ANNUAL REPORT

201O / 2011

The Turning Point

DIHLABENG LOCAL MUNICIPALITY

Vision

"To be a Municipality committed to provide effective services to its **community."**

Mission

"To provide effective and efficient people centered governance that will facilitate the developmental role of **Local Government".**

Strategic Objectives

Based on the Local Government Turnaround Strategy, our Strategic Objectives are refined to be as follows:

- Provide democratic and accountable government for local communities
- Be responsive to the needs of the local community
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organizations in the matters of local government
- Facilitate the culture of public service and accountability amongst its staff
- Assign clear responsibilities for the management and co-ordination of administrative units and mechanisms

ACKNOWLEDGEMENTS

This Annual Report is published by the Dihlabeng Local Municipality. It seeks to give an overview of our performance against predetermined strategic objectives at the same time as we review progress on all projected targets of the Municipality for the period as at July 2010 to June 2011. Every effort has been made to ensure that the facts as reported are accurate and a true reflection of achievements for the year under review.

Every municipality and municipal entity must prepare and adopt an Annual Report for each financial year in accordance with the Municipal Finance Management Act 56 of 2003 (MFMA) and the Municipal Systems Act 32 of 2000 (MSA).

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Honouarble Clr THM Mofokeng

EXECUTIVE MAYOR

It is with great honour that we present the 2010/2011 Annual Report. The report gives a reflection of our performance during the year under review and at the same time depicts our strategic agenda going forward.

Indeed, we are living in a democratic state, we witnessed our Country successfully delivering its third free and fair local government elections and I want to take this moment to congratulate all South African who came out in numbers to vote and exercise their democratic right.

As Local Government and in particular our community, we face major challenges including, but not limited to, reducing unemployment; more access to better quality basic services; overcoming the legacy of apartheid; spatial development; strengthening community participation; and building effective, accountable and clean local government.

Council adopted a Local Turnaround Strategy which seeks to ensure a synchronized government approach in dealing with local community needs. The Strategy pulls together expertise, resources and the capital muscle to speedup service delivery and accountability throughout the three spheres of government hence the resuscitation of the District Technical IGR structures.

The municipality will continue to facilitate the establishment and effective functioning of Ward Committees, through the development and implementation of refined strategies to improve community participation. Programmes are in place to ensure the implementation of ward-based planning, monitoring, evaluation and re- porting processes.

We commit ourselves to continuously build and strengthen our core competencies and capabilities as an Institution, in striving to ensure a robust learning organization that will continue to serve our community. We ac- knowledge that the history of our country has divided South Africans and marginalized African people, particularly women and people with disabilities from jobs and developmental opportunities and economic liberation .

We are compelled and committed to bring dignity, pride and economic emancipation to the African Child.

There is an African proverb that says “If your want to go fast, go alone. If you want to go far, go together.” This is relevant as we enter into the historic quest of building a national democratic society.

TOGETHER WE CAN BUILD BETTER COMMUNITIES!

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CHAPTER 1: INTRODUCTION AND OVERVIEW

1.1 OVERVIEW OF THE MUNICIPALITY

1.1.1 Regional Context

The Dihlabeng Local Municipality, amongst the Local Municipalities of Setsoto, Phumelela, Maluti-a-Phofung and Nketoana falls within the Thabo Mofutsanyana District Municipality, along the eastern boundary of the Free State Province.

The total extent of Thabo Mofutsanyana District Municipality covers 28 347km2 in extent of which the

Dihlabeng local Municipality takes up 4 739km, which represents 17% of the District.

1.1.2 Local Context

The Dihlabeng Local Municipal comprises of a large rural component together with the presence of five (5) urban concentrations, which is briefly explained as follows:

Bethlehem/Bohlokong can be viewed as the "capital" of the Eastern Free State and is situated approximately 240km north-east of Bloemfontein, 140km east of Kroonstad and 90km west of Harrismith. The town forms part of the Highland Route and is located 80 km from Qwa-Qwa and 60km from the Golden Gate Highlands. The town originally developed as a service centre. Growth is stimulated by the strategic location of the area that presently serves as a central regional centre. This is attributed to the fact that the area is situated adjacent to the N5 National Road between Bloemfontein and Durban. Bethlehem/ Bohlokong are also directly linked to other towns such as Kroonstad, Reitz, Warden and Ficksburg. The accessibility of the town is further emphasized by the prominence of the railway station at the Kroonstad/Durban and Bloemfontein/Frankfort railway intersection in the urban area.

