 061)
The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.		

	2009 R	2008 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.3 Provincial Government Grants		
18.3.1 Grant - purchase and repair of moveable assets		
Balance unspent at beginning of year	(67 888)	-
Current year receipts	(5 670)	(67 888)
Conditions met - transferred to revenue	67 997	-
Conditions still to be met - remain liabilities (see note 11)	(5 561)	(67 888)
This grant was utilised to purchase and repair vehicles and equipment necessary for improved service delivery. The conditions of the grant have been met and no monies have been withheld.		
18.3.2 Grant - capacity building		
Balance unspent at beginning of year	(10 350)	-
Current year receipts	-	(24 970)
Conditions met - transferred to revenue	10 350	14 620
Conditions still to be met - remain liabilities (see note 11)	-	(10 350)
Grant will be used for Capacity Building of the Municipality.		
18.3.3 Grant - town planning and surveying		
Balance unspent at beginning of year	(60 448)	45 600
Current year receipts	-	(206 048)
Conditions met - transferred to revenue	60 448	100 000
Conditions still to be met - remain liabilities (see note 11)	-	(60 448)
To assist Municipality with compilation of a Town Planning scheme to manage land development.		
18.3.4 Financial Grant		
Balance unspent at beginning of year	(29 877)	(34 675)
Current year receipts	-	-
Conditions met - transferred to revenue	29 877	4 798
Conditions still to be met - remain liabilities (see note 11)	-	(29 877)
The conditions of the grant have been met and no monies have been withheld.		
18.3.5 Tikwana 100 Housing		
Balance unspent at beginning of year	(1 285 874)	(30 042)
Current year receipts	-	(1 441 108)
Conditions met - transferred to revenue	-	185 276
Conditions still to be met - remain liabilities (see note 11)	(1 285 874)	(1 285 874)
The conditions of the grant have been met and no monies have been withheld.		

	2009 R	2008 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.3 Provincial Government Grants (continued)		
18.3.8 Planning Provincial Government		
Balance unspent at beginning of year	(10 600)	35 000
Current year receipts	-	5 600
Conditions met - transferred to revenue	10 600	(51 200)
Conditions still to be met - remain liabilities (see note 11)	-	(10 600)
The conditions of the grant have been met and no monies have been withheld.		
18.4 Grants from the District Municipality		
18.4.1 Grant - Service of loan		
Balance unspent at beginning of year	-	-
Current year receipts	(50 000)	(50 000)
Conditions met - transferred to revenue	50 000	50 000
Conditions still to be met - remain liabilities (see note 11)	-	-
To help the Municipality to Redeem its Loan from DBSA. The conditions of the grant have been met and no monies have been withheld.		
18.5 Health and Ambulance Claims		
Balance unspent at beginning of year	287 754	287 754
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 11)	287 754	287 754
The health and ambulance services were taken over by the Department of Health and the Province. The claims are utilised to defray the expenses incurred by the Municipality and for the rental of Municipal buildings		
18.5 DBSA Grant		
Balance unspent at beginning of year	(99 298)	(176 248)
Current year receipts	-	-
Conditions met - transferred to revenue	99 298	76 950
Conditions still to be met - remain liabilities (see note 11)	-	(99 298)
This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.		
18.6 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

	2009 R	2008 R	
19 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages	16 014 770	13 947 934	
Employee related costs - Contributions for UIF, pensions and medical aids	4 362 669	3 788 657	
Travel, motor car, accommodation, subsistence and other allowances	1 918 694	1 878 355	
Housing benefits and allowances	67 165	44 938	
Overtime payments	977 140	855 681	
Performance and other bonuses	-	-	
Other employee related costs	81 189	188 616	
Total Employee Related Costs	23 421 627	20 704 182	
 Remuneration of the Municipal Manager			
Annual Remuneration	342 273	342 000	
Performance- and other bonuses	12 000	-	
Travel, motor car, accommodation, subsistence and other allowances	128 417	126 980	
Contributions to UIF, Medical and Pension Funds	83 392	63 272	
Total	566 082	532 252	
 Remuneration of the Chief Finance Officer			
Annual Remuneration	372 000	339 000	
Performance- and other bonuses	-	-	
Travel, motor car, accommodation, subsistence and other allowances	169 282	83 828	
Contributions to UIF, Medical and Pension Funds	76 158	69 510	
Total	617 440	492 338	
 Remuneration of Individual Executive Managers			
	Chief Operating Officer R	Corporate Services R	Community Services R
2009			
Annual Remuneration	367 200	348 000	342 000
Performance- and other bonuses	34 145	21 265	28 500
Travel, motor car, accommodation, subsistence and other allowances	217 308	145 457	121 669
Contributions to UIF, Medical and Pension Funds	75 194	64 381	63 338
Total	693 848	579 103	555 507
 2008			
Annual Remuneration	339 000	308 520	335 400
Travel, motor car, accommodation, subsistence and other allowances	118 420	124 335	91 131
Contributions to UIF, Medical and Pension Funds	69 510	71 003	65 808
Total	526 930	503 858	492 339

