



# **MALUTI-A-PHOFUNG MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS**

**for the year ended**

**30 June 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 42, 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 21 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 Office Bearers Act and the Minister of Provincial Local Government's determination in accordance with this Act.

---

N MOKHESI  
Municipal Manager

---

Date

# INDEX

<i><b>Description</b></i>	<i><b>Page</b></i>
INDEX	1
GENERAL INFORMATION	2 - 3
ACCOUNTING OFFICER'S REPORT	4 - 5
REPORT OF THE AUDITOR GENERAL	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF FINANCIAL PERFORMANCE	8
CASH FLOW STATEMENT	9
STATEMENT OF CHANGES IN NET ASSETS	10
ACCOUNTING POLICIES	11 - 17
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008	18 - 34
<b><i>APPENDICES:</i></b>	
A. SCHEDULE OF EXTERNAL LOANS	35
B. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	36 - 37
C. SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	38
D. SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE	39
E. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	40
F. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MFMA	41 - 42
G. SCHEDULE OF INVESTMENTS	43

## GENERAL INFORMATION

### MEMBERS OF THE MAYORAL COMMITTEE

**Executive Mayor** Dr B E Mzangwa

**Speaker** Me. M M Motlounge

### Members of the Mayoral Committee

M M Chabangu	Chairperson: Without Portfolio
P A Motlounge	Chairperson: Local Economic Development and Tourism Portfolio
T P Mkhonza	Chairperson: Public Safety and Transport Portfolio
Me M C Mositi	Chairperson: Special Programmes
Me. M J Khoetha	Chairperson: Community Services
J T Tshabalala	Chairperson: Municipal Infrastructure
I M Majake	Chairperson: Financial Services
J D Khumalo	Chairperson: Parks, Sports and Recreation Portfolio
Me. RNH Molefe-Zwane	Chairperson: Corporate Services
T R Mohlekwa	Chairperson: Housing, Spatial Development and Planning Portfolio

**Chief Whip** F S Radebe

### MEMBERS OF THE MALUTI-A-PHOFUNG COUNCIL

1	M J Tsotetsi	24	Me. T C Zimu	47	Me. P M Motaung
2	S J Motaung	25	K S Sehloho	48	M M Chabangu
3	J D Khumalo	26	A Ramochela	49	T P Mkhonza
4	J T Tshabalala	27	I M Majake	50	Me. M J Khoetha
5	B A Tshabalala	28	Me. A P Mokoena	51	M E Mokoena
6	Me. E N Gamede	29	Me. M E Tolofi	52	Me. M E Mohoaladi
7	M L Mohlabi	30	T A Ramakarane	53	Me. RNH Molefe-Zwane
8	J M Mokoena	31	T G Mokotso	54	Me. N N Ndaba
9	Me. M A Masole	32	Me M M Mosia	55	T J Mosikidi
10	I T Mkhwanazi	33	M A Mahlaba	56	Paseka Mokoena
11	Me. A N Radebe	34	T R Mohlekwa	57	M J Lebesa
12	Me. L A Moseme	35	Dr. B E Mzangwa	58	P J Lebesana
13	Me. M C Leeu	36	Me. M M Motlounge	59	T E Molaba
14	Me. K M Sehlako	37	T S Moloi	60	Me. M A Mphonyo
15	Me M A Khambule	38	Me. M V Norman	61	D J Mokoena
16	M A Nhlapo	39	L A Masithela	62	Me. B M Lebesa
17	M J Seobi	40	Q W Lefora	63	J M Mokoenihi
18	Me. A M Nthedi	41	Me. M S Mopeli	64	T P Kalake
19	F S Radebe	42	Me. S L Radebe	65	M D Tsotetsi
20	J M Mbongo	43	Dr. F Y Lakhi	66	P A Motlounge
21	E Thebele	44	Me. M C Mositi		
22	Me L M Kleynhans	45	M T Mavuso		
23	S M Mosikili	46	Me. N J Finger		

## GENERAL INFORMATION

continued

### GRADING OF MUNICIPALITY

Grade 9

### DEMARCATIION CODE

FS 194

### AUDITORS

Office of the Auditor-General

### BANKERS

First National Bank

### REGISTERED OFFICE

Municipal Building  
Corner Moremoholo & Motloung Street  
Setsing  
PHUTHADITJHABA  
9866

Private Bag X805  
WITSIESHOEK  
9870

Telephone: 058 718 3700  
Fax: 058 718 3777

### MUNICIPAL MANAGER

N Mokhesi

### Chief Financial Officer

TJ Ramulondi

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 8 to 43 were approved by the Municipal Manager

on \_\_\_\_\_

\_\_\_\_\_  
TJ Ramulondi  
Chief Financial Officer  
Dip State Finance and Auditing  
LIMFO  
CPMD (MF)

\_\_\_\_\_  
N Mokhesi  
Municipal Manager  
B Com; B Compt; Hons B Com; M Com

**MALUTI-A-PHOFUNG MUNICIPALITY**  
**REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDED 30 JUNE 2008**

**Details of the Financial Results for the year ended 30 June 2008**

**1. Basis of Presentation**

The financial statements are prepared on Grap/Gamap Statements for the first time in 2007/08 financial year as approved by National Treasury and Accounting Standards Board. The Municipality as a high capacity municipality had to comply and compile the financial statements in line with the approved standards. This is also in line with the requirements on the Municipal Finance Management Act no 56 of 2003 and the Division of Revenue Act. The challenges for the implementation of these financial reforms cannot be over-emphasised.

2. Details of the abridged statement of financial performance and financial position are contained in pages 9 and 8 respectively. These set of financial statements are compiled in line with the approved accounting policies as adopted by council. It is imperative to note that the notes to the financial statements and appendices are included to provide more information to different users of financial statements.

ABRIDGED INCOME STATEMENT	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual / Budget %
Operating income for the year	301 091 002	307 439 718	2.11%	258 743 812	18.82%
Grants income	198 464 949	224 511 254	13.12%	130 653 000	71.84%
Closing deficit					
<b>Total</b>	<b>499 555 952</b>	<b>531 950 972</b>	<b>-</b>	<b>389 396 812</b>	<b>-</b>
Operating expenditure for the year	232 718 336	473 781 660	103.59%	262 353 941	81%
Bulk Purchases	89 819 887	122 818 315	36.74%	-	#DIV/0!
Councillors Allowances	15 392 173	17 790 673	15.58%	20 716 284	-14%
Salaries	84 787 053	91 235 139	7.61%	106 238 426	-14%
Closing Surplus	76 838 502	-173 674 815	-326.03%	88 161	-197097%
<b>Total</b>	<b>499 555 952</b>	<b>531 950 972</b>	<b>-</b>	<b>389 396 812</b>	<b>-</b>

It should be noted that a deficit of R 196 939 482 (2007: surplus of R 76 838 502) was generated for the 2008 financial year with an overall 14.72% increase in actual operating income for 2008 financial year over the budget for the same financial year.

**3. ABRIDGED BALANCE SHEET STATEMENT**

ABRIDGED BALANCE SHEET	2007 R	2008 R	% Variance
Net Asset	852 194 711	678 519 896	-20%
Non-current liabilities	17 419 464	21 122 848	21%
Current liabilities	62 732 109	445 074 450	609%
<b>Total Net Assets and Liabilities</b>	<b>932 346 284</b>	<b>1 144 717 194</b>	
Non-current Assets	691 210 933	641 197 492	-7%
Current Assets	241 135 351	503 519 702	109%
<b>Total</b>	<b>932 346 284</b>	<b>1 144 717 194</b>	

The total investments as at 30 June 2008 amounted to R 51 060 611 (R 81 254 791 as at 30 June 2007).

It should further be noted that the consumer debtor decreased significantly during the year from R 201 565 773 to R 67 910 549 due to an increase in the provision for bad debts due to low payment levels and high level of indigence.

**4. POST-BALANCE SHEET EVENTS**

A detailed analysis of events subsequent to year end are listed in note 35 of the financial statements.

**MALUTI-A-PHOFUNG MUNICIPALITY**  
**REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDED 30 JUNE 2008**

**5. IRREGULAR, FRUITLESS AND UNAUTHORISED EXPENDITURE**

Details of the fruitless and wasteful expenditure are detailed in notes 39 to 41 of the financial statements.

**6. GOING CONCERN**

It should be noted that the municipality is highly dependant on government grants and subsidies due to low levels of payments and high levels of indigence which has culminated in the increased debtors balances and this has a significant impact on the going concern of the Municipality.

**7. CONTINGENT LIABILITY**

It must be noted that the Actaris / TATS / Maluti-a-Phofung litigation regarding a contract for revenue management services might have an effect on the electricity income disclosed in the financial statements due to income received not yet paid over to Council. The case is currently sub judice and is pending the outcome of the Motion of Review from Actaris. Costs to be incurred in the litigation for alleged breach of contract by the Municipality are not known and therefore no provision has been made in the annual financial statements.