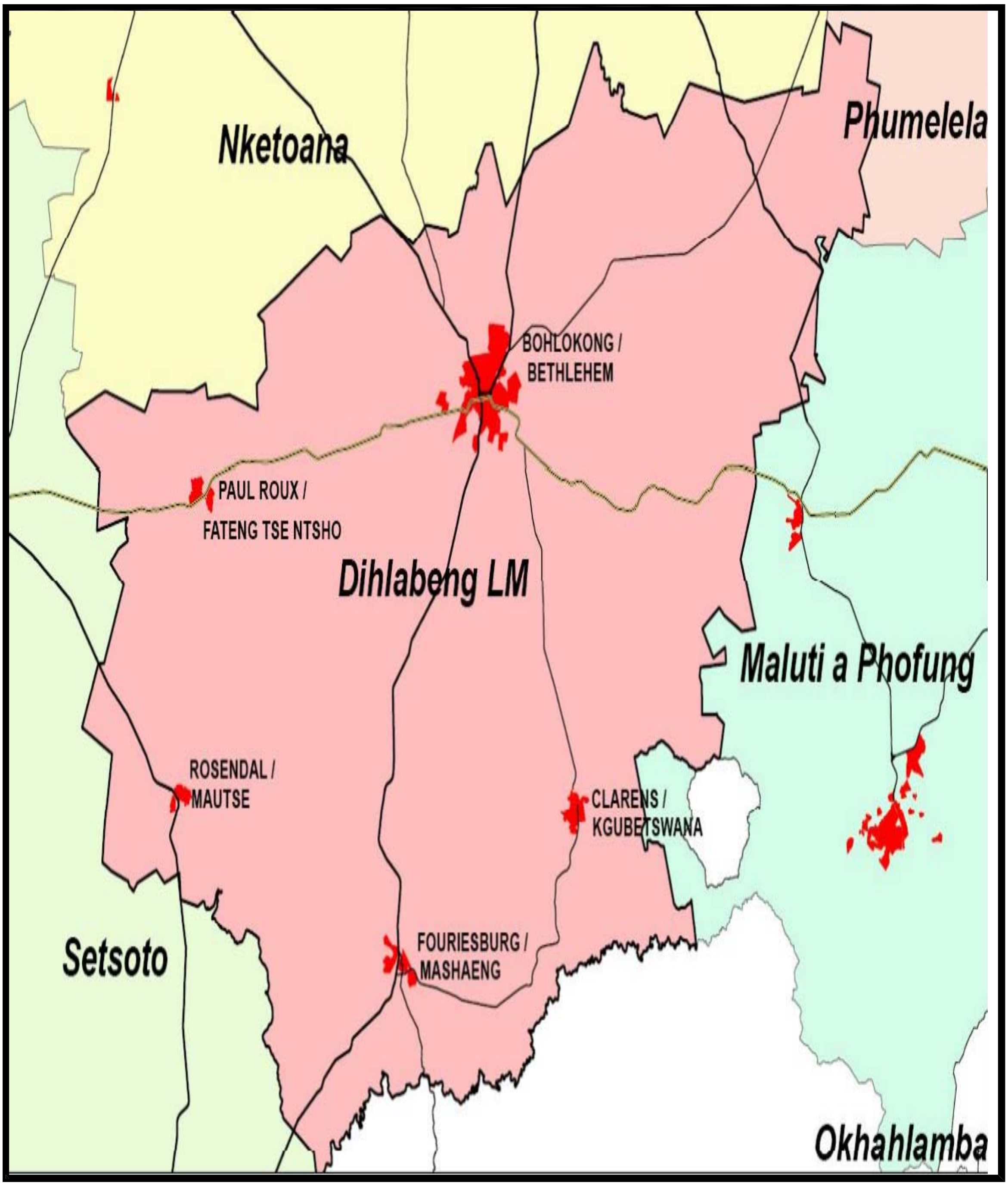
The scenic town of Clarens/Kgubetswana, often referred to as the "Switzerland of South Africa", is situated approximately 34m south-east of Bethlehem. Clarens/Kgubetswana is 20km from the Golden Gate Highlands. This urban area is situated 10km from the Lesotho border and has a splendid view of the Maluti Mountains. The past few years experienced a rapid growth in the tourist industry. The urban area and surroundings is known for its "Arts and Craft" routes in the picturesque sandstone Rooiberg and Maluti Mountains.

Paul Roux/ Fateng tse-Ntsho is situated 35km west of Bethlehem. This urban area is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. Bethlehem influences the area to a great extent as a large service centre in close proximity.

Fouriesburg/Mashaeng is situated on the R26 route and is in close proximity of Lesotho. The town's location in relation to other major centres is as follows: 49km from Bethlehem and 46km from Ficksburg. Situated within the former Fouriesburg District, this urban area is predominantly the function of a small service centre to the surrounding agricultural communities. This primary function is being supported by tourism as the latter industry is starting to gain momentum in the Eastern Free State.

Rosendal/Mautse is approximately 60km south west of Bethlehem, 40km south east of Senekal and 40km north of Ficksburg. The town is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas, together with a growth in tourism activities.

All of the above urban areas are well connected by National (N5) and Provincial Roads.


Nketoana
Phumelela
BOHLOKONG /
BETHLEHEM
PAUL ROUX /
FATENG TSE NTSHO
Dihlabeng LM
Maluti a Phofung
ROSENDAL /
MAUTSE
CLARENS /
KGUBETSWANA
FOURIESBURG /
MASHAENG
Setsoto
Okhahlamba

1.2 COMMUNITY PROFILE

The Dihlabeng Local Municipality community comprises of approximately 108 449 individuals and 31 836 households.

According to Stats SA 2007 Community Survey, the population has since 2001 decreased by 16% (20 480 individuals). The number of households has also decreased with 4% since 2001. The aforementioned can be attributed to out-migration (seeking work opportunities in larger urban areas).

Table 1.1: Population

Persons		Households	
Census: 2001	Community Survey: 2007	Census: 2001	Community Survey: 2007
128 929	108 449	33 027	31 836
% Growth 2001-2007	16%	% Growth 2001-2007	4%

The population of Dihlabeng Local Municipality comprises of African, Coloured, Indian and White population groups, with Africans representing 84% of the population and Whites 10%. The Coloured and Indian groups are currently the minority in Dihlabeng Local Municipality.

Table 1.2: Race

Population Group	2007	Percentage
African	91 344	84
Coloured	6049	5
Indian	90	1
White	10 966	10
Total	108 449	100%

Based on Global Insight (2007) figures, 58% persons fell within the 19-65 age brackets and 36% fell below the 18 years age bracket.