	2009 R	2008 R
20 REMUNERATION OF COUNCILLORS		
Mayor	468 915	429 770
Speaker	375 322	364 882
Executive Committee Members	375 955	337 723
Councillors' allowances	1 353 313	1 217 011
Total Councillors' Remuneration	2 573 505	2 349 386
In-kind Benefits		
The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council. The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).		
21 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	9 552 170	9 761 389
Finance leased assets	457 491	394 244
Intangible assets	1 796	-
Total Depreciation and Amortisation	10 011 457	10 155 633
22 FINANCE COSTS		
Borrowings	2 106 601	2 113 568
Consumer deposits	7 587	1 469
Finance leases	49 046	12 105
Total Finance Costs	2 163 234	2 127 142
23 BULK PURCHASES		
Electricity	8 298 620	5 893 905
Water	557 891	2 425 188
Total Bulk Purchases	8 856 511	8 319 092
24 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	#REF!	23 301 011
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	#REF!	23 301 011

	2009 R	2008 R
25 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	85 175	301 744
Admin fees	-	5 265 600
Audit fees	3 000	1 038 270
Bank charges	189 634	236 597
Cleaning	32 503	19 820
Conferences and delegations	384 540	453 736
Departmental consumption	517 028	1 897 290
Entertainment	152 459	64 302
Fuel and oil	853 717	1 093 633
Insurance	160 427	238 339
Legal expenses	722 480	526 997
Licence fees - vehicles	53 659	62 233
Licence fees - computers	146 301	130 027
Licence fees - other	14 278	9 789
Membership fees	151 699	172 383
Printing and stationery	317 941	272 334
Professional fees	117 922	37 065
Rental of office equipment	(26 665)	(10 975)
Telephone cost	663 158	575 616
Training	182 584	86 556
Travel and subsistence	277 747	165 722
Uniforms & overalls	89 554	70 556
Valuation costs	328 320	299 880
Other	25 563 740	15 234 804
	30 981 201	28 242 319
26 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(6 510 286)	(7 090 205)
Adjustment for:-		
Depreciation and amortisation	10 011 457	10 155 633
Finance costs	2 163 234	2 127 142
Interest earned	(1 683 531)	(1 787 902)
Cash on hand	#REF!	-
Operating surplus before working capital changes:	#REF!	3 404 668
(Increase)/decrease in inventories	#REF!	(120 547)
(Increase)/decrease in trade receivables	(864 610)	(83 737)
(Increase)/decrease in other receivables	#REF!	(1 924 482)
(Increase)/decrease in VAT receivable	3 807 972	-
Increase/(decrease) in conditional grants and receipts	#REF!	29 241 448
Increase/(decrease) in trade payables	#REF!	8 972 714
Increase/(decrease) in VAT payable	425 177	-
Increase/(decrease) in other current assets	(698 609)	5 600 037
Cash generated by/(utilised in) operations	#REF!	45 090 101

	2009 R	2008 R
27 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
27.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund	1 105 975	4 909 735
Erven Trust Fund	210 835	6 037 460
Loans redeemed and other capital receipts	-	187 852 236
Total	1 316 810	198 799 431
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)	-	(187 852 236)
Transferred to Capitalisation Reserve	(1 316 810)	(10 947 195)
	-	-
27.2 Accumulated Depreciation		
Balance previously reported -	-	-
Implementation of GRAP		
Backlog depreciation: Land and buildings	(8 934 865)	(6 667 998)
Backlog depreciation: Infrastructure	(26 338 187)	(20 153 383)
Backlog depreciation: Other	(5 616 693)	(4 516 194)
Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)	(40 889 745)	(31 337 575)
27.3 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Transferred from statutory funds	1 316 810	198 799 431
Backlog depreciation	(40 889 745)	(31 337 575)
Total	(39 572 935)	167 461 856
28 CORRECTION OF ERROR		
The following errors were corrected in terms of GRAP 3:		
Accounting Policies, Changes in Accounting Estimates and Errors.		
28.1 Unspent Conditional Grants reclassified from payables		
Other government grants and assistance incorrectly classified as payables. This should be disclosed as unspent conditional grants and not payables. The comparative statements for 2007/08 have been restated. The effect of the restatement is summarised below:		
Increase in unspent conditional grants		(29 241 448)
Decrease in other creditors		29 241 448

