

## **GENERAL INFORMATION**

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### **Members of the Executive Mayoral Committee**

Executive Mayor

M J Ndaba

Speaker

R J Mabefu

Councillors

S I Ramathesele

Ms K J Ngozo

N M Mtimkulu

L S Semonyo

S Z Matena

N M Mokoena

Ms S B Khunou

### **Members of the Local Municipality**

Councillors:

B T Mjikane

B J Malindi

M Mokubung

S Mafisa

J M Mofokeng

M W Khonto

F C Coetzer

Ms J C G Terblanche

D C Esplin

J J Nieman

M A Malindi

Ms T L Soetsang

M P Mbangeni

Ms A N Radebe

J du Plessis

D M Oswald

L Smith

M J Campher

D J Keyser

D S Dhlamini

Ms H B Parman

Ms F Ngubentombi

Ms M M B Mopedi

M Mashinini

## GENERAL INFORMATION

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<b>Mayor</b>	M J Ndaba
<b>Speaker</b>	R J Mabefu
<b>Grading of Local Authority</b>	Grade 9 (Grade 1; 3)
<b>Auditors</b>	The Auditor General represented by Ernst and Young Auditors
<b>Bankers</b>	ABSA Bank
<b>Registered Office</b>	Civic Centre Fichard Street <b>SASOLBURG</b>  P O Box 60 <b>SASOLBURG</b> 1947  Tel: (016) 976-0029 Fax: (016) 976-3130
<b>Municipal Manager</b> <b>Qualifications:</b>	L K Mahlatsi <i>B.Juris, LLB</i>
<b>Chief Financial Officer</b> <b>Qualifications:</b>	J Z Engelbrecht <i>Bcompt PUK</i> <i>Hons Bcomm UNISA</i> <i>Hons Bcompt PUK</i>

# **Metsimaholo Local Municipality**

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## **Approval of Financial Statements:**

The annual financial statements set out on pages      to      were approved by the Municipal Manager and the Chief Financial Officer on 31 August 2005 and presented to and approved by Council on 28 September 2005.

### **Councillors:**

S I Ramathesele	D C Esplin
N M Mokoena	Ms A N Radebe
M M Mtimkulu	M Mokubung
F C Coetzer	J M Mofokeng
D M Oswald	Ms F Ngubentombi
B T Mjikane	J J Nieman
L S Semonyo	M J Campher
M W Khonto	D J Keyser
L Smith	L S Dhlamini
J du Plessis	M M B Mopedi
M A Malindi	S Mafisa
M Mashinini	S Z Matena
Ms J C G Terblanche	B J Malindi
Ms T L Soetsang	Ms H B Parman
Ms S B Khunou	M P Mbangeni
Ms K J Ngozo	

### **Executive Mayor:**

M J Ndaba

### **Speaker:**

R J Mabefu

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**MUNICIPAL MANAGER**

.....  
**CHIEF FINANCIAL OFFICER**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2005**

	Note	2005	2004
<b><u>Net Assets and Liabilities</u></b>			
<b>Net Assets</b>		294,019,540	121,473,198
Housing Development Fund	1	4,736,108	2,485,170
Capital Replacement Reserve		6,155,169	5,738,955
Capitalisation reserve		169,964,578	19,061,935
Donations and public contribution reserves		47,721,693	32,459,286
Accumulated Surplus/(Accumulated Deficit)		65,441,992	61,727,852
<b><u>Non-current Liabilities</u></b>			
		6,039,291	2,509,936
Long-term liabilities	2	6,039,291	2,509,936
<b><u>Current Liabilities</u></b>			
		81,414,010	80,926,643
Consumer deposits	4	7,238,878	7,207,516
Provisions	5	4,437,244	2,046,692
Creditors	6	50,437,966	49,243,216
Unspent conditional grants and receipts	7	3,008,202	504,835
VAT	8	15,421,176	15,917,105
Bank overdraft	17	0	2,887,891
Current portion of long term liabilities	2	870,544	3,119,388
<b>Total Net Assets and Liabilities</b>		<b>381,472,841</b>	<b>204,909,777</b>
<b><u>Assets</u></b>			
<b><u>Non-current Assets</u></b>			
		249,081,655	95,825,159
Property, plant and equipment	9	217,629,679	51,952,828
Investments	11	25,905,118	41,864,324
Long-term receivables	12	5,546,858	2,008,007
<b><u>Current Assets</u></b>			
		132,391,186	109,084,618
Inventory	13	1,639,659	1,320,238
Consumer debtors	14	116,916,615	93,879,727
Other debtors	15	10,940,416	12,525,321
Current portion of long term loans debtors	12	1,437,224	1,354,017
Bank and Cash	17	1,457,272	5,315
<b>Total : Assets</b>		<b>381,472,841</b>	<b>204,909,777</b>

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**L K MAHLATSI**  
**MUNICIPAL MANAGER**

.....  
**J Z ENGELBRECHT**  
**CHIEF FINANCIAL OFFICER**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005					
Budget			Note	Actual	Actual
2004	2005			2005	2004
		<b>Revenue</b>			
40,728,790	44,384,740	Property Rates	18	47,554,191	39,010,292
133,400,550	166,864,800	Service Charges	19	129,011,338	118,210,477
3,567,550	3,558,060	Rental of facilities and equipment		5,428,113	4,594,083
4,015,000	3,512,500	Fines		4,800,535	2,914,172
23,255,140	26,633,380	Government Grants and Subsidies	20	48,876,032	56,893,443
-	1,440,000	Interest earned - External investments		3,178,288	3,877,682
5,000,000	5,050,000	Interest earned - Outstanding debtors		9,463,384	9,607,724
902,200	867,100	Rental Income		1,312,157	1,943,000
260,000	330,000	Licenses and Permits		77,060	76,801
349,070	56,000	Other Income	21	197,638	130,929
		Public contributions, donated and contributed, property, plant and equipment		553,620	
		Gains on disposal of property, plant and Equipment		207,167	50,236
<b>211,478,300</b>	<b>252,696,580</b>	<b>Total Revenue</b>		<b>250,659,523</b>	<b>237,308,839</b>
		<b>Expenditure</b>			
61,855,470	71,613,060	Employee related costs	22	71,149,209	61,463,813
3,242,310	3,843,460	Remuneration of Councillors	23	3,684,034	3,372,073
14,000,000	13,000,000	Bad debts		13,000,000	14,000,000
-		Collection costs			-
4,284,210	2,284,210	Depreciation		68,199	-
9,286,040	10,781,880	Repairs and maintenance		9,547,841	7,181,289
1,851,860	768,900	Interest paid	24	866,283	1,441,740
84,039,490	97,001,710	Bulk purchases	25	89,916,579	77,173,067
3,761,320	4,686,940	Contracted services		5,186,096	2,779,333
6,334,750	5,625,000	Grants and Subsidies paid	26	7,758,711	7,724,569
25,468,520	31,829,350	General expenses - other	27	26,658,211	19,367,624
-	459,960	Contributions to/(Transfers from)Provisions		-609,448	-433,533
-		Loans on disposal of property, plant & equip.			
	10,777,640	Transfer Capital			
<b>214,123,970</b>	<b>252,672,110</b>	<b>Total Expenditure</b>		<b>227,225,715</b>	<b>194,069,975</b>
<b>-2,645,670</b>	<b>24,470</b>	<b>Surplus/(Deficit) for the year</b>		<b>23,433,808</b>	<b>43,238,864</b>
Refer to Appendix E (1) for explanation of variances.					

<b>CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005</b>			
	Note	2005	2004
<b><u>Cashflow from Operating Activities</u></b>			
Cash receipts from rate payers, Government and others		232,425,900	202,776,644
Cash paid to Suppliers and employees		236,686,548	-169,257,759
Cash generated from/(utilised in) operations	31	-4,260,648	33,518,885
Interest received		12,641,672	13,488,405
Interest paid		-866,283	-1,441,740
<b>Net cash from Operating Activities</b>		<b>7,514,741</b>	<b>45,565,550</b>
<b><u>Cashflows from Investing Activities</u></b>			
Purchase of property, plant and equipment		-25,703,395	-37,007,928
Proceeds on disposal of property, plant & equipment		207,167	
(Increase)/decrease in non-current receivables		770,573	-963,722
Increases in investments		15,959,206	-925,111
<b>Net cash from Investing Activities</b>		<b>-8,766,449</b>	<b>-38,896,761</b>
<b><u>Cashflow from Financing Activities</u></b>			
New loans /(repaid)		-3,119,501	-5,938,133
Increase in consumer deposit		31,361	145,422
Decrease/(increase) in short-term loans			
<b>Net cash from financing activities</b>		<b>-3,088,140</b>	<b>-5,792,711</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,339,848</b>	<b>-4,921,365</b>
Cash and cash equivalents at the beginning of the year		-2,882,576	2,038,789
Cash and cash equivalents at the end of the year	32	1,457,272	-2,882,576