The outcome of the cases as tabled below, might have a financial implication on the future cash flows of the municipality.

	Case description and status	Estimated Amount
Map v/s AJ Badenhorst	Civil claim instituted against the Municipality on behalf of Badenhorst	R 158 900.00
Map v/s Digoeregoere	The service provider sued the Municipality for services allegedly rendered on behalf of the Municipality. The service provider has filed a counter claim of R5.3million, but the claim is unsubstantiated.	R 404 106.40
Map v/s Dihwai Food and Agriculture	Cancellation of the contract by the Municipality	R 147 500.00
Map v/s Yankee Fast Foods	Civil claim for damages that were occasioned on third party's premises following collision by a vehicle purportedly belonging to the Municipality	R 127 000.00
Map v/s Tourism Orpts	Claim for services apparently performed on behalf of the Municipality; claim defended by internal council	R 40 000.00
Map v/s Prellex	Claim for services rendered by the third party to the Municipality; Municipality currently at negotiations stages with the other side in an attempt to settle	R 496 818.00
T.E & M.S Tsoeu (D)	Claim for damages	R 91 945.00
Palisade Fencing ©		R 30 574.80
Henque 3336 (D)		R 27 000.00
W.P van der Merwe (D)	Services rendered	R 165 585.00
Actaris	Breach of contract	R 6 425 548.00
Actaris (D)	Counter claim	R 3 669 281.00
C.J van Zyl (D)	Pension pay out	R 303 956.03

**8. EXPRESSION OF APPRECIATION**

These financial statements are a reflection of our commitment to ensure that the communities are the sole of our achievements and our pledge to eradicate poverty.

I wish to thank the Executive Mayor, Dr BE Mzangwa, for his support and cooperation during the past year. A special thanks goes to the members of the Mayoral Committee, Councillors, members of the various Portfolio Committees, the Chief Financial Officer and all Directors and lastly, but not the least, the finance staff and everyone's sole support we would not be able to reach our goals.

\_\_\_\_\_  
**N MOKHESI**  
**MUNICIPAL MANAGER**

\_\_\_\_\_  
**DATE**

REPORT OF THE AUDITOR GENERAL

# MALUTI-A-PHOFUNG MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	MUNICIPALITY	
		2008 R	2007 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>678 519 896</b>	<b>852 194 711</b>
Capital replacement reserve	1	24 592 849	24 592 849
Accumulated surplus / (deficit)		653 927 047	827 601 862
<b>Non-current liabilities</b>		<b>21 122 848</b>	<b>17 419 464</b>
Long-term liabilities	2	12 077 771	13 606 257
Non-current provisions	3	-	-
Consumer deposits	4	9 045 077	3 813 207
<b>Current liabilities</b>		<b>445 074 450</b>	<b>62 732 109</b>
Creditors	6	415 566 703	33 663 358
Unspent conditional grants and receipts	7	14 790 018	3 110 801
Bank overdraft	15	6 725 778	24 074 911
Vat Payable	8	6 547 375	-
Current portion of long-term loans	2	1 444 576	1 883 039
<b>Total Net Assets and Liabilities</b>		<b>1144 717 194</b>	<b>932 346 284</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>641 197 492</b>	<b>691 210 933</b>
Property, plant and equipment	9	641 120 496	629 207 728
Investments	10	76 996	61 979 517
Long-term receivables	11	-	23 688
<b>Current assets</b>		<b>503 519 702</b>	<b>241 135 351</b>
Inventory	12	1 452 028	1 652 330
Consumer debtors	13	67 910 549	201 565 773
Other debtors	14	383 149 822	15 596 388
Current portion of long-term debtors	11	23 688	132 382
Current portion of long-term investments	10	50 983 615	19 275 274
Fruitless expenditure	40	-	61 286
Vat receivable	8	-	2 851 918
Bank balances and cash	15	-	-
<b>Total Assets</b>		<b>1144 717 194</b>	<b>932 346 284</b>



# MALUTI-A-PHOFUNG MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	MUNICIPALITY	
		2008 R	2007 R
<b>REVENUE</b>			
Property rates	16	111 065 909	128 296 872
Service charges	17	166 260 969	134 810 630
- Electricity		109 636 175	77 668 931
- Water		32 232 046	31 570 775
- Refuse Removal		11 231 054	13 618 197
- Sewerage		13 161 694	11 952 727
Interest earned - external investments		8 716 111	18 524 860
Interest earned - outstanding debtors		15 679 659	13 048 225
LED Income		-	6 589
Maintenance receipts		-	-
Government grants and subsidies	18	224 511 254	198 464 949
Other income	19	5 717 070	6 403 826
Gains on disposal of property, plant and equipment		-	-
<b>Total Revenue</b>		<b>531 950 972</b>	<b>499 555 952</b>
<b>EXPENDITURE</b>			
Employee related costs	20	91 235 139	84 787 053
Remuneration of Councillors	21	17 790 673	15 392 173
Bad debts	13	233 990 762	51 291 055
Contributions		6 799 611	1 679 256
Housing Development Fund expense		977 870	-
Depreciation		51 630 091	46 099 405
Repairs and maintenance		10 502 150	14 806 376
Interest paid	22	2 240 115	2 556 991
Bulk purchases	23	122 818 315	89 819 887
Grants and subsidies paid	24	37 995 519	26 096 720
General expenses		89 611 997	83 549 213
200 RDP Houses		486 551	4 012 696
MIG Operational expenses		62 952 602	64 245
Community Projects		3 256 912	2 562 379
Other expenditure		(26 662 522)	-
<b>Total Expenditure</b>		<b>705 625 787</b>	<b>422 717 449</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(173 674 815)</b>	<b>76 838 502</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR YEAR ENDED 30 JUNE 2008

	Note	MUNICIPALITY	
		2008 R	2007 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		43 361 950	399 334 968
Cash paid to suppliers and employees		(52 917 958)	(331 549 745)
Cash generated from/(utilised in) operations	25	(9 556 008)	67 785 223
Interest received - external investments		8 716 111	18 524 860
Interest received - other		15 679 659	13 048 225
Interest paid		(2 240 115)	(2 556 991)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>12 599 647</b>	<b>96 801 317</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(63 540 263)	(83 743 355)
Proceeds on disposal of property, plant and equipment		-	-
(Increase) / decrease in non-current receivables		132 382	292 380
(Increase) / decrease in non-current investments		30 194 180	3 936 136
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(33 213 700)</b>	<b>(79 514 839)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(1 966 949)	(2 057 572)
Increase / (decrease) in consumer deposits		5 231 870	110 774
Increase / (decrease) in non-current provisions			(4 850 947)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>3 264 921</b>	<b>(6 797 745)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(17 349 133)</b>	<b>10 488 733</b>
Cash and cash equivalents at the beginning of the year		<b>(24 074 911)</b>	(13 586 178)
Cash and cash equivalents at the end of the year	26	<b>(6 725 778)</b>	<b>(24 074 911)</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2008

	NOTES	Housing Develop. Fund  R	Capitalisation Reserve  R	Capital Replacement Reserve  R	Government Grant Reserve  R	Accumulated Surplus/ (Deficit)  R	Total  R
<b>2007</b>							
Balance at 01 July 2007		56 787	-	24 592 849	418 021 785	317 771 868	760 443 289
Transfer to Capitalisation reserve		-	109 392	-	-	( 109 392)	-
Capital used to purchase PPE							-
Offsetting of depreciation							-
Reserves correction of error		( 56 787)	( 109 392)		(418 021 785)	418 187 964	-
<b>Restated balance</b>		-	-	24 592 849	-	735 850 440	760 443 289
Surplus / (deficit) for the year		-	-	-	-	76 838 502	76 838 502
Prior year adjustments		-	-	-	-	14 852 972	14 852 972
Transfer to CRR		-	-	-	-	-	-
PPE purchased		-	-	-	-	-	-
Capital grants used to purchase PPE		-	-	-	73 903 154	(73 903 154)	-
Insurance claims processed		-	-	-	-	-	-
Transfer to Housing Development Fund		-	-	-	-	-	-
Offsetting of depreciation		-	-	-	(38 123 230)	38 123 230	-
<b>Balance at 30 June 2007</b>		-	-	<b>24 592 849</b>	<b>35 779 924</b>	<b>791 761 990</b>	<b>852 134 763</b>
<b>2008</b>							
Balance at 01 July 2008		-	-	24 592 849	35 779 924	791 761 990	852 134 763
Correction of error reserves					(35 779 924)	35 779 924	
Corrections of errors (Note 37)						59 948	59 948
Restated balance		-	-	24 592 849	-	827 601 862	852 194 711
Surplus / (deficit) for the year		-	-	-	-	(173 674 815)	(173 674 815)
Transfer from GGR		-	-	-	-	-	-
Capital grants used to purchase PPE		-	-	-	-	-	-
Offsetting of depreciation		-	-	-	-	-	-
Transfer to CRR		-	-	-	-	-	-
PPE purchased via Income		-	-	-	-	-	-
Transfer to Housing Development Fund		-	-	-	-	-	-
<b>Balance at 30 June 2008</b>		-	-	<b>24 592 849</b>	-	<b>653 927 047</b>	<b>678 519 896</b>

**ACCOUNTING POLICIES****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 the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 30.