	2009 R	2008 R
28 CORRECTION OF ERROR (continued)		
28.2 Finance lease assets and liabilities		
Office equipment leased was incorrectly treated as an operating lease instead of a finance lease. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
The comparative amount has been restated as follows:		
Increase in finance charges on finance lease		12 105
Increase in depreciation on finance leased asset		394 244
(Decrease) in leasing and hiring costs on finance lease asset		(413 466)
Net effect on surplus/(deficit) for the year		<u>(7 117)</u>
Finance lease liability		(1 085 593)
Finance lease asset cost		1 971 219
Finance lease asset accumulated depreciation		(880 735)
Net effect on Statement of Financial Position		<u>4 891</u>
Net effect on Accumulated surplus opening balance		<u>71 032</u>
29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
29.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>
29.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	63 840	63 840
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>63 840</u>	<u>63 840</u>
29.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	1 778 151	1 778 151
Irregular expenditure current year	2 848 441	1 902 239
Condoned or written off by Council	(2 848 441)	(1 902 239)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>1 778 151</u>	<u>1 778 151</u>
Expenditure shown as irregular was originally unauthorised, but then approved.		

	2009 R	2008 R
30 FINANCE MANAGEMENT ACT		
30.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	151 399	172 383
Amount paid - current	(151 399)	(172 383)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
30.2 Audit fees		
Opening balance	678 596	760 169
Current year audit fee	-	818 182
Amount paid - current year	-	-
Amount paid - previous years	(678 596)	(899 755)
Balance unpaid (included in payables)	<u>-</u>	<u>678 596</u>
No provision was made for the 2008/09 financial period audit fees.		
30.3 VAT		
VAT (Refundable)/Payable	425 177	(3 807 972)
VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.		
30.4 PAYE and UIF		
Opening balance	43 929	43 929
Current year payroll deductions	330 374	2 524 091
Amount paid - current year	(330 374)	(2 524 091)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>43 929</u>	<u>43 929</u>
The balance represents PAYE and UIF deducted from the June 2009 payroll.		
30.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	3 686 450	4 470 505
Amount paid - current year	(3 686 450)	(4 470 505)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
The balance represents pension and medical aid contributions deducted from employees in the June 2009 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2009.		
30.6 Councillor's arrear consumer accounts		
Arrear consumer accounts	nil	nil

	2009 R	2008 R
31 CAPITAL COMMITMENTS		
31.1 Commitments in respect of capital expenditure		
- Approved and contracted for	16 426 078	54 645 780
Infrastructure	15 200 566	-
Community	1 015 769	-
Other	209 743	54 645 780
- Approved but not yet contracted for	1 114 394	14 003 119
Infrastructure	417 434	-
Community	466 703	-
Other	230 257	14 003 119
Total	17 540 472	68 648 899
This expenditure will be financed from:		
- External Loans	-	68 092 560
- Government Grants	14 318 000	-
- Own resources	3 222 972	556 339
	17 540 972	68 648 899

32 RETIREMENT BENEFIT INFORMATION (continued)

32.1 Defined contribution plan

The employees of the Council as well as the Council as employer, contribute

to Municipal Pension, Retirement and various Provident Funds as listed below:

- Vrystaat Munisipale Pensioenfonds
- Free State Municipal Provident Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund
- South African Municipal Worker's Union National Provident Fund

The valuation for the Vrystaat Munisipale Pensioenfonds was still in progress at the time of preparing the financial statements. This was for the period as at 30 June 2005.

The Free State Municipal Provident Fund last actuarial valuation was at 30 June 2007 conducted by A Nel from Alexandra Forbes Financial Services. The estimated liability of the fund is R526,239,000, which is adequately financed by assets of R525,655,000. Even though the fund reflected a deficit of R584,000, the Valuator still maintained that the fund was in a sound financial position at valuation date.

The Municipal Employees Pension Fund last actuarial valuation was at 29 February 2008 conducted by P.J Theunissin from Itakane Consultants and Actuaries. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund is R4,900,547,812, which is adequately financed by assets of R5,715,557,193.

The South African Local Authorities Pension Fund last actuarial valuation was at 1 July 2007 conducted by J.F Rossil and M.J Newman from Genesis Actuarial Solutions. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund is R5,580,300, which is adequately

financed by assets of R6,138,700.