Table 1.3: Age

Population by Age (2007)	
Age Breakdown	Percentage
0-6 years	13
7-18 years	23
19-65 years	58
Over 65 years	6

Source: Global Insight 2007

Deriving from Table 1.3 it is evident that the population of Dihlabeng Local Municipality is reflecting a young profile with only 6% above the age of 65 years. This tendency will put additional pressure on job creation within the Municipal area, in view of the large population below the age of 65 years.

According to the 2007 Community Survey, 27.3% of the population has no income and 83.1% of the population earns less than R3 201.00 per month, which is very high.

Table 1.4: Income

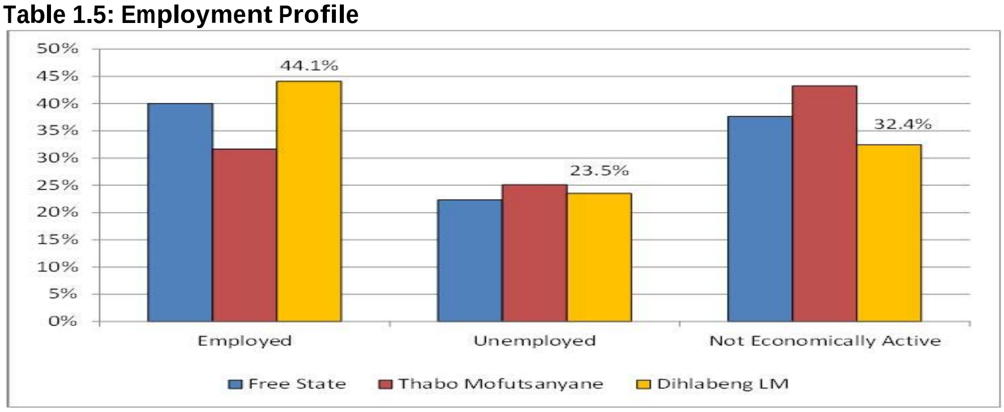
MONTHLY INCOME	NUMBER	PERCENTAGE	
No income	24 749	27.3	
R1 - R400	20 478	22.6	
R 401 – R 800	8 958	9.9	88.1%
R 801 – R1 600	16 042	17.7	
R 1 601 – R 3 200	5 067	5.6	
R 3 201 – R 6 400	4 693	5.0	
R 6 401 – R 12 800	2 840	3.1	
R 12 801 – R 25 600	1 007	1.1	
R25 601 – R 51 200	252	0.2	11.9%
R 51 201 – R 102 400	0	-	
R102 401 – R204 800	105	0.1	
R204 801 or more	62	-	
Response not given	2 398	2.6	
NA/Institutions	3 796	4.8	

Source: Community Survey 2007

Dihlabeng Local Municipality had an unemployment rate of 23.5% which is slightly lower than Thabo Mofutsanyana (25.1%) in 2010. The Province had an unemployment rate of 22.3%.

The most significant employment sectors, in Dihlabeng are Community and Government Services (33.7%), Wholesale and Retail Trade (29.2%) and Agriculture (15.7%). Utilities and Mining are the least significant employment sectors in the Local Municipality with only 0.1% of people employed in these sectors.

Table 1.5: Employment Profile



The average income of households in DLM improved from R1,620 in 2000 to R3,167 in 2008. Some 66% of households earned less than R3,200 per month during 2007. Unemployment declined from 28.2% in 2000 to 25.2% in 2009 while total employment declined from just above 37,500 to about 33,500 over the same period.

- Highly skilled labour = 11,1% (2009)
- Skilled labour = 41,4% (2009)
- Unskilled to semi-skilled labour = 47,5% (2009)

1.3 FUNCTIONAL OVERVIEW

1.3.1 Governance Structures

Dihlabeng Local Municipality is an Executive Committee type municipality. It has a Council of 38 Councillors made up of 19 Ward Councillors and 19 Proportional Representative Councillors.

The party representative in Council is as follows:

- ANC (Majority)
- Democratic Alliance
- PAC, and
- Freedom Front

4 NAME	DETAILS	NAME	DETAILS
Mr. TMH Mofokeng	*Mayor*	Mr. DE Malan	*Part-time Councilor*
Ms. MA Noosi	*Speaker*	Mr. BDL Venter	*Part-time Councilor*
Mr. MM Radebe	*EXCO. Member*	Mr. MS Maseko	*Part-time Councilor*
Mr. TJ Mkwani	*EXCO Member*	Mr. PH Motsoeneng	*Part-time Councilor*
Ms. DM Mofokeng	*EXCO Member*	Mr. MJ Khetsi	*Part-time Councilor*
Mrs. MA Mashinini	*EXCO Member*	Ms. LA Ramela	*Part-time Councilor*
Mr. MJ Tshabalala	*EXCO Member*	Mr. MJ Hatla	*Part-time Councilor*
Mr. CC Harrington	*EXCO Member*	Mrs. MA Mokoena	*Part-time Councilor*
Mr. D Stevens	*EXCO Member*	Ms. MK Mofokeng	*Part-time Councilor*
Mrs. TJ Tshabalala	*Part-time Councilor*	Mr. NE Mkhwanazi	*Part-time Councilor*
Mr. SJ Msimanga	*Part-time Councilor*	Ms. MH Mofokeng	*Part-time Councilor*
Mrs. HE Mokoena	*Part-time Councilor*	Mr. LJ Lemako	*Part-time Councilor*
Ms. MJ Vilakazi	*Part-time Councilor*	Mrs. MJ Mazibuko	*Part-time Councilor*
Ms. TM Mofokeng	*Part-time Councilor*	Mr. TP Ramaele	*Part-time Councilor*
Ms. NC Bukhali	*Part-time Councilor*	Mr. JJH Pienaar	*Part-time Councilor*
Mr. RP Mofokeng	*Part-time Councilor*	Mr. I Ntakane	*Part-time Councilor*
Mr. SE Mosia	*Part-time Councilor*	Mr. JG Kriek	*Part-time Councilor*
Ms. LN Mofokeng	*Part-time Councilor*	Mrs. SM Jacobs	*Part-time Councilor*
Ms. LJ Wanzi	*Part-time Councilor*		