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.
- Income is accrued when collectable and measurable.
- Certain direct income is accrued when it is received, such as traffic fines and certain licenses
- Expenditure is accrued in the year it is incurred.

**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). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include 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.

This fund was written back to accumulated surplus as the existence of this fund is not supported by any GRAP standard.

**5 RESERVES****5.1 Capital Replacement Reserve (CRR)**

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. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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

**ACCOUNTING POLICIES**

The capitalisation reserve was written back to accumulated surplus as the existence of this reserve is not supported by any GRAP standard.

**5.2 Capitalisation Reserve**

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 utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (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).

The Government Grant reserve was written back to accumulated surplus as the existence of this reserve is not supported by any GRAP standard.

**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 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 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).

The Government Grant reserve was written back to accumulated surplus as the existence of this reserve is not supported by any GRAP standard.

**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 Self-Insurance Reserve**

The Municipality shall have a Self-Insurance Reserve set aside amounts to offset potential losses caused by lighting. The excess on this claims are large sums of monies. The balance of the self-insurance fund is invested in short-term cash investments.

## ACCOUNTING POLICIES

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

This reserve was not created as the municipality do not have sufficient cash to fund this reserve.

#### 5.6 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

This reserve will only be created once the municipality has revalued its Land and Properties.

### 6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. 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.

Where items of property, plant and equipment 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 except where the impairment reverses a previous revaluation.

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 capitalised when the recognition and measurement criteria of an asset 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:-

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<b>Infrastructure</b>			
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
<b>Community</b>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	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 recognised 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 15 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down

immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

**ACCOUNTING POLICIES****7 REVALUATION OF LAND AND BUILDINGS**

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

**8 INVESTMENTS***8.1 Financial Instruments*

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at the lower of cost or market value.

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.

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, determined on the weighted average and net realisable value.

**10 ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable 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. Amounts that are receivable within 12 months from the reporting date are classified as current.

**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 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. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

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 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.



**ACCOUNTING POLICIES**

Interest and rentals are recognised on a time proportion basis.

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 licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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

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

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

#### *12.2 Revenue from non-exchange transactions*

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 proportion basis.

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

Donations are recognised 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 recognised when such items of property, plant and equipment are brought into use.

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.

### **13 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Economic entity 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 recognised.

### **14 PROVISIONS**

Provisions are recognised when the Economic entity 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 Economic entity.

**ACCOUNTING POLICIES****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 utilised. Finance charges on bank overdrafts are expensed as incurred.

**16 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.

**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 policies. 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.

**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**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions.

**20 COMPARATIVE INFORMATION***20.1 Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

*20.2 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 INVESTMENT PROPERTY**

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 50 years.

**ACCOUNTING POLICIES****22 INVESTMENTS**

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

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

**23 LEASES***The Municipality as the 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 subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

*The Municipality as Lessor*

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

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

**24 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.

**25 BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 1 HOUSING DEVELOPMENT FUND

Note : In terms of GRAP 1 - The Housing Development Fund have been transferred retrospectively from 30 June 2006 to the Accumulated Surplus. (Refer to Statement of Changes in Net Assets)

#### Reserves

Capital replacement reserve

Note : In terms of GRAP 1 - The Capitalisation Reserve and Government Grant Reserve have been transferred retrospectively from 30 June 2006 to the Accumulated Surplus. (Refer to Statement of Changes in Net Assets)

### 2 LONG-TERM LIABILITIES

Annuity Loans

Capitalised Lease Liability

Government Loans : Other

Sub-total

Less : Current portion transferred to current portion of long-term loans

Annuity Loans

Capitalised Lease Liability

Government Loans : Other

#### Total External Loans

Refer to Appendix A for more detail on long-term liabilities

The capitalised lease liability is secured over the item motor vehicles leased under the finance lease.

Note: In 2007, a correction of error adjustment was made to capitalised leased liability in the amount of R 99 054. Refer to note 37.

### 3 NON-CURRENT PROVISIONS

Opening Balance

Contributions during the year

Expenditure during the year

Provisions for valuations

In terms of the exemptions granted in Gazette No. 30013 dated 29 June 2007 no provision for Post Retirement Benefits in respect of Medical Aid Contributions was made.

MUNICIPALITY	
2008 R	2007 R
-	-
34 540 849	24 592 849
12 432 366	13 393 472
1 089 980	2 095 824
-	-
<b>13 522 347</b>	<b>15 489 296</b>
1 444 576	1 883 039
906 314	877 371
538 261	1 005 667
-	-
<b>12 077 771</b>	<b>13 606 257</b>
-	-
-	-
-	-
-	-

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>4 CONSUMER DEPOSITS</b>		
Electricity and Water	9 045 077	3 813 207
Interest paid	-	-
<b>Total Consumer Deposits</b>	<b>9 045 077</b>	<b>3 813 207</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>-</b>	<b>-</b>
<b>5 PROVISIONS</b>		
Leave provision	-	1 568 140
Transferred To Creditors	-	(1 568 140)
Audit provision	-	-
<b>Total Provisions</b>	<b>-</b>	<b>-</b>
Note: The leave provision for 2007 was transferred to current liabilities as a creditor.		
<b>6 CREDITORS</b>		
Trade creditors	18 822 539	20 138 600
Payments received in advance	3 420 445	3 420 445
Other creditors	205 527	198 833
Unidentified direct deposits	372 122 154	8 337 340
Prior Year correction of errors	13 876 072	13 876 072
Staff Leave	7 119 966	1 568 140
<b>Total Creditors</b>	<b>415 566 703</b>	<b>47 539 429</b>
In terms of the exemptions granted in Gazette No. 30013 dated 29 June 2007 Creditors were accounted for at nominal value and no discounting was done.		
In 2007: A correction of error in the amount of R13 876 072 was made to creditors		
<b>7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>7.1 Conditional Grants from other spheres of Government</b>	<b>14 790 018</b>	<b>3 110 801</b>
MSIG Grants	-	-
MIG Grants	8 469 357	-
DBSA Grants	1 310 143	-
RDP Houses	4 482 892	3 110 801
DWAF Grants	527 627	-
<b>Total Conditional Grants and Receipts</b>	<b>14 790 018</b>	<b>3 110 801</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Refer to Appendix F for a reconciliation of Conditional Grants and Receipts from National and Provincial Government and Other Donations and Public Contributions.

The increase in the Unspent Conditional Grants is due to a receipt from MIG at year end of R 11 048 000.

### 8 VAT

VAT receivable (payable)

(6 547 375)

2 851 918

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

### 9 PROPERTY, PLANT AND EQUIPMENT

#### Cost

Opening balance

824 876 894

741 133 539

Additions / (disposals)

63 540 263

83 743 355

Closing balance

888 417 157

824 876 894

#### Accumulated Depreciation

Opening balance

195 669 163

149 569 761

Additions / (disposals)

51 627 498

46 099 405

Closing balance

247 296 661

195 669 166

#### Property, Plant and Equipment at Book Value

641 120 496

629 207 728

Also see Appendix B for more details

Land and buildings were not revalued during the financial year.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. The Municipality originally expected to complete this process by the 30 of June 2008 but due to capacity constraints this process could not be completed on time. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009. The Municipality will develop a process roadmap to enable the successful implementation of processes to identify, record, value and manage infrastructure assets

### 10 LONG TERM INVESTMENTS

#### Listed

Shares (Sanlam)

76 996

77 329

#### Unlisted

Long-term Deposits

30 444 554

81 028 785

Other deposits

20 539 061

148 677

#### Total Unlisted

50 983 615

81 177 462

#### Total Long term Investments

51 060 611

81 254 791

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
Market Value of listed Investments and management's valuation of unlisted investments		
<b>Market valuation of listed investments</b>		
Listed Investments	76 996	77 329
<b>Council's valuation of unlisted investments</b>		
Unlisted Investments	50 983 615	81 177 462
	<b>51 060 611</b>	<b>81 254 791</b>
<b>Less : Current portion transferred to current portion of long-term Investments</b>		
Listed Investments		-
Unlisted Investments	50 983 615	19 275 274
	<b>50 983 615</b>	<b>19 275 274</b>
<b>TOTAL INVESTMENTS</b>	<b>76 996</b>	<b>61 979 517</b>
<b>INVESTMENT IN MUNICIPAL ENTITIES - Maluti Water (PTY) LTD</b>		
Issued Share Capital	1 000	1 000
Percentage owned by Council (%)	100	100
Related party transactions as per note 44:		
<b>11 LONG-TERM RECEIVABLES</b>		
Car loans	23 688	156 070
Study Loans	-	-
	<b>23 688</b>	<b>156 070</b>
Less : Current portion transferred to current portion of long-term debtors	23 688	132 382
Car loans	23 688	132 382
Study Loans	-	-
<b>Total Receivables</b>	<b>23 688</b>	<b>23 688</b>
<b>CAR LOANS</b>		
Senior staff members were entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 5 years. These loans are repayable in the year 2009. No new loans were issued during the year in terms of the provisions of the MFMA.		
<b>12 INVENTORY</b>		
Inventories	1 452 028	1 652 330
<b>Total Inventory</b>	<b>1 452 028</b>	<b>1 652 330</b>
Inventory is valued at the lower of cost and net realisable value.		