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

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	2009 R	2008 R
32 RETIREMENT BENEFIT INFORMATION (continued)		
32.2 Defined contribution plan (continued)		
The South African Municipal Workers's Union National Provident Fund last actuarial valuation was at 30 June 2005 conducted by E.J Potgieter from Fifth Quadrant. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund is R1,447,663, which is adequately financed by assets of R1,511,461.		
The above plans were all treated as defined contribution plans. These contributions have been expensed.		
32.2 Defined benefit plan		
The Municipality applied the following exemption regarding all the defined benefit plans.		
These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.		
33 CONTINGENT LIABILITY		
Dispute on outstanding amount to DWAF		
There is currently a disagreement between the Municipality and the Department of Water Affairs (DWAF) regarding the amount payable to DWAF at year end. However the Municipality recognised a creditor based on the Municipality's reconciliation at year end. The difference between the Municipality's reconciliation and DWAF's calculation has been disclosed as a Contigent liability at year end. Refer to details of amounts below.		
Balance per the Municipality	(2 528 977)	-
Balance per DWAF	(3 313 149)	-
Contigent liability	<u>(784 172)</u>	<u>-</u>
34 CONTINGENT ASSET		
The Municipality had no contingent assets at the reporting date.		
35 IN-KIND DONATIONS AND ASSISTANCE		
The Municipality did not receive any in-kind donations and assistance during the current financial year.		

	2009 R	2008 R
36 RELATED PARTIES		
Post employment benefit plan for employees of municipality and/or other related parties. Refer to note 34 for the details.		
Compensation to councillors and other key management (refer to note 19 & 20)		
Related party balances		
Loan accounts - Owing (to) by related parties	-	-
Amounts included in Trade receivable (Trade payable) regarding related parties	-	-
Related party transactions		
Interest paid to (received from) related parties	-	-
Loans to (from) related parties	-	-
Purchases from (sales to) related parties		
C. Horn (Horn Familie Trust)	1 267	13 365
M.J. Taljaard (Die Ou Plank Plek)	-	3 400
37 EVENTS AFTER THE REPORTING DATE		
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		
38 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
The following areas involve a significant degree of estimation uncertainty:		
Property, plant and equipment of R79,581,237 (2008: R88,471,502) as at 30 June 2009 were stated at cost less accumulated depreciation and impairment losses. Estimates are used in the determination of the useful lives, residual values and the expected pattern of consumption of the future economic benefits embodied in the assets.		
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.		
39 RISK MANAGEMENT		
39.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
ABSA Bank: Current Account	1 468 204	223 743
ABSA Bank: Money Market Account	2 098 987	22 991 469
ABSA Bank: Savings Account	-	7 879
Trade and other receivables	#REF!	9 700 244
These balances represent the maximum exposure to credit risk.		

39.2 Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2009	2008
	R	R
2009		
	Within one year	Later than one year and not later than two years
Gross finance lease obligations	735 297	735 297
Borrowings	1 053 296	1 053 296
Trade and other payables	#REF!	-
2009		
	Later than two years and not later than five years	Later than five years
Gross finance lease obligations	550 803	-
Borrowings	3 159 892	6 270 505
Trade and other payables	-	-
2008		
	Within one year	Later than one year and not later than two years
Gross finance lease obligations	443 799	443 799
Borrowings	1 053 296	1 053 296
Trade and other payables	8 972 714	-
2008		
	Later than two years and not later than five years	Later than five years
Gross finance lease obligations	381 385	-
Borrowings	3 159 892	7 323 801
Trade and other payables	-	-

	2009 R	2008 R
39.3 Interest rate risk		
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.		
At year end, financial instruments exposed to interest rate risk were as follows:		
- ABSA Bank: Current Account	1 468 204	223 743
- ABSA Bank: Money Market Account	2 098 987	22 991 469
- ABSA Bank: Savings Account	-	7 879
- Development Bank of South Africa loan	(10 896 853)	(10 896 853)
- Finance Lease Liabilities	(1 887 052)	(1 085 593)
39.4 Other price risk		
The municipality's price risk arises from the shares held at Senwes and Senwesbel. The municipality holds a specific number of shares, of which their value depend on the share price at year end. These shares are not listed on any stock exchange.		
Management's valuation of unlisted investments	212 455	212 455
Average gross rate of return on investments	1.36%	0.22%
39.5 Other price risk (continued)		
Dividends received - Senwes Limited	14 321	19 753
Dividends received - Senwesbel Limited	17 040	30 292
40 RESTATEMENT OF COMPARATIVE INFORMATION		
Provision for audit fees, leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:		
Statement of Financial Position:		
Provisions		4 006 116
Accruals - audit fees		(818 182)
Accruals - bonuses		(412 258)
Accruals - leave		(2 775 675)
		<u>-</u>
41 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D.		