1.3.2 Executive Political Leadership

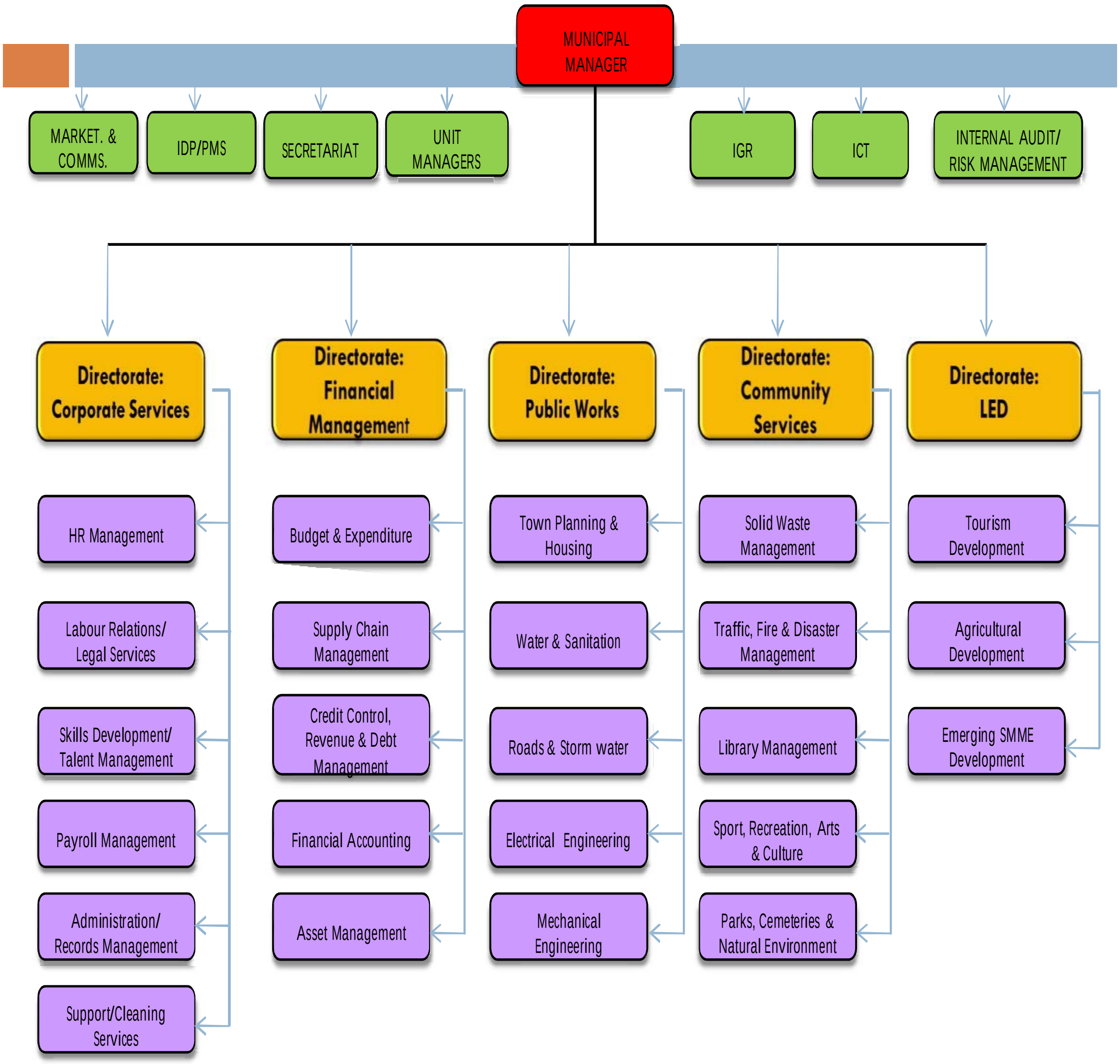
The Executive Committee comprises members who head the following Portfolio Committees:

COMMITTEE	CHAIRPERSON	MANDATE
Finance	Clr TMH Mofokeng	All financial matters
Corporate Services	Clr MM Radebe	All corporate service matters
Community Services	Clr TJ Mkwani	All community service matters
Public Works	Clr MJ Tshabalala	All infrastructural development matters
LED	Clr (ms) DM Mofokeng	All local economic development matters
LAND & HOUSING	Clr (ms) MA Mashinini	All Land & Housing matters
AUDIT COMMITTEE	CFO Office of the Premier	OVERSIGHT: Internal Audit Function & Risk Manage-