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		MUNICIPALITY	
		2008 R	2007 R
<b>13 CONSUMER DEBTORS</b>			
<b>AGE ANALYSIS</b>			
<u><b>Water</b></u>			
30 Days		4 848 566	2 719 296
60 Days		2 152 287	1 657 273
90 Days		1 864 917	1 438 271
120 Days		1 404 116	978 779
+120 Days		28 285 002	11 318 169
<b>Total</b>		<b>38 554 888</b>	<b>18 111 788</b>
<u><b>Electricity</b></u>			
30 Days		4 337 243	2 787 867
60 Days		2 021 067	1 093 158
90 Days		1 023 822	820 854
120 Days		833 058	883 147
+120 Days		16 432 138	13 876 856
<b>Total</b>		<b>24 647 328</b>	<b>19 461 882</b>
<u><b>Sewerage</b></u>			
30 Days		1 531 939	1 285 511
60 Days		2 131 253	722 946
90 Days		580 203	778 034
120 Days		568 211	690 487
+120 Days		13 208 145	8 940 559
<b>Total</b>		<b>18 019 750</b>	<b>12 417 537</b>
<u><b>Refuse</b></u>			
30 Days		1 465 248	1 260 108
60 Days		1 089 243	1 161 266
90 Days		912 122	1 118 452
120 Days		868 802	990 693
+120 Days		30 515 801	26 945 148
<b>Total</b>		<b>34 851 216</b>	<b>31 475 667</b>
<u><b>Rates and Taxes</b></u>			
30 Days		10 613 653	11 501 079
60 Days		9 503 392	5 505 832
90 Days		9 344 721	5 673 590
120 Days		9 230 444	5 041 583
+120 Days		210 100 145	138 377 690
<b>Total</b>		<b>248 792 354</b>	<b>166 099 774</b>
<u><b>Other Debtors</b></u>			
30 Days		395 730	12 916 110
60 Days		337 876	7 559 581
90 Days		226 310	6 459 814
120 Days		220 309	5 325 579
+120 Days		55 020 311	40 903 064
<b>Total</b>		<b>56 200 536</b>	<b>73 164 149</b>



# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>30th June 2008</b>		
30 Days	23 192 380	32 469 971
60 Days	17 235 117	17 700 056
90 Days	13 952 095	16 289 015
120 Days	13 124 940	13 910 268
+120 Days	353 561 541	240 361 486
Sub-total	421 066 072	320 730 797
Less: Provision for bad debts	(353 155 523)	(119 165 024)
<b>Total debtors by customer classification</b>	<b>67 910 549</b>	<b>201 565 773</b>
<b>Classification per customer ageing</b>		
Government	175 133 548	
Municipal	28 369	
Business	8 868 654	
Farms	12 702 947	
Other	224 356 242	
<b>Total</b>	<b>421 089 760</b>	<b>-</b>
<b>14 OTHER DEBTORS</b>		
Other Debtors	383 149 822	15 596 388
Unauthorized expenditure (see Note 41)	-	-
Fruitless and wasteful expenditure (see Note 40)	-	-
Government subsidies	-	-
<b>Total Other Debtors</b>	<b>383 149 822</b>	<b>15 596 388</b>
<b>15 BANK, CASH AND OVERDRAFT BALANCES</b>		
<i>The Municipality has the following bank accounts:</i>		
<b><u>Current Account (Primary Bank Account)</u></b>		
First National Bank - Phuthaditjhaba.		
Account Number : 62026153221		
Cash Book Balance at beginning of year	(24 074 911)	(13 612 627)
Cash Book Balance at end of year	(6 725 778)	(24 074 911)
Bank statement balance at beginning of year	(9 460 437)	4 139 452
Bank statement balance at end of year	5 285 383	(9 460 437)
<b><u>Savings Account</u></b>		
First National Bank - Phuthaditjhaba.		
Account Number : 62045863009		
Bank statement balance at beginning of year	(1 819 221)	2 655 128
Bank statement balance at end of year	4 875 315	(1 819 221)
<b><u>Taf Account</u></b>		
First National Bank - Phuthaditjhaba.		
Account Number : 62051344829		
Bank statement balance at beginning of year	( 30)	37 412
Bank statement balance at end of year	-	( 30)
<b><u>Current Account (Old Phuthaditjhaba Account)</u></b>		
First National Bank - Phuthaditjhaba.		
Account Number : 28-2000-0121		
Bank statement balance at beginning of year	-	168 883
Bank statement balance at end of year	-	-