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2005**

				Depreciation	Depreciation				
	Asset		Depreciation	Reserve	Reserve			Accummu=	
	Financing	Housing	Reserve	Ex-Govern.	Donations &	Revaluation	Other	lated	
	Fund (AFF)	Fund	Ex AFR	Grants	Contributions	Reserve	Services	Surplus	Total
Balance at 1 July 2003									
Implementation GAMAP (Note 30)	8,230,624	1,806,481	14,579,516					59,229,615	83,846,236
Balance	8,230,624	1,806,481	14,579,516					59,229,615	83,846,236
Surplus/(deficit) for the year								43,238,864	43,238,864
Transfer to CRR	1,937,832						-403,612	-1,534,220	0
Property, plant and equipm.purchased	-4,429,501	-170,986	4,482,419				118,068		0
Capital grants used to purchase PPE				32,459,286				-32,459,286	0
Donated/contributed PPE									0
Transfer to Housing Development Fund		849,675							849,675
Offsetting of depreciation									0
Write off stock							12,968	-12,968	0
Transfer to Bad Debts							8,000,000	-8,000,000	0
Write off New Republic Bank							1,238,562	-1,238,562	0
Adjustments previous year							-2,504,409	2,504,409	0
<b>Balance at 30 June 2004</b>	<b>5,738,955</b>	<b>2,485,170</b>	<b>19,061,935</b>	<b>32,459,286</b>	<b>0</b>	<b>0</b>	<b>6,461,577</b>	<b>61,727,852</b>	<b>127,934,775</b>

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2005**

				Depreciation	Depreciation				
	Asset		Depreciation	Reserve	Reserve			Accummu=	
	Financing	Housing	Reserve	Ex-Govern.	Donations &	Revaluation	Other	lated	
	Fund (AFF)	Fund	Ex AFR	Grants	Contributions	Reserve	Services	Surplus	Total
Surplus/(deficit) for the year								23,433,808	23,433,808
Transfer to CRR	3,060,251						-209,942	-2,850,309	0
Property, plant and equipm. purchased	-2,567,326		2,567,326						0
Capital grants used to purchase PPE				23,020,961				-23,020,961	0
Donated/contributed PPE									0
Transfer to Housing Developm. Fund		3,362,541							3,362,541
Asset disposals									0
Offsetting of depreciation			-22,806,202	-7,758,554			30,564,756		0
Expenditure	-76,711	-1,111,603							-1,188,314
Transfer from accumulated depreciation			171,141,518						171,141,518
Write off stock							94,259	-94,259	0
Transfer to Bad Debts							10,000,000	-10,000,000	0
Write off unallocated money							-3,796,630	3,796,630	0
Adjustments previous year							-61,662	61,662	0
Adjust VAT							-15,387,569	15,387,569	0
Transfer to Provision Leave							3,000,000	-3,000,000	0
<b>Balance at 30 June 2005</b>	<b>6,155,169</b>	<b>4,736,108</b>	<b>169,964,577</b>	<b>47,721,693</b>	<b>0</b>	<b>0</b>	<b>30,664,789</b>	<b>65,441,992</b>	<b>324,684,328</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

	2005	2004
<b>1 <u>Housing Development Fund</u></b>		
Housing Development Fund	4,736,108	2,485,170
Unappropriated Surplus	4,736,108	2,485,170
The Housing Development Fund is represented by the following assets and liabilities:		
Unauthorised use of cash for other purposes		
Investments (see note 12)	4,736,108	
<b>Total Housing Development Fund Assets and Liabilities</b>	4,736,108	2,485,170
<b>2 <u>Long-Term Liabilities</u></b>		
Stock Loans	0	2,500,000
Annuity Loans	2,121,019	2,662,793
Government Loans : Housing/Selling scheme	153,474	167,531
Government Loans : Other/Hostel housing	235,330	299,000
Sub-total	2,509,823	5,629,324
Less: Current portion transferred to current liabilities	702,544	3,119,388
Stock loans	0	2,500,000
Annuity loans	620,637	541,681
Government loans : Housing/Selling scheme	14,913	14,037
Government loans : Other/Hostel housing	66,994	63,670
<b>Total : External loans</b>	1,807,279	2,509,936
Refer to Appendix A for more detail on long-term liabilities.		
R702 544 (2003 : R3 119 388) has been set aside for repayment of long-term liabilities.		
Refer to note 34 for more detail.		
<b><u>Other</u></b>		
Loan to RDP house owners	4,400,012	0
Less: Current portion transferred to current liabilities	168,000	0
<b>Total: Other</b>	4,232,012	0
<b>Total Long-Term Liabilities</b>	6,039,291	2,509,936
<b>4 <u>Consumer deposits</u></b>		
Total Electricity and Water	7,238,878	0
Guarantees in lieu of Electricity and Water deposits.	45,300	45,300

	2005	2004
<b>5 <u>Current Provisions</u></b>		
Leave provision	4,437,244	2,046,692
Balance at beginning of year	2,046,692	2,480,225
Transfer	2,300,328	1,328,703
Contributions	4,690,880	895,170
Expenditure		
Balance at end of year	<u>4,437,244</u>	<u>2,046,692</u>

**6 Creditors**

Trade Creditors	12,272,752	12,069,502
Other Creditors	25,611,114	34,841,371
Payments received in advance	12,554,100	2,332,343
<b>Total</b>	<u>50,437,966</u>	<u>49,243,216</u>

**7 Unspent Conditional Grants and Receipts**

Conditional Grants from other spheres of Government	2,898,919	438,596
MIG Grants	2,415,689	0
DME	444,632	438,596
District Municipality	38,598	-
Other Conditional Receipts	43,061	0
Develop Contribution - Electricity		-
- Water		-
Public Contribution SCI	43,061	
<b>Total Conditional Grants and Receipts</b>	<u>2,941,980</u>	<u>438,596</u>

See Note 21 for reconciliation of grants from National/  
Provincial Government  
These amounts are invested in a ring-fenced investment until  
utilized

**8 VAT**

VAT payable	<u>15,421,176</u>	<u>15,917,105</u>
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VAT is payable on the receipts basis. Only once payment  
is received from debtors is VAT paid over to SARS.  
The VAT on Debtors amount to R11 901 693.

**9 Property, Plant and equipment**

**(See page ..... for the table of Note 9)**

<b>10 Investment Property</b>	2005 R	2004 R
None		

**11 Investments**

**Unlisted**

Sanlam	9,401,158	8,699,875
Total Unlisted	<u>9,401,158</u>	<u>8,699,875</u>

**Financial Instruments**

Fixed Deposits	16,479,019	33,103,987
Other Deposits	24,941	60,462
Total Cash Investments	<u>16,503,960</u>	<u>33,164,449</u>
Total Investments	<u>25,905,118</u>	<u>41,864,324</u>

**Council Valuation of unlisted investments**

Sanlam	9,401,158	8,699,875
Total	<u>9,401,158</u>	<u>8,699,875</u>

**Allocation of external investments**

In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:

Capital Replacement Reserve	6,155,169	5,738,955
Repayment of Fixed Period External loans	9,362,817	8,699,875
Creditor Obligations	3,008,202	-
Operating Accounts	2,642,822	24,940,323
Housing	4,736,108	2,485,171
Total	<u>25,905,118</u>	<u>41,864,324</u>

**12 Long-Term Receivables**

Staff housing loans	23,191	25,216
Car loans	1,890,697	2,579,799
Study loans	10,551	39,178
Housing selling scheme loans	667,012	717,831
Housing Loans RDP houses	4,392,631	0
	<u>6,984,082</u>	<u>3,362,024</u>
Less: Current portion transferred to current assets	1,437,224	1,354,017

Staff housing loans	1,989	2,009
Car loans	589,672	594,999
Study loans	10,551	39,178
Housing selling scheme loans	667,012	717,831
Housing Loans RDP houses	168,000	0
Total	<u>5,546,858</u>	<u>2,008,007</u>

2005                      2004

**Staff housing loans**

The loan was granted to a staff member in 1984 at an interest rate of 5% according to the housing scheme that was then applicable. The loan will be fully redeemed in 2014.

**Car loans**

R

R

Senior staff are entitled to car loans which attract interest at 8,5% per annum and which are repayable over a maximum period of 6 years. The scheme is the old Bargaining Council's motor scheme.

**Study loans**

Employees are entitled to a study loan to a maximum of R10 000, at an interest rate of 8,5% and is repayable over a maximum period of 2 years.

**Housing Selling Scheme**

The loans were granted to the public by the former Development Board. The loans are in the process to be written off according to the R7 500 discount scheme by the State.