1.3.3 Executive Administrative Management

DESIGNATION	NAME	DESIGNATION	NAME
Municipal Manager	Mr Thabiso Tsoaeli	Manager: Libraries	VACANT
Chief Financial Officer	Mr R Provis	Manager: Marketing & Comms.	Mrs S Bronkhorst
Director: Corporate Services	Mr M Mthwalo	Manager: Assets	Mr S Rossouw
Director: Public Works	Mr A Masuku	Manager: Internal Audit	Mr S Morare
Acting Director: Community Services	Ms MA Mosima	Manager: IDP	Mr J Potsane
Local Economic Development	Mrs GT Hadebe	Manager: Sport & Recreation	VACANT
Unit Manager: Bethlehem	Mr OC Lotriet	Manager: Solid Waste	Ms MA Mosima
Unit Manager: Clarens	Mr S Lekota	Manager: Emergency Serv.	Mr P Ntombela
Unit Manager: Fouriesburg	Mr LP Ncala	Manager: Town Planning	Mr M Mchunu
Unit Manager: Paul Roux	Mr DR Evans	Manager: Revenue & Debt	Mr K Mokhonoane
Unit Manager – Rosendal	Mr PFR Reed	Manager: Secretariat	Mr J Botha
Manager: Financial Accounting	Mr C Barnard	Manager: PMS	Mr M Zondo
Manager: Supply Chain	Mr PV Tlhabanelo	Manager: Human Resources	Mr TE Posholi
Manager: Budget & Expenditure	Mr P Khiba	Manager: Roads & St. Water	VACANT
Manager: Risk Management	Ms V Sikaundi	Manager: Water & Sewerage.	VACANT

Functional View of Dihlabeng Local Municipality



1.4 POLICY AND LEGISLATIVE FRAMEWORK

A number of policies, strategies and development indicators have been developed in line with the prescriptions legislation, in order to participate in and align to national and provincial development programmes. National and provincial development principles and objectives or outcomes are derived amongst others from:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Medium Term Strategic Framework 2009 2014 (MTSF);
- Free State Growth and Development Strategy;
- Free State Spatial Development Framework;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision; and
- National Spatial Development Perspective (NSDP)

This section outlines the national and provincial policy directives, sector plans and legislation within which the Dihlabeng Local Municipality is aligned with to ensure that government spending is aligned to the more pressing needs of communities and those that make the economy grow.

1.4.1 Green Paper on National and Strategic Planning 2009

The Green Paper on National Strategic Planning sets out an institutional framework for planning and de- scribes the outputs of planning. The key outputs of planning include the development of a long term vision and plan for South Africa. These outputs would play a role in shaping policies and programmes, budgets and resource allocation.

The establishment of a National Planning Commission is proposed that will direct the development of a long-term strategic plan, called South Africa Vision 2025. The aim of such a strategic plan is to ensure the mobilization-term vision for South Africa that is based on the values of the Constitution as well as key priorities identified in the Medium Term Strategic Framework (MTSF). The overarching objective with respect to planning is to enhance South Africa's socio-economic development by improving planning and coordination within government and managing the country's development process,

The preparation of the three key products of the planning cycle is proposed namely:

- The long term product (National Strategic Vision);
- Medium term product (MTSF); and
- Short term product (Action Programme)

The development of national spatial guidelines is proposed. These guidelines will serve as tools for bringing about coordinated government action and alignment, which are focused on the "Systematic coordination of various policies and activities aimed at influencing future developments".

An overarching spatial framework and guidelines spelling out government's spatial priorities are needed to focus government action and provide the platform for alignment and coordination. New forms of engagement with social partners are needed to get contributions to the formulation of a national plan and buy-in to the result. Section 19 of the Green Paper therefore contains information on the role of other spheres of government in national planning. It states that the key principle of effective government planning relates to the notion that different spheres of government are able to affect one another. Planning should not be unidirectional, rigid or top down; it must inform and be informed by sector plans and provincial and local plans. Various spheres of government should work together to establish effective and efficient plans that will promote the functionality and institutional integrity of government.

Long-term objectives and milestones for planning should be developed. For this reason, a monitoring and evaluation function should be implemented to measure the achievement of the long-term objectives. Performance monitoring and evaluation will assess progress, identify constraints, weaknesses and failures in implementation, and effect mechanisms of correction or enhancement.

The products of planning from the national vision, the MTSF, provincial growth and development instruments, to municipal development plans and programmes of action will have to be aligned. The national strategic plan therefore defines the framework for detailed planning and action across all spheres of government. Strategic priorities established within the national strategic plan should therefore guide and govern the planning and action of all government institutions.

1.4.2 Medium Term Strategic Framework

The basic thrust of the Medium Term Strategic Framework 2009 -2014 (MTSF) is to improve the conditions of life of all South Africans and contribute to building a better Africa and a better world. The MTSF base document is meant to guide planning and resource allocation across all the spheres of government. National and provincial departments in particular will need immediately to develop their five-year strategic plans and budget requirements taking into account the medium-term imperatives. Similarly, informed by the MTSF and their 2006 mandates, municipalities are expected to adapt their Integrated Development Plans in line with the national medium-term priorities. The strategic priorities are as follows:

1.4.2.1 Strategic Priority 1: Speeding up growth and transforming the economy to create decent work and sustainable livelihoods

The main objective over the medium-term is to respond appropriately, promptly and effectively so that growth in decent employment and income security are reinforced and investment sustained to build up national economic capability and improved industrial competitiveness. The MTSF places emphasis on improved support systems and structures (i.e. infrastructure, training, regulations, marketing support, and finance) for economic activities with potential to create work. Creation of decent work opportunities therefore is the primary focus of economic policies.

1.4.2.2 Strategic Priority 2: Massive programme to build economic and social infrastructure

Government will continue with the infrastructure investment programme aimed at expanding and improving social and economic infrastructure, transportation, energy, water, sanitation and information and communications infrastructure to increase access, quality and reliability of public services and to support economic activities while also considering environmental sustainability and pursuing maximum employment impact. The aim is to ensure sustained investment growth over the medium-term so as to achieve the target of a fixed investment ratio above 25% of GDP by 2014.