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>16 PROPERTY RATES</b>		
<u>Actual</u>		
Residential	108 178 525	124 961 534
Commercial	1 647 072	1 902 601
State	1 240 313	1 432 737
<b>Total Assessment Rates</b>	<b>111 065 909</b>	<b>128 296 872</b>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.017 (2005: R0.016) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. Rates are levied on an annual basis with the final date of payment being 30 November 2004 (2005: 30 November). Interest at 18% per annum is levied on outstanding rates as well as a 10 % collection charge two months after final date of payment.</p>		
<b>17 SERVICE CHARGES</b>		
Sale of electricity	109 636 175	77 668 931
Sale of water	32 232 046	31 570 775
Refuse removal	11 231 054	13 618 197
Sewerage and sanitation charges	13 161 694	11 952 727
<b>Total Service Charges</b>	<b>166 260 969</b>	<b>134 810 630</b>
<b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	129 419 481	109 268 164
Municipal Systems Improvement Grant	734 000	949 018
Municipal Infrastructure Grant	62 709 139	59 396 845
Department of Minerals and Energy	4 600 000	-
Development Bank of SA	-	-
RDP Houses	486 551	4 012 878
Dept of Water Affairs & Forestry	18 237 083	23 448 571
Water - Infrastructure	7 825 000	-
Financial Management	500 000	500 000
TMDM Electricity Awareness Programme		889 474
<b>Total Government Grant and Subsidies</b>	<b>224 511 254</b>	<b>198 464 950</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>18.1 Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All consumers receive a monthly subsidy of 6kl of water and 50kw electricity, which is funded from this grant.		
<b>18.2 MIG Grant</b>		
Balance unspent at beginning of year	-	1 186 287
Current year receipts	71 178 496	58 210 558
Conditions met - transferred to revenue	62 709 139	59 396 845
Conditions still to be met - transferred to liabilities (see note 7)	<b>8 469 357</b>	-
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.		
<b>18.3 200 RDP Houses</b>		
Balance unspent at beginning of year	3 110 801	-
Current year receipts	1 858 641	7 123 679
Conditions met - transferred to revenue	486 551	4 012 878
Conditions still to be met - transferred to liabilities (see note 7)	<b>4 482 892</b>	<b>3 110 801</b>
<b>18.4 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
Refer to note 7: Refer to Appendix F for a reconciliation of Conditional Grants and Receipts from National and Provincial Government and Other Donations and Public Contributions.		
<b>19 OTHER INCOME</b>		
Sales of Erven	-	-
Sale of housing	332 222	1 106 681
Fines received	579 117	538 638
Other income	4 805 732	4 758 507
<b>Total Other Income</b>	<b>5 717 070</b>	<b>6 403 826</b>
Due to the uncertainty of the recoverability of outstanding traffic fines Maluti a Pofung Municipality did not include the unpaid fines as Revenue and will only do so when the revenue is receipted.		
<b>20 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	75 246 320	71 402 198
Councillor's remuneration	17 790 673	
Employee related costs –Social Contributions	6 118 858	5 259 586
Travel, motor car, accommodation, subsistence and allowances	3 447 036	2 966 560
Housing benefits and allowances	432 869	368 361
Overtime payments	5 990 056	4 790 349
Other		
<b>Total Employee Related Costs</b>	<b>109 025 812</b>	<b>84 787 053</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b><i>Municipal Manager</i></b>		
Annual Remuneration	560 000	504 450
Performance Bonuses		-
Car Allowance	120 000	96 000
Medical and Pension Funds		10 894
Other	24 000	1 392
<b>Total</b>	<b>704 000</b>	<b>612 736</b>
<b><i>Chief Financial Officer</i></b>		
Annual Remuneration	373 536	565 463
Performance Bonuses		-
Car Allowance	151 521	48 000
Medical and Pension Funds	94 942	-
Other	18 000	1 392
<b>Total</b>	<b>638 000</b>	<b>614 856</b>
<b><i>Director: Municipal Infrastructure</i></b>		
Annual Remuneration	358 490	276 138
Performance Bonuses	29 746	
Car Allowance	110 785	99 652
Medical and Pension Funds	69 780	42 762
Other	12 000	1 276
<b>Total</b>	<b>580 800</b>	<b>419 828</b>
<b><i>Director: Community Services</i></b>		
Annual Remuneration	342 864	277 393
Performance Bonuses	28 444	-
Car Allowance	135 894	93 338
Medical and Pension Funds	61 678	46 163
Other	12 000	1 269
<b>Total</b>	<b>580 880</b>	<b>418 163</b>
<b><i>Director: Development Planning and Housing</i></b>		
Annual Remuneration	287 645	234 858
Performance Bonuses	19 845	-
Car Allowance	72 615	75 922
Medical and Pension Funds	78 169	23 796
Other	7 218	1 043
<b>Total</b>	<b>465 491</b>	<b>335 619</b>
<b><i>Director: Public Safety</i></b>		
Annual Remuneration	345 383	246 342
Performance Bonuses	28 654	-
Car Allowance	107 334	78 350
Medical and Pension Funds	76 569	53 880
Other	12 000	1 276
<b>Total</b>	<b>569 940</b>	<b>379 848</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>Director: Parks, Sport, Recreation, Arts and Culture</b>		
Annual Remuneration	315 047	281 711
Performance Bonuses	26 126	-
Car Allowance	72 239	71 520
Medical and Pension Funds	74 579	10 757
Other	14 400	1 392
<b>Total</b>	<b>502 392</b>	<b>365 380</b>
<b>Director: Corporate Services</b>		
Annual Remuneration	390 000	189 185
Performance Bonuses	-	-
Car Allowance	120 000	64 000
Medical and Pension Funds	-	-
Other	12 000	809
<b>Total</b>	<b>522 000</b>	<b>253 995</b>
<b>Director: Spatial Development and Planning</b>		
Annual Remuneration	315 047	246 345
Performance Bonuses	-	-
Car Allowance	72 615	93 185
Medical and Pension Funds	86 718	16 045
Other	12 000	1 392
<b>Total</b>	<b>486 380</b>	<b>356 967</b>
<b>Strategic Manager</b>		
Annual Remuneration	203 064	174 578
Performance Bonuses	24 417	-
Car Allowance	104 720	53 658
Medical and Pension Funds	-	8 262
Other	-	-
<b>Total</b>	<b>332 201</b>	<b>236 498</b>
<b>Director: Local Economic Development and Tourism</b>		
Annual Remuneration	350 888	252 276
Performance Bonuses	29 112	-
Car Allowance	120 000	53 658
Medical and Pension Funds	-	8 262
Other	12 000	1 043
<b>Total</b>	<b>512 000</b>	<b>315 239</b>
<b>21 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor's Allowance	586 345	531 847
Speaker's Allowance	470 238	428 530
Mayoral Committee Members	2 886 142	4 044 432
Council Members' Allowances	12 438 122	9 036 853
Councillors Pension Contributions	1 409 824	1 350 511
	<b>17 790 673</b>	<b>15 392 173</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>22 INTEREST PAID</b>		
Long-term liabilities	2 240 115	2 556 991
Consumer deposits	-	-
Finance leases	-	-
Bank overdrafts	-	-
<b>Total Interest on External Borrowings</b>	<b>2 240 115</b>	<b>2 556 991</b>
<b>23 BULK PURCHASES</b>		
Electricity	86 550 922	64 881 425
Water	36 267 394	24 938 463
<b>Total Bulk Purchases</b>	<b>122 818 315</b>	<b>89 819 887</b>
<b>24 GRANTS AND SUBSIDIES PAID</b>		
Grant paid to Maluti-a-Phofung Water (Pty) Ltd	19 758 436	26 096 720
<b>Total Grants and Subsidies</b>	<b>19 758 436</b>	<b>26 096 720</b>
<b>Maluti-a-Phofung (Pty) Ltd is a Municipal Entity.</b>		
<b>25 CASH GENERATED FROM OPERATING ACTIVITIES</b>		
<b>(Deficit) for the year</b>	<b>(173 674 815)</b>	<b>76 838 502</b>
<b>Adjustment for:-</b>		
Prior year adjustments		(14 852 972)
Depreciation	51 630 091	46 099 405
Over / Under provisions		(1 737 072)
Contribution to provisions – current	6 623 493	1 679 256
Bad debts	233 990 762	51 291 055
Investment income	(8 716 111)	(18 524 860)
Interest earned other	(15 679 659)	(13 048 225)
Interest paid	2 240 115	2 556 991
<b>Operating surplus before working capital changes:</b>	<b>96 413 877</b>	<b>130 302 081</b>
(Increase) / decrease in inventories	200 301	( 197 253)
(Increase) / decrease in debtors	(100 335 276)	(80 431 095)
(Increase) / decrease in other debtors	(367 553 434)	(5 255 355)
(Decrease) / increase in conditional grants and receipts	11 679 217	1 924 513
Increase / (decrease) in creditors	354 151 202	5 784 715
Increase / (decrease) in provisions	-	(1 380 935)
(Increase) / decrease in VAT	3 695 457	17 038 551
<b>Cash generated from/(utilised in) operations</b>	<b>(1 748 655)</b>	<b>67 785 223</b>
<b>- CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT</b>		
<b>Total Revenue</b>	<b>531 950 972</b>	<b>499 555 952</b>
<b>Adjusted for non-cash items</b>		
- Gains on disposal of Property Plant and Equipment	-	-
<b>Adjusted for items presented separately</b>		
- Interest received on investments	(8 716 111)	(18 524 860)
- Interest received other	(15 679 659)	(13 048 225)
<b>Adjusted for changes in working capital</b>		
- (Increase) / decrease in consumer debtors	(100 335 276)	(80 431 095)
- (Increase) / decrease in other debtors	(367 553 434)	(5 255 355)
- (Increase) / decrease in VAT receivable	3 695 457	17 038 551
	<b>43 361 950</b>	<b>399 334 968</b>

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>- CASH PAID TO SUPPLIERS AND EMPLOYEES</b>		
<b>Total expenditure</b>	705 625 787	422 717 449
<b>Adjusted for non-cash items</b>		
- Depreciation	(51 630 091)	(46 099 405)
- Over / Under provisions	7 807 353	1 737 072
- Prior year adjustments		14 852 972
- Contributions	(6 623 493)	(1 679 256)
- Bad debts	(233 990 762)	(51 291 055)
<b>Adjusted for items presented separately</b>		
- Interest paid	(2 240 115)	(2 556 991)
<b>Adjusted for changes in working capital</b>		
- (Increase) / decrease in creditors	(354 151 202)	(5 784 715)
- (Increase) / decrease in unspent conditional grants	(11 679 217)	(1 924 513)
- (Increase) / decrease in provisions	-	1 380 935
- Increase / (decrease) in inventory	( 200 301)	197 253
	<b>52 917 958</b>	<b>331 549 745</b>
 <b>26 CASH AND CASH EQUIVALENTS</b>		
 Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
 Bank balances and cash	-	-
Bank overdraft	(6 725 778)	(24 074 911)
<b>Total cash and cash equivalents</b>	<b>(6 725 778)</b>	<b>(24 074 911)</b>
 <b>27 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
 Long-term liabilities (see Note 2)	13 522 347	15 489 296
Used to finance property, plant and equipment – at cost		
Sub- total		
Cash set aside for the repayment of long-term liabilities	13 522 347	15 489 296
<b>Cash invested for repayment of long-term liabilities (see note 2)</b>	<b>13 522 347</b>	<b>15 489 296</b>
 <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>28 ACT</b>		
<u><b>28.1 Contributions to organized local government</b></u>		
Opening balance	-	-
Council subscriptions	461 321	711 903
Amount paid - current year	461 321	711 903
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<u><b>28.2 Audit fees</b></u>		
Opening balance	-	-
Current year audit fee		
Amount paid - current year	2 458 745	2 458 762
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<u><b>28.3 VAT</b></u>		

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

VAT inputs receivables and VAT outputs receivables are shown in Note 8. All VAT returns have been submitted by the due date throughout the year.

### 28.4 PAYE and UIF

Opening balance	-
Current year payroll deductions	1 101 884
Amount paid - current year	
Amount paid - previous years	
<b>Balance unpaid (included in creditors)</b>	<b>1 101 884</b>

The balance represents PAYE and UIF deducted from the **June 2008** payroll. These amounts were paid during **July 2008**.

### 28.5 Pension and Medical Aid Deductions

Opening balance	-
Current year payroll deductions and Council Contributions	181 304
Amount paid - current year	
Amount paid - previous years	
<b>Balance unpaid (included in creditors)</b>	<b>-</b>

The balance represents pension and medical aid contributions deducted from employees in the **June 2008** payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during **July 2008**.