	2005	2004
<b>13 <u>Inventory</u></b>		
Consumable Stores-at cost	1,573,537	1,252,051
Unsold properties	66,122	68,187
Total : Inventory	<u>1,639,659</u>	<u>1,320,238</u>

Inventory is net of specific provisions for obsolescence

**14 Consumer Debtors**

	Gross Balance	Provision for bad Debts	Net Balance
	R	R	R
As at 30 June 2005			
<u>Service Debtors</u>	178,146,040	61,293,802	116,852,238
Rates	63,702,449		63,702,449
Electricity	30,822,105		30,822,105
Water	44,885,990		44,885,990
Sewerage	10,205,532		10,205,532
Refuse	28,529,964		28,529,964
Provision Bad Debts		61,293,802	-61,293,802
Housing Rentals	64,377		64,377
Total : Consumer Debtors	<u>178,210,417</u>	<u>61,293,802</u>	<u>116,916,615</u>

As at 30 June 2004			
<u>Service Debtors</u>	132,207,605	38,392,255	93,815,350
Rates	67,797,106		67,797,106
Electricity	20,824,536		20,824,536
Water	18,491,492		18,491,492
Sewerage	5,490,324		5,490,324
Refuse	19,604,147		19,604,147
Provision Bad Debts		38,392,255	-38,392,255
Housing Rentals	64,377		64,377
Total : Consumer Debtors	<u>132,271,982</u>	<u>38,392,255</u>	<u>93,879,727</u>

	2005	2004
<b><u>Rates</u></b> Ageing		
Current	9,758,460	4,676,178
1 - 30 days	5,610,861	4,642,264
31 - 60 days	4,230,851	1,213,273
61 - 90 days	1,063,221	1,063,170
91 - 120 days	1,035,429	1,035,356
120 + days	42,003,627	67,758,189
Total	<u>63,702,449</u>	<u>80,388,430</u>

**Services** (Electricity, Water, Sewerage and Refuse) Ageing

Current	8,751,236	9,800,352
1 - 30 days	5,642,738	7,689,765
31 - 60 days	3,573,325	3,525,791
61 - 90 days	2,637,105	2,637,053
91 - 120 days	3,367,411	3,367,328
120 + days	90,471,776	24,798,886
Total	<u>114,443,591</u>	<u>51,819,175</u>

**Housing Rentals** Ageing

+ 365 days	<u>64,377</u>	<u>64,377</u>
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**SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION**

30 June 2005	Consumers	Industrial Commercial	National and Prov. Govern.
Current	29,711,572	5,364,112	1,014,645
1 - 30 days	7,650,655	918,996	100,385
31 - 60 days	5,288,299	434,308	36,536
61 - 90 days	3,498,374	172,499	29,453
91 - 120 days	4,192,550	185,129	25,161
120 + days	<u>115,524,844</u>	<u>3,992,580</u>	<u>70,319</u>
Sub-total	165,866,294	11,067,624	1,276,499
Less: Provision for bad debts	61,293,802		
Total : Debtors by Customer Classification	<u>104,572,492</u>	<u>11,067,624</u>	<u>1,276,499</u>

Summary of Debtors by Classification

30 June 2004			
Current	20,981,576	3,046,096	1,356,287
1 - 30 days	4,936,155	485,616	416,384
31 - 60 days	4,452,957	250,997	35,110
61 - 90 days	3,499,601	172,499	28,123
91 - 120 days	4,186,130	185,129	31,425
120 + days	<u>84,639,508</u>	<u>3,390,580</u>	<u>177,809</u>
Sub-total	122,695,927	7,530,917	2,045,138
Less: Provision for bad debts	38,392,255		
Total : Debtors by Customer Classification	<u>84,303,672</u>	<u>7,530,917</u>	<u>2,045,138</u>

	2005	2004
<b>15 <u>Other Debtors</u></b>		
Sundry Debtors	10,940,416	12,525,321
Total : Other Debtors	<u>10,940,416</u>	<u>12,525,321</u>

**16 Call Investment Deposits**

Other Deposits

Fixed deposits amounting to R6 155 169 (2004: R5 738 955) have been ring - fenced for the purpose of the Capital Replacement Reserve and an amount of R2 509 823 (2004: R5 629 324) have been ring-fenced for the purpose of repaying long-term liabilities as set out in Note 34. (SANLAM)

R 0                      R 0

**17 Bank, Cash and Overdraft Balances**

The Municipality have the following Bank accounts:

**Current Account (Primary Bank Account)**

ABSA - Sasolburg Branch  
Account No. 520 000 038

Cash book balance at beginning of year	<u>-2,887,891</u>	<u>2,038,789</u>
Cash book balance at end of year	<u>1,451,957</u>	<u>-2,887,891</u>
Bank Statement at beginning of year	<u>2,828,182</u>	<u>3,850,585</u>
Bank Statement at end of year	<u>8,598,323</u>	<u>2,828,182</u>

**Cash in Hand**

Balance at beginning of year	<u>5,315</u>	<u>5,315</u>
Balance at end of year	<u>5,315</u>	<u>5,315</u>

**Transmission Account**

ABSA Sasolburg Branch  
Account no. 520 000 062

18 **Property Rates**

2005                      2004

Actual

Residential	28,636,834	20,711,119
Commercial	4,524,219	4,252,806
Light Industries	1,545,531	1,315,486
Heavy Industries	11,678,455	11,568,363
State	1,172,153	1,162,518
Municipality		-
<b>Total Assessment Rates</b>	<b>47,557,192</b>	<b>39,010,292</b>

June 2005                      June 2004  
R000's                              R000's

Valuations

Residential	329,637	240,290
Commercial	38,294	37,264
Light Industries	8,248	8,216
Heavy Industries	30,526	31,132
State	13,686	15,792
Municipality	46,127	46,127
<b>Total Property Valuations</b>	<b>466,518</b>	<b>378,821</b>

Valuations on land are performed every 5 (five) years. The last valuation came into effect on 1 July 2002. Interim valuations are processed monthly to take into account changes in individual property values due to alterations and subdivisions. Rebates of 20% are granted to State property owners. Rates are levied on a monthly basis. Interest is levied after 30 days at bank rate plus 1%.

**Sasolburg / Zamdela**

Residential:		
- Sasolburg	- 0,0870	cents per Rand
- Zamdela	- 0,1120	cents per Rand
Commercial		
- Light Industries	- 0,1730	cents per Rand
- Heavy Industries	- 0,3885	cents per Rand
- State	- 0,1165 - 20%	cents per Rand

**Deneyville / Refenggotso**

Residential:		
- Deneyville	- 0,1135	cents per Rand
- Refenggotso	- 0,0405	cents per Rand
Businesses		
- State	- 0,1880 - 20%	cents per Rand

**Oranjeville / Metsimaholo**

Residential:		
- Oranjeville	- 0,0620	cents per Rand
- Metsimaholo	- 0,0405	cents per Rand
Businesses		
- State	- 0,0715 - 20%	cents per Rand

2005 2004

19 **Services Charges**

Sale of Electricity	52,532,366	44,116,336
Sale of Water	54,173,299	54,647,692
Refuse removal	10,525,302	8,908,366
Sewerage and Sanitation charges	11,780,371	10,538,083
Total : Service Charges	<u>129,011,338</u>	<u>118,210,477</u>

20 **Government Grants and Subsidies**

Equitable share (Operating)	20,456,512	18,631,195
Provincial health subsidies (Operating)	4,696,783	4,182,450
Financial Management Grant (Operating)	1,197,156	2,000,000
Provincial Government (Operating)	58,240	0
Department of Health (Capital)	0	422,804
District Municipality (Capital)	5,595,239	23,786,340
DME (Capital)	1,358,556	812,561
Provincial Government (Capital)	14,914,898	7,058,092
Financial Management Grant (Capital)	448,643	0
Transformation Grant (Capital)	150,000	0
	<u>48,876,027</u>	<u>56,893,442</u>

**Equitable Share (Operating)**

The grant is used to subsidise the provision of free basic services to all households (6kl water, 50 kWh Electricity and basic sewer) and approved indigents, that receive R60,00 per month.

111 106

**Provincial Health Subsidies (Operating)**

Balance unspent at beginning of year		0
Current year receipts	4,696,783	4,182,450
Conditions met - transfer to revenue	<u>-4,696,783</u>	<u>-4,182,450</u>
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 61% of total expenditure incurred. The grant has been used for clinic and environmental services. The conditions of the grant have been met.

**Financial Management Grant (Operating)**

Balance unspent at beginning of year		0
Current year receipts	1,551,357	2,000,000
Conditions met - transferred to revenue	<u>1,197,156</u>	<u>-2,000,000</u>
Conditions still to be met - transferred to liabilities	<u>354,201</u>	<u>0</u>

The Municipality received the FMG from National Treasury. It is used for capacity building and assistance to Financial Services to improve service delivery.

2005 2004

**Provincial Government (Operating)**

Balance unspent at beginning of year		0
Current year receipts	58,240	0
Conditions met - transferred to revenue	58,240	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

Funds received from Provincial Government to assist with IDP.

**Department of Health (Capital)**

Balance unspent at beginning of year		0
Current year receipts		422,804
Conditions met - transferred to revenue		-422,804
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

Funds received from the Dept. of Health for the building of a clinic.

**District Municipality (Capital)**

Balance unspent at beginning of year		0
Current year receipts	5,595,239	23,786,340
Conditions met - transferred to revenue	-5,595,239	-23,786,340
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

Capital projects (infrastructure) financed by the District Council.

**DME (Capital)**

Balance unspent at beginning of year		0
Current year receipts	1,803,188	812,561
Conditions met - transferred to revenue	1,358,556	-307,726
Conditions still to be met - transferred to liabilities	<u>444,632</u>	<u>504,835</u>

Installation of electricity in the Municipality's area, financed by DME.

**Provincial Government (Capital)**

Balance unspent at beginning of year		0
Current year receipts		7,058,092
Conditions met - transferred to revenue		-7,058,092
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

Upgrading of hostels in Zamdela that is financed by Free State Provincial Government

	2005	2004
<b><u>Provincial Government MIG (Capital)</u></b>		
Balance unspent at beginning of year		0
Current year receipts	17,330,587	0
Conditions met - transferred to revenue	14,914,898	0
Conditions still to be met - transferred to liabilities	<u>2,415,689</u>	<u>0</u>

Funds received for installation of infrastructure

<b><u>Financial Management Grant (Capital)</u></b>		
Balance unspent at beginning of year		0
Current year receipts	448,648	2,000,000
Conditions met - transferred to revenue	448,648	-2,000,000
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The Municipality received the FMG from National Treasury. It is used for capacity building and assistance to Financial Services to improve service delivery.