1.4.2.3 Strategic Priority 3: Comprehensive rural development strategy linked to land and agrarian reform and food security

Between 10 and 15 million South Africans live in areas that are characterized by extreme poverty and under-development. Largely rural, many of these areas have an average per-capita income approximately 9% of the national average. Like urban areas, rural areas are diverse and varied in terms of their basic resources, characteristics and development patterns. Government's approach to spacial development should encourage policy actions that are responsive and conducive to the requirements of the different contexts prevailing in each territory, primarily levels of economic potential and location of poverty. In this regard, the National Spatial Development Perspective will be reviewed and, where appropriate, adjusted.

Spatially differentiated; fast-track land reform; provide institutional support (incl. water harvesting, irrigation schemes, implements and inputs); shielding valuable agricultural land; ensure 60% satisfaction of food requirements through own production by 2014; improve rural transport (including logistics); skills development (develop rural further education and training (FETs) centres and agricultural colleges); rural town revitalization (develop a rural nodal system and the neighbourhood development partnership grant (NDPG) is to be extended to rural towns); improve light manufacturing, tourism and cultural work opportunities in rural areas and develop cooperatives in rural areas (including a one-stop shop to provide all the necessary support for cooperatives).

1.4.2.4 Strategic Priority 4: Strengthen the skills and human resource base

Since 1994, government undertook aggressive investment in education and training, a result of which is that education has enjoyed the largest share of the national budget throughout the past 15 years. This significant investment in building human capital and capabilities has gradually improved the quality of the country's human resource and skills base. Recognizing the importance of skills and education to enable every member of society to realize her/his potential and participate in social and economic life and thus contribute to the reduction of inequality.

- the objective is to focus our skills and education system towards the delivery of quality outcomes.

1.4.2.5 Strategic Priority 5: Improve the health profile of all South Africans

Improving access to health services and achieving better clinical and patient outcomes from the public health system is a central goal of government's health care services. The health sector saw significant increases in real expenditure in the 2004 to 2009 period reflected in expanded infrastructure, upgrading of facilities and broadening the available package of health services. The poor quality of health care, aggravated by the burden of disease, calls for an overhaul of the health system. A National Health Insurance system will be phased in.

1.4.2.6 Strategic Priority 6: Intensify the fight against crime and corruption

While significant progress has been recorded, further success however rests upon overcoming critical weaknesses in the functioning of the criminal justice system (CJS) including lack of integrated implementation, the shortage of critical skills and suboptimal use of resources leading to huge case and workloads for the police, courts and correctional centres, the less than satisfactory accountability systems and the disappointing levels of citizen involvement and community mobilization in the fight against crime. 31 Municipalities have to develop and implement anticorruption strategies. A possible review of the Community Policing Forums (CPFs) is to transpire.

1.4.2.7 Strategic Priority 7: Build cohesive, caring and sustainable communities

Social cohesion - that which gives members of a society the capacity to cooperate in ways that create the possibility for positive change- is important if we are to achieve development success. However inequalities of condition (wealth, income, education, health) and inequality of opportunity and a general absence in society of being part of a common enterprise, facing shared challenges and belonging to the same democracy with a shared destiny, is placing stress and strain on social cohesion. The provision of comprehensive social assistance and social insurance (social transfers, unemployment insurance fund (UIF), basic services, etc); development and strengthening of community organizations (school governing bodies (SGBs), street committees, CPFs, etc) and nation-building.

1.4.2.8 Strategic Priority 8: Pursuing African advancement and enhanced international cooperation

Pursuant to the 2004-09 Medium Term Strategic Framework government committed itself to pursue the objective of contributing to and promoting the creation of a better Africa and a better world. Significant advances have been made but many challenges remain. The main goal of government for the medium- term is to ensure that our foreign relations contribute to the creation of an environment conducive for economic growth and development especially in Africa and other developing countries.

1.4.2.9 Strategic Priority 9: Sustainable Resource Management and Use

South Africa, like the rest of the world, is vulnerable to the impacts of climate change, biodiversity loss and diminishing water resources. The 2006 State of the Environment Report provided a comprehensive analysis of the state of South Africa's natural resources and ecosystems, which advances the need for a balanced approach.

The main objective of government is to encourage sustainable resource management and use by focusing on various interventions including the diversification of the energy mix in pursuance of renewable energy alternatives and promotion of energy efficiency; adopting waste reduction practices by encouraging the re-use of waste outputs as productive inputs; enforcing zero tolerance approach to illegal and unsustainable exploitation of resources; improving air and atmospheric quality for health and well being of citizens; supporting local and sustainable food production; sustainable water use and pre- serving quality of drinking water and enhancing biodiversity and the preservation of natural habitats.

1.4.2.10 Strategic Priority 10: Building a developmental state including improvement of public services and strengthening democratic institutions

In the previous mandate period, government committed itself to improving the capacity of the state for growth and development. It identified strengthening the capacity of the local government sphere as a critical area of focus. Government also committed itself to making information available to citizens about public services and opportunities offered by our democracy. Furthermore, it called for a new culture in the operation of government, informed by the concept of a People's Contract, to take root across all spheres of government. Build an effective and accountable state and active citizenship (improve citizen feedback); focus on improving the capacity and efficacy of the state (through the planning commission, vision 2025 and utilizing the spatial development framework as an instrument for joint planning and alignment); improve the delivery and quality of public service (single public service to be finalized, improve technical skills in critical areas of basic service delivery and develop a core set of indicators); development of a common dataset; integrate and monitor the work of State Owned Enterprises (SOEs); finalize the powers and functions review; unqualified audit opinions for municipalities in the province and build partnerships and strengthen democratic institutions (strengthen the work of community development workers (CDWs).