### 28.6 Councillor's arrear consumer accounts

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

**30<sup>th</sup> June 2008**

	<u>Outstanding less than 90</u>	<u>Outstanding less than 90</u>
BS Tsotetsi	623	
JD Tshabalala	375	
BA Tshabala	737	
BF Gamede	288	
AM Sehloho	556	
MV Norman	1 829	
MT Mavuso	749	
<b>Total Councillor Arrear Consumer Accounts</b>	<b>5 158</b>	<b>-</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	<u>Highest Amount Outstanding</u>	<u>Highest Amount Outstanding</u>
JD Tshabalala	1 395	
BA Tshabala	492	
BF Gamede	1 100	
AM Sehloho	5 616	
MV Norman	1 914	
MT Mavuso	3 192	
	<b>13 709</b>	

## 29 RETIREMENT BENEFIT INFORMATION



# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2003. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R200,7 million which is adequately financed by assets of R255,4 million.

An amount of R 5,178,000 (2007 : R2,3 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

### 30 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and Contracted for:

Community projects

9 307 172

Infrastructure

46 184 581

Other

35 171 865

Total Commitments

**90 663 618**

This expenditure will be financed from:

- Government Grants:

DME

4 620 000

DWAF

1 957 470

MIG

55 629 345

- Internal Funds

28 456 804

**90 663 618**

All commitments are in respect of capital and operational expenditure.

### 31 CONTINGENT LIABILITY

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		MUNICIPALITY	
		2008 R	2007 R
An obligation for the rehabilitation of the land fill site could not be determined but will have a future financial obligation that will be determined once the appropriate processes have been put in place.			
<b>32 CONTINGENT ASSET</b>			
NONE			
<b>33 IN-KIND DONATIONS AND ASSISTANCE</b>			
NONE			
<b>34 PRIVATE PUBLIC PARTNERSHIPS</b>			
NONE			
<b>35 EVENTS AFTER REPORTING DATE</b>			
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.			
<b>36 COMPARISON WITH THE BUDGET</b>			
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.			
<b>37 CORRECTION OF ERROR</b>			
During the year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods			
Transactions affecting Finance Leases		59 948	
Transactions affecting Consumer Debtors			
Transactions affecting Long Term Provisions			
Transactions affecting Creditors Prior Year adjustment against surplus Unknown correction		-13 876 072	
Transaction Affecting Accumulated Surplus		13 876 072	
		59 948	
<b>38 GOING CONCERN</b>			
See Accounting Officers' Report			
<b>39 IRREGULAR EXPENDITURE</b>			
<b>40 FRUITLESS EXPENDITURE</b>			
Reconciliation of Fruitless expenditure		-	-
Opening Balance		-	-
Fruitless expenditure current year		61 286	61 286
Condoned or written off by council		( 61 286)	-
Closing Balance		-	61 286
Employee number 1021, M J Moloi, was transferred to Maluti-a-Phofung Water and has been remunerated by both the Municipality and Maluti-a-Phofung Water Entity for the period 01 July 2006 - 30 June 2007. The expenditure will be recovered and deducted by Water Entity.			

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	MUNICIPALITY	
	2008 R	2007 R
<b>41 UNAUTHORISED EXPENDITURE</b>		
Reconciliation of Unauthorised expenditure		
Opening Balance	-	1 070 251
Unauthorised expenditure current year	-	-
Condoned or written off by council	-	(1 070 251)
Closing Balance	-	-
The expenditure was incurred in the renovations of the municipal offices for an amount of R125 217 and additional amount of R1 070 251 was incurred without prior approval of the tender committee. These expenditure was condoned by Council in its Special Council Meeting dated 08 March 2008		
<b>42 OPERATING LEASES</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than 1 year	963 786	963 786
Later than 1 year and no later than 5 years	1 927 571	2 891 358
Later than 5 years	-	-
<b>43 INVESTMENT IN ASSOCIATE</b>		
Maluti-a-Phofung Municipality holds 100% of the issued share capital in Maluti-a-Phofung Water (Pty) Ltd.		
Opening balance of carrying value	18 490 318	12 677 785
Share of retained profit/ (loss) on the equity method for the period	(10 844 920)	5 812 533
<b>Closing balance of carrying value</b>	<b>7 645 398</b>	<b>18 490 318</b>
Investment carrying value is made up as follows:		
<b>100% of issued shares (300 shares at R1, each)</b>	<b>300</b>	<b>300</b>
100% of retained portion of Maluti Water profit	7 645 398	18 490 318
<b>Market value and Council's valuation of this investment</b>	<b>7 645 398</b>	<b>18 490 318</b>
Summary of Maluti Water Financial Information:		
Equity	3 403 368	18 491 318
Liabilities	17 649 076	9 667 424
<b>Total Equity and Liabilities</b>	<b>21 052 443</b>	<b>28 158 763</b>
Total Assets	21 052 443	28 158 763
The Financial Statements of Maluti Water are prepared for the Financial period 01 July 2007 to 30 June 2008.		
<b>No loans were made to or received from the associate.</b>		
No shares were sold during the period.		

# MALUTI-A-PHOFUNG MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### 44 RELATED PARTY TRANSACTIONS

#### **Maluti-a-Phofung Water (MaP Water) (a Private company registration no 2005/033425/07)**

MaP Water was incorporated in 2005 as a Municipal entity of Maluti-a-Phofung Municipality (MaP). Map Water is 100% controlled by MaP.

The company is engaged in the supply of water and sewerage services in the Maluti-a-Phofung district namely Phutaditjhaba, Harrismith and Kestel.

Maluti-a-Phofung Municipality has issued grants of R 19 758 436 to Maluti-a-Phofung Water during the current financial year (2007: R26 096 720).

### 45 EXEMPTIONS GRANTED IN GAZETTE NO. 30013 DATED 29 JUNE 2007

Maluti-a-Phofung Municipality is making full use of the exemptions granted except for the exemption relating to the preparation of consolidated statements.

Due to taking advantage of the exemptions granted the 2006/07 comparatives may not be consistent with the accounting policies applied and the information presented and disclosed in the 2007/08 year.

To achieve full compliance with the accounting standards the information in the Annual Financial Statements will need to be adjusted to make provision for:

- Presenting assets and liabilities at fair value.
- Providing for all obligations.
- Recapitalising the value of Infrastructure and Property assets.
- Straightlining leases and rental income and payments.
- Identifying and accounting for Investment assets.
- Identifying and accounting for Intangible assets.
- Determination of risk (credit and interest).
- Impairment.

#### MUNICIPALITY

2008  
R

2007  
R

**MALUTI-A-PHOFUNG MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2008**

EXTERNAL LOANS	Loan No	Issued	Interest Rate	Redeemable	Balance at 01/07/07	Interest paid	Received during the year	Redeemed or written off during the year	Balance at 30/06/08
					R	R	R	R	R
<b>ANNUITY LOANS</b>									
Free State Municipal Pension Fund	25006	1985	11.500%	30/06/2007	-	-	-	-	-
Development Bank of South Africa	11018.103	1997	15.000%	30/09/2012	1 849 909	270 002	-	236 212	1 613 696
Development Bank of South Africa	11019.105	1997	15.000%	31/12/2015	1 272 957	188 684	-	81 441	1 191 516
Development Bank of South Africa	11021.102	1998	15.000%	31/12/2015	330 334	48 964	-	21 134	309 200
Development Bank of South Africa	11076.103	2000	15.000%	30/06/2018	1 429 583	213 148	-	56 431	1 373 153
Development Bank of South Africa	11076.202	2000	15.000%	30/06/2018	1 472 134	219 492	-	58 110	1 414 023
Development Bank of South Africa	11084.103	1998	15.000%	31/12/2015	3 131 464	464 160	-	200 343	2 931 121
Development Bank of South Africa	11827.102	1989	16.000%	31/12/2008	129 522	17 648	-	82 969	46 554
Development Bank of South Africa	13768.102	2001	15.632%	31/12/2020	1 230 873	191 960	-	29 728	1 201 146
Development Bank of South Africa	13768.202	2001	15.632%	31/12/2020	1 075 588	167 743	-	25 977	1 049 611
Development Bank of South Africa	13768.302	2002	15.632%	31/12/2021	1 413 599	220 659	-	28 686	1 384 913
Free State Development Corporation	6009010335	2005	Flexible	03/12/2009	57 508	1 204	-	140 074	- 82 565
					-	-	-	-	-
					<b>13 393 472</b>	<b>2 003 662</b>	<b>-</b>	<b>961 105</b>	<b>12 432 366</b>
<b>OTHER LOANS</b>									
<b>LEASES</b>									
ABSA	61377420	2003	15.734%	06/2008	14 982	1 152	-	14 982	-
ABSA	61379741	2003	15.500%	06/2008	38 846	2 655	-	38 846	-
ABSA	61379733	2003	14.222%	06/2008	35 150	2 412	-	35 150	-
ABSA	61866898	2003	14.222%	06/2008	119 672	11 166	-	101 258	18 414
ABSA	61866901	2003	15.734%	06/2008	119 672	11 166	-	101 258	18 414
ABSA	61866910	2003	15.734%	06/2008	119 672	11 166	-	101 258	18 414
ABSA	61868394	2003	15.500%	06/2008	166 144	15 251	-	140 608	25 535
ABSA	63122802	2003	15.500%	01/2009	222 344	23 287	-	134 488	87 856
Ford Credit	62689892	2003	18.338%	11/2008	33 604	3 287	-	23 012	10 591
Ford Credit	62689906	2003	18.338%	11/2008	33 604	3 287	-	23 012	10 591
ABSA	69307901	2006	14.496%	08/2011	132 916	17 212	-	30 516	102 400
ABSA	69307910	2006	14.475%	01/2011	131 303	17 010	-	30 143	101 160
ABSA	69307928	2006	14.475%	01/2011	131 303	17 010	-	30 143	101 160
ABSA	68643746	2005	11.371%	10/2010	128 468	16 398	-	32 498	95 970
ABSA	68643738	2005	11.641%	10/2010	73 699	9 551	-	18 505	55 195
ABSA	68643304	2005	11.640%	10/2010	73 724	9 553	-	18 511	55 213
ABSA	68643290	2005	11.640%	10/2010	73 724	9 553	-	18 511	55 213
ABSA	68648128	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
ABSA	68648110	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
ABSA	68648101	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
ABSA	68648098	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
ABSA	68648080	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
ABSA	68648071	2005	11.005%	10/2010	74 500	9 223	-	18 857	55 643
					<b>2 095 824</b>	<b>236 454</b>	<b>-</b>	<b>1 005 845</b>	<b>1 089 980</b>
					<b>15 489 296</b>	<b>2 240 115</b>	<b>-</b>	<b>1 966 950</b>	<b>13 522 347</b>