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

APPENDIX A

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

TSWELOPELE LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX C

Description	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation for the year	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	15 168 452.76	-	-	-1 152.82	15 167 299.94	-6 667 998.01	-2 266 867.22		-8 934 865.23	6 232 434.71
Infrastructure	95 331 900.99	-	-	-18 500.38	95 313 400.61	-20 153 383.25	-6 184 803.52		-26 338 186.78	68 975 213.83
Other Assets	8 218 238.42	978.87	-	-126 864.92	8 092 352.37	-4 516 193.59	-1 100 499.56		-5 616 693.15	2 475 659.22
Finance Lease Assets	1 971 219.06	1 264 935.80	-		3 236 154.86	-880 734.53	-457 490.60		-1 338 225.13	1 897 929.72
Total	120 689 811	1 265 915	-	(146 518)	121 809 208	(32 218 309)	(10 009 661)	-	(42 227 970)	79 581 237

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

APPENDIX D

2008	2008	2008		2009	2009	2009	2009	2009
Actual	Actual	Surplus /		Actual	Actual	Surplus /	Budgeted	Under / (over) -
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus /	expenditure
R	R	R		R	R	R	R	R
Community services								
3 711 214	299 880	3 411 334	Assessment rates	3 803 590	1 028 320	2 775 270	2 909 011	(133 741)
317 988	77 823	240 165	Camps & Arable Land	408 576	144 391	264 186	283 434	(19 248)
21 058	1 010 763	(989 705)	Community services	6 852	1 348 792	(1 341 940)	(1 472 591)	130 651
63	4 366 434	(4 366 370)	Council's general account	5 820	4 600 696	(4 594 876)	(4 373 360)	(221 516)
250	-	250	Licences	100	-	100	300	(200)
123 679	1 471 388	(1 347 709)	Parks and cemeteries	122 764	1 489 041	(1 366 277)	(1 839 000)	472 723
1 532 453	4 810 377	(3 277 923)	Public works	114 875	5 525 657	(5 410 782)	(3 254 689)	(2 156 093)
90 502	202 267	(111 765)	Council Properties	85 624	229 373	(143 749)	89 000	(232 749)
-	95 336	(95 336)	Sports grounds	-	219 826	(219 826)	(131 000)	(88 826)
45 640	652 914	(607 274)	Town Halls	55 910	768 257	(712 347)	(757 700)	45 353
24 410 654	21 790 080	2 620 575	Town treasurer / CFO	30 291 146	36 885 061	(6 593 915)	8 781 510	(15 375 425)
1 378 100	3 339 898	(1 961 798)	Municipal manager	2 172 676	3 560 002	(1 387 326)	(1 960 645)	573 319
1 093 467	1 093 467	-	Welfare	983 489	983 489	-	-	-
Subsidised services								
7 182	7 182	-	Health	-	8 229	(8 229)	-	(8 229)
55 506	55 506	-	Fire brigade	9 153	9 153	-	-	-
515 793	515 793	-	Library	580 145	580 060	85	320 100	(320 015)
33 303 550	39 789 107	(6 485 556)	Total (carried forward)	38 640 719	57 380 346	(18 739 626)	(1 405 630)	(17 333 996)

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

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APPENDIX D (continued)

2008	2008	2008		2009	2009	2009	2009	2009
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	Budgeted Surplus / (Deficit)	Under / (over) - expenditure
R	R	R		R	R	R	R	R
33 303 550	39 789 107	(6 485 556)	Total (carried over)	38 640 719	57 380 346	(18 739 626)	(1 405 630)	(17 333 996)
			Economic services					
4 952 164	3 494 215	1 457 949	Refuse removal	5 992 591	4 216 045	1 776 546	(170 852)	1 947 398
8 805 643	6 530 879	2 274 764	Sewerage	12 586 383	5 498 257	7 088 126	731 900	6 356 226
			Trading services					
10 144 250	9 291 513	852 737	Electricity	12 368 861	11 370 181	998 680	(751 400)	1 750 080
-	-	-	Game farming	-	-	-	-	-
9 221 767	4 657 594	4 564 173	Water	6 310 136	3 944 147	2 365 989	2 190 950	175 039
66 427 373	63 763 307	2 664 066	Total	75 898 690	82 408 975	(6 510 286)	594 968	(7 105 254)