As a result of the global economic crisis, growth in public spending is likely to slow for the next two to three years. In addition to the tough choices that will have to be made now, it will also be necessary in the medium-term to reverse the large budget deficits that this posture will exact. The MTSF will be the central guide to resource allocation across the three spheres of government. At the same time, a comprehensive review of expenditure patterns of departments should open up possibilities for savings and reprioritization. In this regard, while it is a matter of principle that all the priorities should receive urgent attention, it may be necessary to phase them in and sequence their comprehensive Implementation taking into account the availability of resources infrastructure, human and financial. In the submission and interrogation of budgetary submissions, account should be taken of the priorities identified above, including decent jobs, human capital development and rural development.

The MTSF will be reviewed annually, in the light of a changing environment and experience in implementation. Ideally, a medium-term programme of government should draw its posture and content from the long-term plan. The annual review of the base MTSF in 2010 should ensure such alignment with the long- term plan, without detracting from the electoral mandate. It is also suggested that the current annual planning cycle be improved.

The current annual planning cycle is as follows:

- The base five year MTSF is adopted at the beginning of the mandate period and updated/reviewed annually;
- The Medium Term Budget Policy Statement is presented to Parliament;
- The integration of detailed programmes for the next year. In other words, the detailed programme for the year contains items that are already budgeted for; and
- The Programme of Action is an annual statement of government's priorities for the year.

1.4.3 Government Programme of Action

The Programme of Action (POA) is an annual statement of government's priorities for the year. It aims to outline government's major plans for the year ahead. These plans are announced in the State of the Nation Address delivered by the President during the opening of Parliament. The POA is informed by the MTSF, the deliberations of the January Cabinet Lekgotla and the Premier's State of the Nation's Address.

The purpose of POA is to improve the operation of the mechanisms within government to ensure the proper monitoring and evaluation of work being done.
Government has identified 10 priority areas, from now to 2014. These are to:

- Speed up economic growth and transform the economy to create decent work and sustainable livelihoods;
- Introduce a massive programme to build economic and social infrastructure;
- Develop and implement a comprehensive rural development strategy linked to land and agrarian reform;
- Food security;
- Strengthen the skills and human resource base;
- Improve the health profile of all South Africans;
- Intensify the fight against crime and corruption;
- Build cohesive, caring and sustainable communities;
- Pursue African advancement and enhanced international cooperation;
- Ensure sustainable resource management and use; and
- Build a developmental state, improve public services and strengthen democratic institutions.

1.4.4 National Spatial Development Perspective (NSDP)

The premise on which the National Spatial Development Perspective (NSDP) (2006) is based is one which seeks to redress the spatial imbalances caused by Apartheid planning. The aim is to encourage government to make urbanization and urban economic development central in its prioritization for development spending.

The NSDP seeks to set a spatial rationale for focusing all government (national, provincial and local) ef- forts on centralized areas. It does recognize development in areas where economic growth is not growing as fast, hence appropriate interventions need to be established.

The NSDP contains a set of normative principles to guide investment decisions and planning at provincial and local level:

Principle 1: Rapid economic growth that is sustained and inclusive is a pre-requisite for the achievement of other policy objectives, among which poverty alleviation is key.

Principle 2: Government has a constitutional obligation to provide basic services to all citizens wherever they reside.

Principle 3: Beyond the constitutional obligation government spending on fixed investment should be focused on localities of economic growth and/or potential in order to gear up private-sector investment, to stimulate sustainable economic activities, and to create long-term employment opportunities.

Principle 4: Efforts to address social inequalities should focus on people, not places. In localities where there are both high levels of poverty and demonstrated economic potential, this could include fixed capital investment beyond basic services to exploit the potential of those localities. In localities with low demonstrated economic potential, Government should concentrate primarily on human capital development by providing social transfers such as grants, education and training, and poverty-relief programmes.

Principle 5: In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or that link the main growth centres.

Infrastructure investment should primarily support localities that will become major growth nodes in South Africa and the SADC region to create regional gateways to the global economy.

The NSDP introduces a spatial analysis approach whereby the space economy is analyzed in terms of potential and need, which was used to develop an overview of the national space economy and the identification of 26 areas of national economic significance and a number of nationally significant poverty concentrations.

1.4.5 Accelerate and Shared Growth Initiative for South Africa (ASGISA)

ASGISA is aimed at halving poverty and unemployment in South Africa by 2014. The initiative is aiming to achieve these objectives by maintaining an economic growth rate of 5% between 2006 and 2014, between 2005 and 2009 maintaining an annual growth rate of 4.5% and between 2010 and 2014 maintain an annual growth rate of 6%.

The initiative aspires to the following social objectives:

- Ensure the development of labour absorbing economic activities;
- Allow for the fruits of economic growth to be shared;
- Reduce inequalities predominant in the country;
- The current global economic meltdown posed significant challenges that need to be addressed.
  In response to this challenge the Dihlabeng Local Municipality, within its mandate, can explore the counter measure by addressing the following:
- Infrastructure backlogs and investment retention and promotion;
- The inefficiencies produced by the irrational settlement patterns that resulted from the apartheid period;
- The economic impact of living far away from work opportunities; and
- Constraints caused to investment and development initiatives as a result of municipal planning.