**MALUTI-A-PHOFUNG MUNICIPALITY**

**APPENDIX B**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Under Construction Capitalised	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>											
Land	15 842 834	-	-	-	-	15 842 834	-	-	-	-	15 842 834
Buildings	16 529 721	10 726 546	-	-	-	27 256 267	2 113 079	1 495 915	-	3 608 994	23 647 273
	32 372 555	10 726 546	-	-	-	43 099 101	2 113 079	1 495 915	-	3 608 994	<b>39 490 107</b>
<b>Infrastructure</b>											
Drains	5 882 167	-	-	-	-	5 882 167	1 669 930	199 785	-	1 869 715	4 012 452
Roads	75 359 242	13 854 493	-	-	-	89 213 735	25 658 903	5 325 388	-	30 984 291	58 229 444
Sewerage Mains & Purification	145 173 587	1 031 557	-	-	-	146 205 144	33 942 662	7 564 639	-	41 507 301	104 697 843
Electricity Mains	333 252 353	8 515 744	-	-	-	341 768 097	80 192 909	22 837 575	-	103 030 484	238 737 613
Electricity Peak Load Equipment	70 663 680	-	-	-	-	70 663 680	9 987 034	3 250 373	-	13 237 407	57 426 273
Water Mains & Purification	10 610 340	1 865 063	-	-	-	12 475 403	2 114 498	569 867	-	2 684 365	9 791 038
Reservoirs-Water	9 730 557	417 825	-	-	-	10 148 382	1 178 097	607 073	-	1 785 170	8 363 212
Water Meters	45 178 195	4 573 275	-	-	-	49 751 470	6 557 829	2 805 935	-	9 363 764	40 387 706
Water Mains	54 160 910	8 180 948	-	-	-	62 341 858	15 367 691	2 884 927	-	18 252 618	44 089 240
Pedestrian Malls	959 828	-	-	-	-	959 828	107 470	29 807	-	137 277	822 551
Security Measures	3 428 955	266 880	-	-	-	3 695 835	1 882 614	278 522	-	2 161 136	1 534 699
	754 399 815	38 705 785	-	-	-	793 105 600	178 659 637	46 353 891	-	225 013 528	<b>568 092 072</b>
<b>Community Assets</b>											
Parks & Gardens	-	866 650	-	-	-	866 650	-	6 346	-	6 346	860 304
Libraries	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	8 748 752	-	-	-	-	8 748 752	725 164	158 524	-	883 688	7 865 064
Civic Buildings	3 473 673	194 230	-	-	-	3 667 903	168 264	121 196	-	289 460	3 378 443
	12 222 425	1 060 880	-	-	-	13 283 305	893 428	286 066	-	1 179 494	<b>12 103 811</b>
<b>Heritage Assets</b>											
Historical Buildings	-	484 074	-	-	-	484 074	-	10 835	-	10 835	473 239
Painting & Art Galleries	884	-	-	-	-	884	713	-	-	713	171
	884	484 074	-	-	-	484 958	713	10 835	-	11 548	473 410
<b>Total carried forward</b>											
<b>Housing Rental Stock</b>											
Housing Rental 1	-	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
<b>Leased Assets (Infrastructure)</b>											
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>											

**MALUTI-A-PHOFUNG MUNICIPALITY**

**APPENDIX B**

**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Under Construction Capitalised	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Landfill sites	1 350 480	260 000	-	-	-	1 610 480	263 469	112 897	-	376 366	1 234 114
Office Equipment	1 061 693	82 187	-	-	-	1 143 880	1 097 171	99 878	-	1 197 049	( 53 169)
Furniture & Fittings	1 887 681	1 539	-	-	-	1 889 220	699 564	262 429	-	961 993	927 227
Bins and Containers	2 250	-	-	-	-	2 250	1 219	450	-	1 669	581
Emergency Equipment	170 810	-	-	-	-	170 810	341 713	-	-	341 713	( 170 903)
Motor vehicles	10 901 907	176 359	-	-	-	11 078 266	6 387 455	1 297 839	-	7 685 294	3 392 972
Fire engines	2 146 251	770 000	-	-	-	2 916 251	4 670	355 772	-	360 442	2 555 809
Refuse tankers	-	10 360 719	-	-	-	10 360 719	-	67 225	-	67 225	10 293 494
Computer equipment	7 259 282	439 341	-	-	-	7 698 623	3 635 802	1 071 369	-	4 707 171	2 991 452
Computer Software	161 396	472 833	-	-	-	634 229	158 086	163 957	-	322 043	312 186
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	939 467	-	-	-	-	939 467	1 413 158	48 975	-	1 462 133	( 522 666)
	25 881 216	12 562 978	-	-	-	38 444 194	14 002 307	3 480 791	-	17 483 098	20 961 096
<b>Total</b>	824 876 895	63 540 263	-	-	-	888 417 158	195 669 164	51 627 498	-	247 296 662	<b>641 120 496</b>

**MALUTI-A-PHOFUNG MUNICIPALITY**

**APPENDIX C**

**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Under Construction Capitalised	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	1 144 938	1 700				1 146 638	175 069	220 357		395 426	751 212
Finance & Admin	8 442 256	40 885				8 483 141	4 369 063	931 135		5 300 198	3 182 944
Planning & Development	9 981 452	601 864				10 583 316	336 250	195 308		531 558	10 051 758
Health	79 407	203 941				283 348	158 858	4 526		163 384	119 964
Community & Social Services	1 556 833	7 805 151				9 361 984	241 882	331 122		573 004	8 788 980
Housing	3 513 076	3 578 969				7 092 045	26 035	93 113		119 148	6 972 896
Public Safety	3 869 365	1 227 757				5 097 122	2 001 450	550 521		2 551 971	2 545 152
Sports & Recreation	14 136 249	875 496				15 011 745	1 371 878	505 680		1 877 558	13 134 187
Environmental Protection	399 501	-				399 501	2 131	26 633		28 764	370 737
Waste Management	950 979	1 364 693				2 315 672	263 769	90 368		354 137	1 961 535
Waste Water Management	155 866 211	-				155 866 211	34 970 196	8 527 871		43 498 067	112 368 144
Road & Transport	96 235 904	13 194 230				109 430 134	33 905 156	6 639 488		40 544 644	68 885 490
Water	120 015 889	14 453 425				134 469 314	25 235 669	6 857 382		32 093 051	102 376 263
Electricity	408 544 658	6 937 154				415 481 812	92 505 678	26 227 663		118 733 341	296 748 471
Other	140 176	13 254 998				13 395 174	106 081	426 329		532 410	12 862 764
<b>TOTAL</b>	<b>824 876 894</b>	<b>63 540 263</b>	<b>-</b>		<b>-</b>	<b>888 417 157</b>	<b>195 669 163</b>	<b>51 627 496</b>	<b>-</b>	<b>247 296 659</b>	<b>641 120 498</b>