<b><u>Transformation Grant (Capital)</u></b>		
Balance unspent at beginning of year	150,000	150,000
Current year receipts	0	0
Conditions met - transferred to revenue	150,000	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>150,000</u>

The Municipality received funds from National Government. It is used to assist Municipality with amalgamation in 2000.

	2005	2004
<b>21 <u>Other Income</u></b>		
Selling of houses		-
Other Income	197,638	130,929
	<u>197,638</u>	<u>130,929</u>

**22 Employee related cost**

Salaries and Wages	54,006,907	52,434,471
Council Contributions - UIF, pension, medical, group Ins.	10,146,056	9,035,054
Travel, Motor car, accommodation, subsistence and other allowance	2,049,171	
Housing benefits and allowance	508,157	
Overtime payments	4,438,918	
Performance bonus		
Total Employee Related cost	<u>71,149,209</u>	<u>61,469,525</u>

There was no advances to employees.  
Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	372,461	591,229
Performance Bonusses		-
Car Allowance	147,972	-
Contributions - UIF, pension, medical, group Ins.	70,207	
Travel, Motor car, accommodation, subsistence and other allowance	6,183	
Total	<u>596,823</u>	<u>591,229</u>

Remuneration of Chief Financial Officer

Annual Remuneration	303,835	443,537
Performance Bonusses		
Car Allowance	129,600	
Contributions - UIF, pension, medical, group Ins.	63,590	
Travel, Motor car, accommodation, subsistence and other allowance	7,128	
Total	<u>504,153</u>	<u>443,537</u>

Remuneration of Directors - 2005

	Technical Services	Corporate Services	Social Developm
Annual Remuneration	294,221	341,926	297,070
Performance Bonusses			
Car Allowance	129,600	129,600	129,600
Contributions - UIF, pension, medical, group Ins.	73,198	25,500	70,356
Travel, Motor car, accommodation, subsistence and other allowance	7,128	7,128	7,128
Total	<u>504,147</u>	<u>504,154</u>	<u>504,154</u>

	2005	2004
<b>23 <u>Remuneration of Councillors</u></b>		
Executive Mayor	209,015	234,557
Speaker	163,001	194,216
Mayoral Committee Members	1,042,715	1,074,826
Councillors	1,262,496	891,987
Councillors' pension contribution	297,242	286,617
Councillors' medical contribution	197,966	190,231
Housing subsidy		
Travelling allowance	511,599	499,639
Total Councillors' Remuneration	<u>3,684,034</u>	<u>3,372,073</u>

In Kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and Secretarial support at the cost of Council.

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

**24 Interest on External Borrowings**

External Loans	866,283	1,441,740
Total Interest on External Borrowings	<u>866,283</u>	<u>1,441,740</u>

**25 Bulk purchases**

Electricity	34,428,042	33,802,068
Water	55,488,537	43,370,999
Total Bulk purchases	<u>89,916,579</u>	<u>77,173,067</u>

**26 Grants and Subsidies paid**

Grant to Community Chess	18,232	19,838
Equitable Share	7,740,479	7,704,731
Total Grants and Subsidy	<u>7,758,711</u>	<u>7,724,569</u>

Council contribute annually to the community chess. One of the Mayoral Committee members sits on the Governing body of the Community Chess.

27 **General expenses - Other**

	2005	2004
Audit Fees	1,045,391	1,657,396
Bank Charges	791,195	636,618
Financial Management Grant	443,942	539,568
Insurance Premium	1,133,857	976,911
Insurance Aggregate	125,808	150,000
Regional Services Levy	261,382	169,287
Skills Development	371,883	267,516
Advertising	208,998	115,653
Bursaries	137,357	118,913
Computer Systems	156,848	199,604
Conference and Delegations	247,865	261,442
Connection Charges	430,986	344,126
Entertainment	175,926	
Fuel and Oil Vechiles	1,943,635	1,628,175
Insurance access	168,052	
Membership Fees	345,539	445,814
Postage	615,237	726,020
Printing and Stationary	505,073	348,608
Professional Fees	722,727	445,117
Rental: External Equipment	932,867	521,687
Sewer treatment charges	6,415,405	6,081,968
Stocks and Material	1,105,855	996,838
Telephone	1,899,990	1,436,552
Training	377,053	
Uniforms and Overalls	252,235	245,461
Legal Expenses	518,122	0
Transport claims	92,499	0
Deparmental Consumption	4,430,843	0
Other	1,174,074	1,054,349
	<u>27,030,644</u>	<u>19,367,623</u>

	2005	2004
<b>28 <u>Change in Accounting Policy - implementation of GAMAF</u></b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAF:		
<b>28.1 <u>Statutory Funds</u></b>		
<b>Balance previously reported:-</b>		
Erven trust fund		16,043,219
Capital development fund		23,223,123
Insurance fund		475,177
Electricity network strengthening fund		213,737
Water network strengthening fund		13,060
Water provision : Wolwehoek		2,501,824
<b><u>Total</u></b>		<b><u>42,470,140</u></b>
<b><u>Implementation of GAMAP</u></b>		
Transfer to Capital Replacement Reserve		8,230,624
Transfer to Housing Fund		1,806,481
Transfer to Accumulated Surplus (see note 30.5 below)		32,433,035
<b><u>Total</u></b>		<b><u>42,470,140</u></b>
<b>28.2 <u>Loans Redeemed and Other Capital Receipts</u></b>		
<b>Balance previously reported:-</b>		<b><u>236,314,106</u></b>
<b><u>Implementation of GAMAP</u></b>		
Transferred to Accumulated Depreciation		<b><u>236,314,106</u></b>
<b>28.3 <u>Provisions and Reserves</u></b>		
<b>Balance previously reported:-</b>		
Audit fees		967,036
Capital Reserve Fund		2,929,831
Industrial settlement		1,734,036
Maintenance		260,970
Rental loss		5,949
Accumulated leave		2,480,224
Training		272,763
Renewal fund: water		236,943
Redemption fund :Internal loans		11,590
Redemption fund :Stocks		8,395,350
<b><u>Total</u></b>		<b><u>17,294,692</u></b>
<b><u>Implementation of GAMAP</u></b>		
Transfer to Accumulated Depreciation		8,406,940
Transfer to Accumulated Surplus (see note 30.5 below)		6,407,528
Transfer to Staff leave		2,480,224
<b><u>Total</u></b>		<b><u>17,294,692</u></b>
<b>28.4 <u>Accumulated Depreciation</u></b>		
<b>Balance previously reported:-</b>		0
<b><u>Implementation of GAMAP</u></b>		
Transfer to Accumulated Depreciation		244,721,047
Backlog depreciation:Land & Buildings	1,757,610	
Backlog depreciation: Infrastructure	57,388,574	
Backlog depreciation: Community assets	2,621,690	
Backlog depreciation: Other assets	10,950,703	
Backlog depreciation: Housing	1,158,659	
Transfer to Offset"transfer asset financing fund"	171,141,518	
<b><u>Total</u></b>	<b><u>245,018,754</u></b>	<b><u>244,721,047</u></b>

	2005	2004
<b>28.5 Accumulated Surplus/(Defecit)</b>		
<b><u>Implementation of GAMAP</u></b>		
Transfer from Statutory funds		32,433,035
Transfer from Povisions & Reserves		6,407,528
Transfer from Selling scheme		2,371,611
Transfer Sasol Kommando		-8,606
Transfer Loans investments & advances		-14,579,516
<b>Total</b>		<b><u>26,624,052</u></b>

**29 Change in accounting policy**

None

**30 Correction of error**

Refer to note 10: 30 June 2005

The opening balances at cost at 1 July 2004 were adjusted between the various categories to be in line with the newly implemented Asset Register. An amount of R115 112 adjusted the opening balance. This were two cheques issued in 2003/2004 and cancelled in 2004/2005.

Refer note 10: 30 June 2004

The accumulated depreciation on 30 June 2004 of R244 484 508 was amended to the amount in the Asset Register of R73 877 236. The balance was transfer to Transfer from Asset Financing Fund from where the balance of the depreciation be corrected.