# MALUTI-A-PHOFUNG MUNICIPALITY

## APPENDIX D

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR 30 JUNE 2008

	2008 Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)
	R	R	R
Community and Social Services	37 469	8 674 732	(8 637 263)
Electricity	110 645 167	138 896 576	(28 251 409)
Executive and Council	-	27 416 701	(27 416 701)
Finance and Administration	265 673 538	414 705 598	(149 032 060)
Health	-	35 489	( 35 489)
Housing	18 013	2 135 278	(2 117 265)
Planning and Development	94 477 712	52 027 499	42 450 213
Public Safety	895 640	21 611 607	(20 715 967)
Roads Transport	206 667	7 497 613	(7 290 946)
Sport and Recreation	2 026 969	13 061 447	(11 034 478)
Waste Management	23 652 640	17 987 815	5 664 825
Waste Water Management	1 947 448	1 535 096	412 352
Water	32 369 708	40 301	32 329 407
<b>TOTAL</b>	<b>531 950 970</b>	<b>705 625 751</b>	<b>(173 674 781)</b>

## MALUTI-A-PHOFUNG MUNICIPALITY

## APPENDIX E

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

REVENUE	2008 Actual	2008 Budget	2008 Variance	2008 Variance (%)	Reasons for variances
	R	R	R	%	
<b>REVENUE</b>					
Property rates	111 065 909	107 939 535	3 126 374	3%	
Service charges	166 260 969	113 688 171	52 572 797	46%	
- Electricity	109 636 175	99 114 876	10 521 299	11%	
- Water	32 232 046	-	32 232 046	#DIV/0!	
- Refuse Removal	11 231 054	14 573 295	(3 342 241)	-23%	
- Sewerage	13 161 694	-	13 161 694	#DIV/0!	
Interest earned - external investments	8 716 111	5 550 000	3 166 111	57%	
Interest earned - outstanding debtors	15 679 659	8 300 000	7 379 659	89%	
LED Income	-	-	-	#DIV/0!	
Government grants and subsidies	224 511 254	130 653 000	93 858 254	72%	
Other income	5 717 070	23 266 106	(17 549 036)	-75%	
Gains on disposal of property, plant and equipment	-	-	-		
<b>Total Revenue</b>	<b>531 950 972</b>	<b>389 396 812</b>			
<b>EXPENDITURE</b>					
Employee related costs	91 235 139	106 238 426	(15 003 287)	-14%	
Remuneration of Councillors	17 790 673	20 716 284	(2 925 611)	-14%	
Bad debts	233 990 762	-	233 990 762	#DIV/0!	
Contributions	6 799 611	53 408 876	(46 609 265)	-87%	
Housing Development Fund Expense	977 870	-			
Depreciation	51 630 091	-	51 630 091	#DIV/0!	
Repairs and maintenance	10 502 150	15 988 630	(5 486 480)	-34%	
Interest paid	2 240 115	4 776 000	(2 535 885)	-53%	
Bulk purchases	122 818 315	-	122 818 315	#DIV/0!	
Grants and subsidies paid	37 995 519	-	37 995 519	#DIV/0!	
General expenses	89 611 997	175 799 167	(86 187 170)	-49%	
200 RDP Houses	486 551	-	486 551	#DIV/0!	
MIG Operational expenses	62 952 602	-	62 952 602	#DIV/0!	
Community Projects	3 256 912	-	3 256 912	#DIV/0!	
Other expenditure	(26 662 522)	12 381 268	(39 043 790)	-315%	
<b>Total Expenditure</b>	<b>705 625 787</b>	<b>389 308 651</b>			
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(173 674 815)</b>	<b>88 161</b>			

**MALUTI-A-PHOFUNG MUNICIPALITY**

**APPENDIX F**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2008**

Name of Grants	Name Organ of State or Municipal entity	Unspend Balance	Quarterly Receipts				Quarterly Capital Expenditure				Quarterly Operational Expenditure				Grants and subsidies delayed/ withheld
		01 July 2007	September	December	March	June	September	December	March	June	September	December	March	June	
			R	R	R	R	R	R	R	R	R	R	R	R	
Equitable Share	National Government		43 139 827	32 354 870	53 924 784	-	0	0	0	-	0	0	0	-	-
MSiG	DPLG		367 000	367 000	0	0	0	0	0	0	0	398 400	172 800	162 800	-
MIG	DPLG		22 119 223	15 383 887.00	6 966 332	26 709 053.52	14 203 667.00	12 568 217.00	13 720 404.00	22 216 851.00	-	0	0	0	-
basdme	Dept: Minerals & Energy		1 380 000	0	3 220 000	0	0	1 080 000	180 000	3 340 000	0	0	0	0	-
Dev	DBSA		0	1 310 143	0	0	0	0	0	0	0	0	0	0	-
200 RDP Houses	DPLG & Housing	3 110 801	188 626	1 063 248	0	606 767	0	0	0	0	398 832	0	0	87 719	-
DWA & F	Dept of Water Affairs & Forestry		9 410 581	0	9 354 129	0	0	0	0	0	3 315 833	4 973 750	3 315 833	6 631 667	-
Infra Struct	Water		0	0	7 825 000	0	0	174 589	4 203 428	3 446 983	0	0	0	0	-
National Treasury	National Treasury		500 000	0	0	0	0	0	0	0	500 000	0	0	0	-
<b>TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT</b>															

Name of Grants	Name Organ of State or Municipal entity	Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance	Current Year Receipts	Balance Transferred to Revenue (capital)	Balance Transferred to Revenue (Operational)	Unspend Balance 30-Jun-08
Equitable Share	National Government	N/A	Y	N/A	129 419 481.00	0.00	129 419 481.00	0.00
MSIG	DPLG	N/A	Y	N/A	734 000.00	0.00	734 000.00	0.00
MIG	DPLG	N/A	Y	N/A	71 178 495.52	62 709 139.00	0.00	8 469 356.52
basdme	Dept: Minerals & Energy	N/A	Y	N/A	4 600 000.00	4 600 000.00	0.00	0.00
Dev	DBSA	N/A	Y	N/A	1 310 143.29	0.00	0.00	1 310 143.29
200 RDP Houses	DPLG & Housing	N/A	Y	N/A	1 858 641.40	0.00	486 551.02	4 482 891.38
DWA & F	Dept of Water Affairs & F	N/A	Y	N/A	18 764 710.13	0.00	18 237 083.37	527 626.76
Infra Struct	Water	N/A	Y	N/A	7 825 000.00	7 825 000.00	0.00	0.00
National Treasury	National Treasury	N/A	Y	N/A	500 000.00	0.00	500 000.00	0.00
<b>TOTAL NATIONAL/PROVINCIAL GOVERNMENT</b>					<b>236 190 471.34</b>	<b>75 134 139.00</b>	<b>149 377 115.39</b>	<b>14 790 017.95</b>

**MALUTI-A-PHOFUNG MUNICIPALITY**  
**APPENDIX G**  
**SCHEDULE OF INVESTMENTS FOR THE YEAR ENDED 30 JUNE 2008**

INVESTMENTS	Investment No.	Balance at 01/07/07	Interest received	Investments made	Investments realised	Balance at 30 JUNE 2008
		R	R	R	R	R
<b>Listed</b>						
Sanlam	5333 shares	77 329	-	42 611	-	76 996
		77 329	-	42 611	-	76 996
<b>UNLISTED</b>						
Momentum	87756867	14 798 720	3 103 492	492 000	18 394 212	-
Momentum	87887109	6 903 777	1 360 097	228 000	8 491 874	-
Momentum	87887115	1 811 947	-	60 000	1 871 947	-
Momentum	87570447	8 704 160	-	330 558	-	9 034 718
Momentum	88126418	12 742 750	2 493 427	431 280	15 667 457	-
Momentum	89456260	14 789 504	697 057	510 735	15 997 295	-
Mutual	7560376	3 645 253	-	-	-	3 645 253
Mutual	7481893	1 889 701	-	-	-	1 889 701
Mutual	8010226	2 108 994	-	-	-	2 108 994
Mutual	8010223	1 347 637	-	-	-	1 347 637
Mutual	7974326	2 957 770	-	-	-	2 957 770
Mutual	8477284	6 694 804	907 338	-	-	7 602 143
Sanlam	11690235X4	396 258	20 752	9 170	-	426 180
Sanlam	12547517X8	189 413	13 281	-	202 694	-
Sanlam - Money Market	50189057	911 998	103 107	-	-	947 292
Sanlam	11690236X2	237 847	( 540)	720	-	237 847
Sanlam	12105250X0	( 29 074)	18 103	127 312	116 341	-
Sanlam (R3 217.56pm)	12547516X0	296 210	-	-	116 341	168 898
Sanlam (R1614.06pm)	12547516X0	319 035	-	-	-	-
FNB Call Account	62027358292	148 677	-	20 390 384	-	20 539 061
ABSA Collateral - JP Botha	2054434522	27 158	-	-	-	27 158
ABSA Collateral - CE Barnard	2057955909	24 147	-	-	-	24 147
ABSA Collateral - D Hlongwane	2056895005	26 815	-	-	-	26 815
		81 040 626	8 716 114	22 584 461	60 858 161	50 983 615
		81 117 955	8 716 114	22 627 072	60 858 161	51 060 611