**31 Cash Generated by Operations**

Net surplus for the year	23,433,808	43,238,864
Adjustment for:		
Depreciation	68,199	
Provision for bad debts		18,507,164
Depreciation		-
Investment income	-12,641,672	-13,485,405
Interest paid	866,283	1,441,740
Gain on disposal of property, plant and equipment	207,167	-50,236
Contributions to provisions	-23,150	-433,533
Operating surplus before working capital changes:	<u>11,910,635</u>	<u>49,218,594</u>
Increase / Decrease in inventory	-319,421	-217,555
(Increase) / Decrease in consumer debtors	-45,938,435	-15,554,295
(Increase) / Decrease in other debtors	-3,431,526	-5,947,094
Increase / Decrease in creditors	-9,698,543	5,514,400
Increase / (Decrease) in Conditional Grants	2,503,367	504,835
Increase / Decrease in VAT	15,421,176	
Increase / Decrease in Provisions	25,292,099	
Cash Generated by Operations	<u>-4,260,648</u>	<u>33,518,885</u>

	2005	2004
<b>32 <u>Cash and Cash equivalents</u></b>		
Bank balance/ cash	1,457,272	5,315
Bank overdraft	0	-2,887,891
Total in cash and cash equivalents	<u>1,457,272</u>	<u>-2,882,576</u>

**33 Utilisation of Long-term liabilities reconciliation**

Long-term liabilities (Note 2)	2,509,823	5,629,324
Used to finance property, plant and equipment	<u>2,509,823</u>	<u>5,629,324</u>
Sub-total	0	0
Cash set aside for repayment of loans of longterm liabilities (note 17)	2,509,823	5,629,324
Cash invested for repayment of external loan	<u>2,509,823</u>	<u>5,629,324</u>

**34 Unauthorised expenditure**

None

	2005	2004
<b>35 Additional Disclosures in terms of Municipal Finance Management Act</b>		
<b>35.1 Contributions to Salga</b>		
Opening balance		127,796
Council Subscriptions	361,666	310,999
Amount paid - current year	361,666	438,795
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.2 Audit Fees</b>		
Opening balance	0	438,039
Current year audit fee	1,143,493	881,913
Amount paid - current year	1,143,493	881,913
Amount paid - previous year		438,039
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.3 VAT</b>		
VAT payable is shown in note 8. All VAT returns have been submitted by the due date throughout the year.		
<b>35.4 PAYE and UIF</b>		
Opening balance		-
Current year payroll deductions	6,404,575	7,148,099
Amount paid - current year	6,404,575	7,148,099
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.5 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions	9,805,755	14,487,395
Amount paid - current year	9,805,755	14,487,395
Amount paid - previous year		-
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

2005 2004

35.6 **Councillor's arrear accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at :

<b><u>30 June 2005</u></b>	Total	Outstanding less than 90 days	Outstanding more than 90 days
M Mokubung	1,693	551	1,142
M A Malindi	4,031	214	3,817
Total Councillor arrear consumer accounts	<u>5,724</u>	<u>765</u>	<u>4,959</u>

<b><u>30 June 2004</u></b>			
M A Malindi	4,615	94	4,521
Total Councillor arrear consumer accounts	<u>4,615</u>	<u>94</u>	<u>4,521</u>

During the year the following Councillor's had arrear accounts outstanding for more than 90 days

	Highest amount outstanding	Ageing
<b><u>30 June 2005</u></b>		
M Mokubung	2,039	210
M A Malindi	<u>4,722</u>	<u>300</u>

<b><u>30 June 2004</u></b>		
M A Malindi	<u>5,322</u>	120 days

	2005	2004
<b>36 <u>Capital Commitments</u></b>		
- Commitments in respect of capital expenditure		
- Approved and contracted for:		
- Infrastructure	2,903,381	3,474,835
- Community		
- Heritage		
- Other		
- Housing		
- Investment Properties		
- Approved but not yet contracted for:		
- Infrastructure		
- Community		
- Heritage		
- Other		
- Housing		
- Investment Properties		
 This expenditure will be financed from:		
- External Loans		
- Asset Financing Reserve		
- Government Grants	2,860,321	2,970,000
- District Council Grants		504,835
- Other	43,060	

An amount of R2 970 000 is held by the District Council for CMIP Grants for Metsimaholo Local Municipality. The work is been done by the District Council on behalf of Metsimaholo Local Municipality.(2003/2004)

An amount of R2 415 689 was received from MIG and all the conditions have not been met yet. (2004/2005)

An amount of R444 632 :2005 ( R504 835: 2004) is for DME Grants that the full conditions have not been met yet.

An amount of R43 060 is from SCI and all the conditions have not been met yet. (2004/2005)

### 37 Retirement Benefit Informations

The Councillors can belong to the Municipal Councillors Pension Fund. The Fund is subject to an actuarial valuation. The latest valuation was done on 30 June 2001 and reflected a nett return of 9,6% on the Gratuity Section.

The employees contribute to the Free State Municipal Pension Fund, Sala Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. The pension funds are subject to actuarial valuation. The latest actuarial valuation of the first fund was on 30 June 2002 and reflected a sound financial position. The Free State Provident Fund's latest actuarial valuation was on 30 June 2001 and reflected a sound financial position. The latest actuarial valuation of Sala Pension Fund was on 1 July 1995 and reflected a deficit of 2%.

2005

2004

38 **Contingent Liability**

Council is being sued by a creditor for services rendered without an order.

0      60,000

39 **Contigent Asset**

None

40 **In-kind Donations and Assistance**

Sasol One assisted via rejuvenation Project knowledge to Parks division, and Stadiums(2004). None (2005).

41 **Private Public Partnership**

None

42 **Events after the reporting date**

**Note 9**  
**9 Property, Plant and equipment**

	Land and Buildings	Intra- structure	Community	Heritage	Other	Housing	Total
<b>30 June 2005</b>							
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2004</b>	22,735,754	151,432,582	11,599,295	168,216	10,747,402	25,761,743	222,444,992
Cost	6,504,979	183,147,759	18,874,890	0	44,732,809	43,176,899	296,437,336
Correction of error (Note 32)	17,988,385	25,673,397	-4,653,905	180,870	-23,047,358	-16,256,497	-115,108
Revaluation							
Accumulated depreciation							0
- Cost	1,757,610	57,388,574	2,621,690	12,654	10,938,049	1,158,659	73,877,236
- Revaluation							
Acquisitions	225,457	22,502,069	522,779	0	2,453,090		25,703,395
Capita under Construction							
Increases/decreases in revaluation							
Depreciation	1,214,301	23,418,257	1,271,669	8,211	4,278,058	443,312	30,633,808
- based on cost	1,214,301	23,418,257	1,271,669	8,211	4,278,058	443,312	30,633,808
-based on revaluation							
Carrying value of disposals	0	0	0	0	-115,104	0	-115,104
Cost/revaluation					118,765		118,765
Accumulated depreciation					-233,869		-233,869
Impairment losses							
Other movements							
<b>Carrying values at 30 June 2005</b>	21,746,910	150,516,394	10,850,405	160,005	9,037,538	25,318,431	217,629,683
Cost	24,718,821	231,323,225	14,743,764	180,870	24,019,772	26,920,402	321,906,854
Revaluation							
Accumulated depreciated	2,971,911	80,806,831	3,893,359	20,865	14,982,234	1,601,971	104,277,171

	Land and Buildings	Intra- structure	Community	Heritage	Other	Housing	Total
<b><u>30 June 2004</u></b>							
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2003</b>	6,504,979	155,708,154	18,393,000	0	43,061,611	35,998,203	259,665,947
Cost	6,504,979	155,708,154	18,393,000		43,061,611	35,998,203	259,665,947
Correction of error (Note 32)				0			244,484,508
Revaluation							
Accumulated depreciation							
- Cost							244,484,508
- Revaluation							
Acquisitions	0	27,533,657	623,877		1,671,698	7,178,696	37,007,928
Capita under Construction							
Increases/decreases in revaluation							
Depreciation	1,757,610	57,388,574	2,621,690		10,938,049	1,158,659	73,864,582
- based on cost (note 32)	1,757,610	57,388,574	2,621,690		10,938,049	1,158,659	73,864,582
-based on revaluation							
Carrying value of disposals	0	94,052	141,987		500		236,539
Cost/revaluation	0	94,052	141,987		500	0	236,539
Accumulated depreciation							
Impairment losses							
Other movements							
<b>Carrying values at 30 June 2004</b>	4,747,369	125,947,289	16,537,174	0	33,795,760	42,018,240	222,572,754
Cost	6,504,979	183,147,759	18,874,890	0	44,732,809	43,176,899	296,437,336
Revaluation							
Accumulated depreciated	1,757,610	57,388,574	2,621,690	12,654	10,938,049	1,158,659	73,877,236

**APPENDIX A**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2005								
	Loan Number	Redeem-able	Balance at 1 July 2004	Received during period	Redeemed/ Written off during the period	Balance at 30 June 2005	Carrying Value of Property Plant and Equipment	Other costs in accordance with MFMA
<b><u>Long Term loans</u></b>								
Stock loan @ 16,5%	21	30/6/2005	2,500,000		2,500,000	0		
			2,500,000		2,500,000	0		
<b><u>Annuity loans</u></b>								
DBSA @ 15,3%	8	30/6/2007	21,576		6,169	15,407		
DBSA @ 15,3%	9	30/6/2007	47,077		13,461	33,616		
DBSA @ 15,3%	10	30/6/2007	121,432		24,046	97,386		
DBSA @ 15,6%	11	30/6/2008	42,577		7,159	35,418		
DBSA @ 13,5%	1	31/3/2008	2,430,131		490,939	1,939,192	2,303,120	
			2,662,793	0	541,774	2,121,019	2,303,120	



## ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost / Revaluation					Accumulated Depreciation					Budget
	Opening		Transfer		Closing	Opening			Closing	Carrying	Additions
	Balance	Additions	Balance	Disposals	Balance	Balance	Additions	Disposals	Balance	Value	2005
<b>Land and Buildings</b>											
Land										0	
Buildings	6,504,979	225,457	17,988,385		24,718,821	1,757,610	1,214,301		2,971,911	21,746,910	3,000,000
	6,504,979	225,457	17,988,385	0	24,718,821	1,757,610	1,214,301	0	2,971,911	21,746,910	3,000,000
<b>Infrastructure</b>											
Stormwater		2,685,016	11,909,389		14,594,405	1,191,075	2,039,379		3,230,454	11,363,951	21,091,000
Roads	57,255,610	2,859,556	9,777,154		69,892,320	22,316,182	12,806,960		35,123,142	34,769,178	10,000,000
Sewerage Mains & Purification	38,756,894	11,950,747	193,083		50,900,724	7,494,136	2,422,563		9,916,699	40,984,025	18,742,000
Electricity Mains	43,461,263	2,009,495	7,301,268		52,772,026	13,359,933	3,496,787		16,856,720	35,915,306	11,150,000
Electricity Peak Load Equipment			1,531,860		1,531,860	153,186	168,983		322,169	1,209,691	
Water Mains & Purification	37,454,873	2,910,726	-409,175		39,956,424	11,616,309	2,457,288		14,073,597	25,882,827	2,197,000
Reservoirs - Water		86,529	1,588,937		1,675,466	1,257,753	26,297		1,284,050	391,416	
Water Meters										0	
Refuse dumps	6,219,119		-6,219,119		0					0	2,500,000
	183,147,759	22,502,069	25,673,397	0	231,323,225	57,388,574	23,418,257	0	80,806,831	150,516,394	65,680,000
<b>Community Assets</b>											
Parks	2,743,183	49,590	276,647		3,069,420	1,233,020	727,163		1,960,183	1,109,237	110,000
Libraries	316,752		-316,752		0					0	150,000
Stadiums	7,713,888		-3,643,576		4,070,312	271,354	194,920		466,274	3,604,038	1,055,000
Halls	1,252,085	340,000	1,939,280		3,531,365	425,906	121,759		547,665	2,983,700	900,000
Theatre	1,328,672		-1,328,672		0					0	
Swimming Pools	773,583	133,189	221,252		1,128,024	99,483	117,879		217,362	910,662	82,200
Recreation facilities	1,634,616		-1,068,171		566,445	37,763	30,239		68,002	498,443	1,089,000
Clinics	1,871,992		-361,171		1,510,821	496,339	47,227		543,566	967,255	
Cemetery	1,240,119		-372,742		867,377	57,825	32,482		90,307	777,070	580,000
	18,874,890	522,779	-4,653,905	0	14,743,764	2,621,690	1,271,669	0	3,893,359	10,850,405	3,966,200



**APPENDIX C**

<b>SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT</b>										
	<b>COST</b>					<b>ACCUMMULATED DEPRECIATION</b>				
	Opening	Additions	Transfer	Disposals	Closing	Opening	Additions	Disposals	Closing	Carrying
	Balance		Balance		Balance	Balance			Balance	Value
Office of the Municipal Manager	10,589,588	386,273	-10,170,298	29,615	775,948	155,092	170,025	29,615	295,502	480,446
Corporate Services	7,279,259	48,725	16,874,536	19,610	24,182,910	3,390,462	2,697,797	19,610	6,068,649	18,114,261
Information Technology	1,990,130	1,286,990	1,872,241	23,908	5,125,453	2,844,975	636,486	23,908	3,457,553	1,667,900
Health Services	1,871,992	900	160,107		2,032,999	646,100	113,026		759,126	1,273,873
Cleansing Services	6,219,119	1,421	-2,629,754		3,590,786	1,309,282	576,048		1,885,330	1,705,456
Public Safety	3,471,223	197,475	278,338		3,947,036	944,084	396,997		1,341,081	2,605,955
Parks and Recreation	2,743,183	123,712	-1,432,125	69,540	1,365,230	407,650	263,905	69,540	602,015	763,215
Pleasure Resorts	1,634,616	9,341	-1,101,715		542,242	131,270	85,468		216,738	325,504
Community Centres	2,580,757	379,518	-1,951,010		1,009,265	126,345	73,773		200,118	809,147
Stadiums	7,713,888	7,531	-2,298,476		5,422,943	374,581	239,689		614,270	4,808,673
Swimming Pools	773,583	140,542	-243,407		670,718	90,154	48,078		138,232	532,486
Cemeteries	1,240,119		-82,562		1,157,557	292,294	73,184		365,478	792,079
Libraries	316,752	15,496	367,101		699,349	202,334	216,110		418,444	280,905
Technical Services	16,874,606	5,146	-16,632,422		247,330	94,799	42,980		137,779	109,551
Electricity	43,461,263	2,297,679	1,258,165		47,017,107	7,513,689	3,620,969		11,134,658	35,882,449
Mechanical Workshop	439,476	13,746	-97,170		356,052	95,766	54,071		149,837	206,215
Streets and Stormwater	57,255,610	5,430,946	19,418,593		82,105,149	23,032,371	14,942,967		37,975,338	44,129,811
Buildings	4,026,564		-3,860,935		165,629	62,901	25,153		88,054	77,575
Sewerage	38,756,894	11,953,115	3,124,823	91,200	53,743,632	8,505,806	2,613,247	91,200	11,027,853	42,715,779
Water	37,454,873	3,011,307	661,978		41,128,158	13,021,234	2,497,768		15,519,002	25,609,156
Financial Services	3,078,477	316,170	-1,033,921		2,360,726	886,682	225,792		1,112,474	1,248,252
Economical Development and Planning	-	46,196			46,196		550		550	45,646
Housing Admin	43,020,935		-35,755,088		7,265,847	7,208,829	16,318		7,225,147	40,700
Property Admin	2,727,218	8,183	-2,177,672		557,729	545,176	1,443		546,619	11,110
Urban Planning	917,213	22,979	35,450,673		36,390,865	1,995,363	1,001,969		2,997,332	33,393,533
<b>TOTAL</b>	<b>296,437,338</b>	<b>25,703,391</b>	<b>0</b>	<b>233,873</b>	<b>321,906,856</b>	<b>73,877,239</b>	<b>30,633,813</b>	<b>233,873</b>	<b>104,277,179</b>	<b>217,629,677</b>

**APPENDIX D**

**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2005**

<b>2004</b>	<b>2004</b>	<b>2004</b>		<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
<b>111,134,865</b>	<b>106,540,346</b>	<b>4,594,519</b>	<b>Rates and General Services</b>	<b>125,572,412</b>	<b>120,112,931</b>	<b>5,459,481</b>	<b>-28,764,360</b>
<b>82,152,797</b>	<b>68,876,514</b>	<b>13,276,283</b>	<b>Community Services</b>	<b>86,654,767</b>	<b>70,077,425</b>	<b>16,577,342</b>	<b>-12,617,640</b>
	591,607	-591,607	Executive Mayor : Admin	226,300	1,290,504	-1,064,204	-873,680
	132,956	-132,956	Youth Unit	0	280,068	-280,068	-326,800
	10,911	-10,911	Public Relations Officer	0	0	0	-50,000
	140	-140	Age/Disability/Gender/Children	0	0	0	-9,500
	511,896	-511,896	Speaker : Admin	0	1,147,370	-1,147,370	-862,320
	1,842,598	-1,842,598	Mayoral Committee	0	1,516,882	-1,516,882	-1,975,840
	1,606,189	-1,606,189	Councillors	0	1,713,036	-1,713,036	-1,474,410
	808,731	-808,731	Municipal Manager : Admin	0	815,534	-815,534	-692,050
	130,074	-130,074	IDP and PMS	58,240	209,117	-150,877	-321,400
	191,857	-191,857	Internal Audit	0	247,686	-247,686	-241,800
	133,766	-133,766	Masakhane	0	111,441	-111,441	-134,000
	608,673	-608,673	Director : Transformation & Corp.	0	712,091	-712,091	-2,697,040
14,108	1,820,222	-1,806,114	Corporate Service : Admin	25,359	2,112,381	-2,087,022	-1,611,320
7,250	452,413	-445,163	Human Resources	0	837,953	-837,953	-736,490
	603,346	-603,346	Legal Services	0	988,895	-988,895	-724,340
	2,304,192	-2,304,192	Civic Centre	0	2,180,473	-2,180,473	-2,177,800
74,984	47,159	27,825	Staff housing - hostels & dwellings	0	116,843	-116,843	-55,910
	486,654	-486,654	Business System	150,773	1,653,709	-1,502,936	-812,460
	481,734	-481,734	Director : Social Services	0	825,428	-825,428	-3,098,000
26,857	878,700	-851,843	Health Services : Admin	126	492,502	-492,376	-904,010
4,578,397	3,651,303	927,094	Clinic Services	4,696,657	3,808,031	888,626	-964,780

**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2005**

<b>2004</b>	<b>2004</b>	<b>2004</b>		<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/ (Deficit)
	325,744	-325,744	Public Safety & Security : Admin	0	385,050	-385,050	-449,250
	79,730	-79,730	Disaster & Emergency Management	0	323,493	-323,493	-40,190
	682,513	-682,513	Security Services	0	1,244,096	-1,244,096	-892,010
3,265,860	4,175,711	-909,851	Traffic Services	5,265,285	6,051,371	-786,086	-1,262,980
155,644	7,235,725	-7,080,081	Parks, Recreation & Open Spaces	87,379	7,131,894	-7,044,515	-6,507,820
	507,843	-507,843	Director : Technical Services	0	176,632	-176,632	-640,270
	998,817	-998,817	Engineering Workshop	0	1,556,886	-1,556,886	-1,163,620
43,808	1,148,926	-1,105,118	Civil Engineering : Admin	67,631	600,350	-532,719	-318,300
10,430,473	15,774,912	-5,344,439	Streets & Stormwater	5,509,779	12,747,814	-7,238,035	-7,352,420
	2,341,205	-2,341,205	Building Maintenance	0	2,531,112	-2,531,112	-2,750,010
	419,477	-419,477	Director : Financial Services		602,419	-602,419	-2,247,070
18,990,271	15,800,106	3,190,165	Financial Services : Admin	18,321,845	12,163,361	6,158,484	-10,293,850
19,337	235,836	-216,499	Stores and Purchasing	10,772	413,650	-402,878	-283,150
44,441,294		44,441,294	Assessment Rates	52,081,344	0	52,081,344	46,384,740
	204,233	-204,233	Director : Economic Dev. & Planning	0	1,242,428	-1,242,428	-2,251,460
102,587	908,240	-805,653	Housing prop. & Urban Plan. : Admin	0	17,982	-17,982	-10,000
	742,375	-742,375	Property Admin	0	815,881	-815,881	-1,059,470
			Urban Planning	152,060	1,007,364	-855,304	-718,060
			Econ. Development : Admin	0	5,698	-5,698	-18,500
1,927		1,927	Marketing and Tourism	1,217	0	1,217	0

**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2005**

<b>2004</b>	<b>2004</b>	<b>2004</b>		<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
<b>402,934</b>	<b>8,136,638</b>	<b>-7,733,704</b>	<b>Subsidised Services</b>	<b>742,730</b>	<b>10,874,455</b>	<b>-10,131,725</b>	<b>-9,313,050</b>
	3,269,566	-3,269,566	Fire Protection Services	0	4,650,582	-4,650,582	-3,234,400
145,738	707,172	-561,434	Etienne Rousseau Theatre	48,333	649,785	-601,452	-1,138,910
2,100	2,248	-148	Refengkgotso Hall	4,080	2,157	1,923	-17,500
	1,276	-1,276	Metsimaholo Hall	0	2,504	-2,504	-18,250
1,440	180,380	-178,940	Zamdela Community Hall	340,000	574,735	-234,735	-225,450
36,560	420,291	-383,731	D P de Villiers Stadium	33,001	592,366	-559,365	-588,960
1,060	216,270	-215,210	Moses Kotoane Stadium	100	284,901	-284,801	-308,060
	166	-166	Refengkgotso Stadium	0	7,367	-7,367	-28,750
			Metsimaholo Stadium	0	0	0	0
43,077	619,138	-576,061	Penny Heyns Swimming pool	40,629	766,124	-725,495	-601,950
	387,553	-387,553	Zamdela Swimming pool	100,308	526,216	-425,908	-462,830
73,995	328,419	-254,424	Sasolburg Cemetry	65,585	379,301	-313,716	-293,060
21,712	219,285	-197,573	Zamdela Cemetry	20,232	246,080	-225,848	-210,330
	3,056	-3,056	Deneysville Cemetry	0	7,380	-7,380	-16,200
			Oranjeville Cemetry	0	271	-271	-12,000
76,405	1,448,282	-1,371,877	Sasolburg Library	89,791	1,788,801	-1,699,010	-1,793,980
847	177,507	-176,660	Zamdela Library	671	226,868	-226,197	-232,670
	155,836	-155,836	Deneysville Library	0	168,150	-168,150	-126,970
	193	-193	Oranjeville Library	0	867	-867	-2,780



## ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2005

	2005	2005	2005	2005	Explanation of Significant Variance greater than 10% Versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
<b>Revenue</b>					
Property Rates	47,554,191	44,384,740	3,169,451	7.14	
Service Charges	129,011,338	166,864,800	-37,853,462	-22.69	<b>1*</b>
Tariff Charges	5,428,113	3,558,060	1,870,053	52.56	<b>2*</b>
Fines	4,800,535	3,512,500	1,288,035	36.67	<b>3*</b>
Government Grant and Subs.	26,762,892	26,633,380	129,512	0.49	
Interest earned - external investments	3,178,288	1,440,000	1,738,288	120.71	<b>4*</b>
Interest earned - outstanding debtors	9,463,384	5,050,000	4,413,384	87.39	<b>5*</b>
Rental facilities and Equipment	1,312,157	867,100	445,057	51.33	<b>6*</b>
Licences and Permits	77,060	330,000	-252,940	-76.65	<b>7*</b>
Profit sale of Assets	207,167	0	207,167	100.00	<b>8*</b>
Other income	197,638	56,000	141,638	252.93	<b>9*</b>
Capital Grants and Subsidies	23,020,961	80,667,520	-57,646,559	-71.46	<b>10*</b>
<b>Total Revenue</b>	<b>251,013,724</b>	<b>333,364,100</b>	<b>-82,350,376</b>	<b>-24.70</b>	

	2005	2005	2005	2005	Explanation of Significant Variance greater than 10% Versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
<b>Expenditure</b>					
Employee related costs	71,149,209	71,613,060	-463,851	-0.65	
Remuneration of Councillors	3,684,034	3,843,460	-159,426	-4.15	
Bad debts	13,000,000	13,000,000	0	0.00	
Collection Cost			0		
Depreciation	68,199	2,284,210	-2,216,011	-97.01	<b>11*</b>
Repairs and Maintenance	9,547,841	10,781,880	-1,234,039	-11.45	<b>12*</b>
Interest on external borrowings	866,283	768,900	97,383	12.67	<b>13*</b>
Bulk purchases	89,916,579	97,001,710	-7,085,131	-7.30	
Contracted Services	5,186,096	4,686,940	499,156	10.65	<b>14*</b>
Grants and Subsidies paid	7,740,479	5,625,000	2,115,479	37.61	<b>15*</b>
General expenses - Other	27,030,644	31,829,350	-4,798,706	-15.08	<b>16*</b>
Contributions to/(transfers from) provisions	-609,448	459,960	-1,069,408	-232.50	<b>17*</b>
Loss on disposal of property, plant and equipment			0		
Capital AFF	2,850,309	10,777,640	-7,927,331	-73.55	<b>18*</b>
<b>TOTAL EXPENDITURE</b>	<b>230,430,225</b>	<b>252,672,110</b>	<b>-22,241,885</b>	<b>-8.80</b>	
Net Surplus / (Deficit) for the year	20,583,499	80,691,990	-60,108,491		
Less Capital Grants	23,020,961	80,667,520	-57,646,559		
Net Surplus / (Deficit) for the year	-2,437,462	24,470	-2,461,932		

**ATTACHMENT TO APPENDIX E(1)**

- 1\* Water consumption was R28 370 895 less than budgeted. There is a distribution loss of 30,84%.  
Electricity consumption is R13 618 363 less than budgeted. The distribution loss is 8,14%.
- 2\* More income received  

Refuse : Dumping Yard	R423,459	Connection Fees	R1,094,480
Non-payment fees	R781,836	Serving of Summonses	R88,350
- 3\* Traffic fines (Municipality) R171,257 less received than budgeted  
Traffic fines (Camera) R1,459,292 more received than budgeted  
Income not received
- 4\* R1,738,288 more interest received than budgeted. The budget figure was too conservative.
- 5\* Outstanding debtors increase, therefore interest levied was more than budgeted. The consumers did not respond positively to register as indigent.
- 6\* More income was received for rental of Council properties than budgeted for (houses and hostels) (R445,057)
- 7\* Public Vehicle Licences not received R142,000 - The money must be paid by the Provincial Government to the Municipality
- 8\* Do not budget for profit on sale of assets.
- 9\* Received R55,500 for fundraising. There was surplus cash of R31,199 and Photo copies sold for the amount of R74,960. No provision was made for any of these income.
- 10\* Not all the grants for Capital projects were received. Refer to Appendix E(2) for more detail.
- 11\* Depreciation was implemented as the asset register was implemented. The depreciation was currently written off against the "Transfer from AFF" where the balance from Capital receipts, etc was transferred with the conversion to GAMAP.

<b>12*</b>	<b>Maintenance</b> (not spend)	
	Water : Building	R21,120
	Vehicles : Cleansing Services	R250,939
	Water : Pump station	R15,528
	Water Network	R19,162
	Roads Maintenance	R235,460
	Furniture and equipment	R278,884
	Buildings : Clinic	R64,377
	Buildings : Civic Centre	R25,115
	Vehicles : Abrahamsrust	R16,874
	Etienne Rousseau Theatre : Air Conditioners	R26,525
	Etienne Rousseau Theatre : Buildings	R13,333
	Zamdela Swimming Pool	R19,342
	Electricity Substation	R31,242
	Streets and Stormwater : Vehicles	R56,318
	Housing : Buildings	R34,338
	Sewer : Buildings	R25,886
	Sewer : Pump station	R13,298
		R1,128,579

**13\*** The loan cost to the Provincial Government is only provided as a Creditor and not paid out.

<b>14*</b>	Disconnection of Services	R100,707}	These were not fully spend. Security Services and 50% Traffic fines overspend. Security Service was also extended to Abrahamsrust for collection of money.
	Printing and Stationary	R164,308}	
	Internal Audit	R235,773}	

<b>15*</b>	More equitable shares allocated to indigent	R2,115,479	than budgeted.
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<b>16*</b>	Less spent than budgeted due to cashflow:	
	Fuel and oil in all Departments	R298,765
	Advertising	R184,872
	Printing and Stationary	R85,446
	Professional Fees	R629,913
	Conference and Delegations	R194,684
	Sewer treatment	R328,194
	Stocks and Material	R221,334
	Valuation Cost	R189,411
	Uniforms	R162,085
	Regional Service Levies	R303,217
	Skills Development	R128,116

17\* The leave sold was more than the provision towards the fund and was not budgeted for.

18\* Refer to Appendix E(2) for Capital projects.

**APPENDIX E(2)**

**ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2005**

	2005 Actual	2005 Under Construction	2005 Total Additions	2005 Budget	2005 Variance (R)	2005 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
Land and Buildings							
Land							
Buildings	225,457		225,457	3,000,000	-2,774,543	-92	<b>1*</b>
	<hr/>						
	225,457	0	225,457	3,000,000	-2,774,543	-92	
<b>Infrastructure</b>							
Stormwater	2,685,016		2,685,016	21,091,000	-18,405,984	-87	<b>2*</b>
Roads	2,859,556		2,859,556	10,000,000	-7,140,444	-71	
Sewerage Mains & Purification	11,950,747		11,950,747	18,742,000	-6,791,253	-36	<b>3*</b>
Electricity Mains	2,009,495		2,009,495	11,150,000	-9,140,505	-82	<b>4*</b>
Electricity Peak Load Equipment			0		0		
Water Mains & Purification	2,910,726		2,910,726	2,197,000	713,726	32	<b>5*</b>
Reservoirs - Water	86,529		86,529	0	86,529	100	<b>6*</b>
Water Meters			0		0		
Refuse dumps			0	2,500,000	-2,500,000	-100	<b>7*</b>
	<hr/>						
	22,502,069	0	22,502,069	65,680,000	-43,177,931	-66	
<b>Community Assets</b>							
Parks	49,590		49,590	110,000	-60,410	-55	<b>8*</b>
Libraries			0	150,000	-150,000	-100	<b>9*</b>
Stadiums			0	1,055,000	-1,055,000	-100	<b>10*</b>
Halls	340,000		340,000	900,000	-560,000	-62	<b>11*</b>
Theatre			0		0		
Swimming Pools	133,189		133,189	82,200	50,989	62	<b>12*</b>
Recreation facilities			0	1,089,000	-1,089,000	-100	<b>13*</b>
Clinics			0		0		
Cemeteries			0	580,000	-580,000	-100	<b>15*</b>
	<hr/>						
	522,779	0	522,779	3,966,200	-3,443,421	-87	

	2005 Actual	2005 Under Construction	2005 Total Additions	2005 Budget	2005 Variance (R)	2005 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
<u>Heritage</u>							
Paintings				0	0		
	0	0	0	0	0		
<u>Other Assets</u>							
Landfill Sites			0				
Furniture	254,787		254,787	2,879,800	-2,625,013	-91	<b>16*</b>
Office equipment	155,535		155,535	1,000,000	-844,465	-84	<b>16*</b>
Emergency equipment			0		0		
Motor vehicles	369,075		369,075	5,888,000	-5,518,925	-94	<b>17*</b>
Fire Engines			0	1,800,000	-1,800,000	-100	<b>17*</b>
Refuse Trucks			0	3,000,000	-3,000,000	-100	<b>17*</b>
Computer equipment	1,377,550		1,377,550	885,060	492,490	56	<b>16*</b>
Councillor's Regalia			0		0		
Other Assets	296,143		296,143	5,209,100	-4,912,957	-94	<b>16*</b>
	2,453,090	0	2,453,090	20,661,960	-18,208,870	-88	

	2005 Actual	2005 Under Construction	2005 Total Additions	2005 Budget	2005 Variance (R)	2005 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
<u>Housing</u>							
Hostels			0	14,845,000	-14,845,000	-100	<b>18*</b>
Housing Rental			0		0		
	0	0	0	14,845,000	-14,845,000	-100	
<u>Investment Properties</u>							
Investment Properties			0		0		
	0	0	0	0	0		
<b>Total</b>	<b>25,703,395</b>	<b>0</b>	<b>25,703,395</b>	<b>108,153,160</b>	<b>-82,449,765</b>	<b>-76</b>	

**ATTACHMENT TO APPENDIX E(2)**

replace word 2004.05

**METSIMAHOLO LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended

30 June 2005

I am responsible for the preparation of these annual financial statements, which are set out 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 24 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.

.....  
**L K MAHLATSI**  
**MUNICIPAL MANAGER**

.....  
**DATE**

## **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**

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

### **1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for traffic fine income that is accounted for on the cash basis.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

The Municipality may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Boards and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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 GAMAP or GRAP.

### **2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

### 3 **GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### 4 **HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). The proceeds of erven sold were allocated to the Erven Trust Fund. The funds are transferred from Erven Trust Fund to Housing Development Fund with the implementation of GAMAP. Moneys standing credit to the Fund can be used for the acquisition, planning and surveying of land.

In terms of the Housing Act, all proceeds from housing developments, which include 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.

### 5 **RESERVES**

#### 5.1 *Capital Replacement Reserve (CRR)*

The account was the Asset Financing Reserve in 2003/2004 Financial Statements. In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Budget approval). A corresponding amount is transferred to a designated CRR investment account. The cash in the designated CRR investment account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2/....

## 5.2 *Capitalisation Reserve*

During 2003/2004 the account was Future Depreciation Reserves : AFR. On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized 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 (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## 5.3 *Government Grant Reserve*

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded a revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### 5.4 *Donations and Public Contributions Reserve*

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 (budget circular) 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 purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.5 *Paragraph 5.3 and 5.4 were two separate accounts during 2003/2004 and are currently combined as one account namely Future Depreciation Reserves: Government Grants, Public Contributions and Donations*

### 6 **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation, land and buildings. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of assets are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

<i>Infrastructure</i>	<u>Years</u>	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipm.	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

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 recognized in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions - see Accounting Policy 14 on Provisions.

Accumulated depreciation was done with the implementation of the asset register.

## 7 REVALUATION OF LAND AND BUILDINGS

No revaluation of assets were done in 2004/2005.

## 8 INVESTMENTS

### 8.1 *Financial Instruments*

Financial instruments, which include fixed deposits, short-term deposits and call account investments invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

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.

## 9 **INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable values. In general, the basis of determining cost is the first-in, first-out method.

## 10 **ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

## 11 **TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## 12 **REVENUE RECOGNITION**

### 12.1 *Revenue from Exchange Transactions*

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized 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 recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized 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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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 and rentals are recognized on a time proportion basis.

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

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

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportion.

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

Revenue from public contributions is recognized 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

## 12.2 *Revenue from non-exchange transactions*

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, 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 recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

## 13 **CONDITIONAL GRANTS AND RECEIPTS**

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

## 14 **PROVISIONS**

Provisions are recognized 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 sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

## 15 **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

## 16 **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, 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.

## 17 **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 unauthorized 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.

## 18 **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.

## 19 **FOREIGN CURRENCIES**

Not applicable to the Municipality.

## 20 **COMPARATIVE INFORMATION**

### 20.1 *Prior year comparatives*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## 21 **RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councilors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

## **ATTACHMENT : E(2)**

- 1 The land next to Amelia (R2 000 000) was not purchased, as well as land at Refengkgotso, R1 000 000.
  
- 2 Stormwater and Streets.  
  
All the projects financed by external funding was not implemented (R14 900 000). The pedestrian paths and bridge at Sasolburg to be financed by Minister of Transport and Spoornet to the amount of R8 300 000 was not implemented, as no funds were received. No funds was received from SCI for the development of taxi-ranks (R1 800 000).
  
- 3 Not all the projects from District Municipality did realize. Only R3 373 749 of the anticipated R13 929 000 was received. No loan was taken up for the upgrading of the pumpstations.
  
- 4 No funds was received from the District Municipality for electricity (R8 300 000). R500 000 for projects financed by DME was not implemented.
  
- 5 The audit water devices financed by the Municipality was not installed (R280 000). A loan was not taken up for the Bulk Water Meters at Deneysville.
  
- 6 The expenditure at the Water Reservoir at Kragbron was financed by Contribution from public toward strengthening of Network.
  
- 7 No money was received for the waste disposal at Landfill Sasolburg and Deneysville, R2 500 000.
  
- 8 The fencing was R49 590 and not R100 000 as budgeted.
  
- 9 The Renovation of the Library by the Rejuvenation project was transferred to 2005/2006.

- 10 No grant from Lotto was received for the upgrading of the stadiums R955 000.
- 11 R340 000 of the budgeted R600 000 was used for the upgrading of Zamdela hall. No Lotto grant received for upgrade of Metsimaholo Hall. (R100 000).
- 12 The swimming pool Zamdela was upgraded by the Rejuvenation project.
- 13 No loans was taken up for the projects at Abrahamsrust (R780 000) and no own funds was spent at any of the recreation facilities (R300 000).
- 14 No fences were replaced at the cemeteries R460 000) and no new toilets were build. (Financed by own funds).
- 15 Capital expenditure by own funds was kept to the minimum. Only R2 480 796 of the R10 777 640 was spend. The Integrated Document Management System (R1 300 000) was not purchased, the new telephone system (R900 000) was transferred to 2005/2006. The purchase of furniture, tools and equipment were restricted due to limited cash available.
- 16 A loans to purchase vehicles R10 000 000) was finalized at the end of 2004/2005. The vehicles will be purchased in 2005/2006 and were also transferred to the new budget.
- 17 No funds were received from the Provincial Government for the Hostel re-development project R13 500 000.