1.4.6 National Aids Strategy

The strategy is designed to guide South Africa’s response to HIV & AIDS and sexual transmitted Infection (STI) control. The strategy recognizes that the following contextual factors relating to HIV & AIDS and STI transmissions:

- That poverty is critical in terms of spreading the epidemic;
- That gender and gender based violence is also central to the problem;
- That cultural attitudes and practices which are rigid and conservative may result in the increased spread of these diseases;
- That stigma, denial, exclusion and discrimination increase peoples un-likeliness to test or seek help once they have contracted these diseases;
- That mobility and labour migration increases some peoples likeliness to engage with other partners thus increasing the spread of the epidemic; and
- That social fragmentation in informal areas adds to vulnerability of these communities.

The strategy identifies women, adolescents and young adults (15-24 years), children 0-14 years, people with disabilities, men who have sex with men, commercial sex workers, mobile, casual and atypical forms of work, refugees, injecting drug use and incarcerated individuals as those who are most vulnerable to the pandemic. In order to deal with the pandemic the following focus areas are proposed:

- Preventions (Priority Area 1);
- Treatment, care and support (Priority Area 2);
- Research, monitoring and surveillance (Priority Area 3); and
- Human Rights (Priority Area 4).

1.4.7 *Free State Growth and Development Strategy*

The Free State Growth and Development strategy is aimed to create a unified prosperous Free State which fulfils the needs of all people. Based on the social and economic development challenges in the province, the following has been identified as key strategic objectives:

- Stimulate economic development;
- Develop and enhance infrastructure for economic growth and social development;
- Reduce poverty through human and social development;
- Ensure a safe and secure environment for all people of the province; and
- Promote effective and efficient governance and administration.

1.4.8 *Free Sate Spatial Development Framework*

The 2009 Free State Spatial Development Framework primary aim is to guide spatial planning, land development and land use management in the Province.

The objectives of the Free State Spatial Development Framework are to:

a) Inform on the strategic focused areas (spatially) of provincial departments and service providers.
b) Foster spatial development in such a way that resources are invested optimally and areas of potential are promoted in a suitable manner.
c) Identify key spatial development issues, main nodes and zones of potential - here development could be encouraged, and those natural systems and environmental areas where development should be carefully and sensitively managed.
d) Provide management principles and criteria for spatial development issues to enable Local and District Municipalities to formulate IDPs within a broad policy framework that is aligned to national planning strategies.
e) Give direction to line departments within Provincial Government and other development agencies responsible for investment programmes, infrastructure and development.
f) Assist to co-ordinate sectoral plans and interdepartmental co-operation.
g) Manages development in the province towards achievement of a common vision and set of objectives.
h) Guide as to where development attention could be directed in the province to achieve the most effective benefits in a co-ordinated manner for the ordering of spatial development in areas of opportunity and need.
i) Provide the framework for the spatial elements of development actions from a provincial perspective.
j) Derived from the Provincial Growth and Development strategy.

1.4.9 *Dihlabeng Local Municipality Turnaround Strategy*

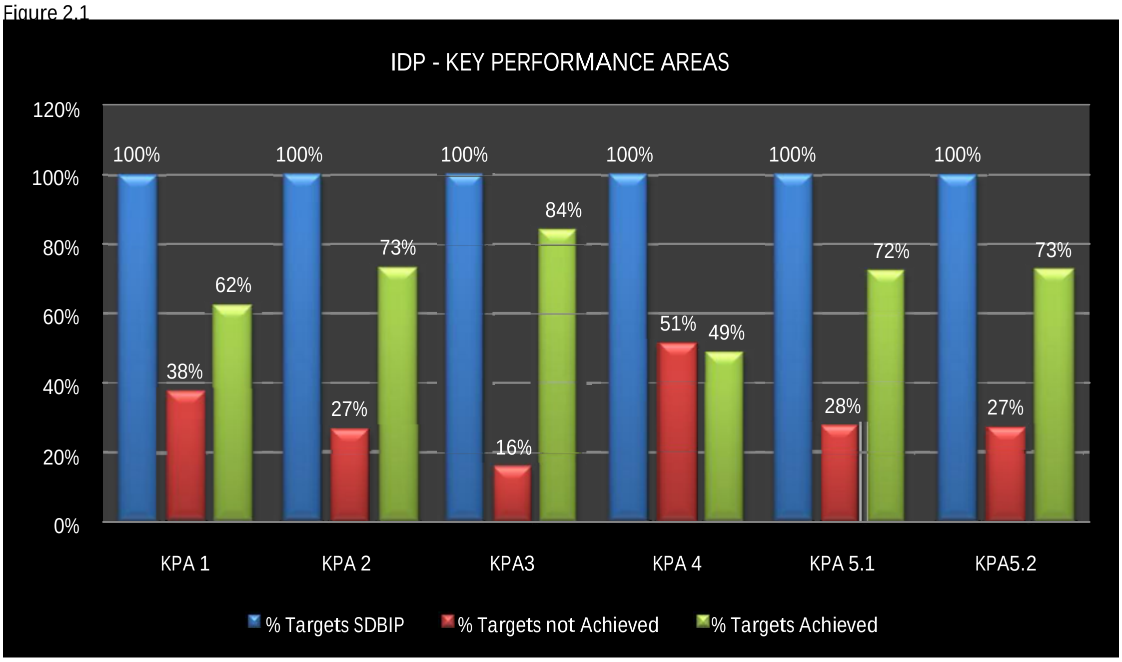
All Local Municipalities within South Africa was tasked by National Government to prepare turnaround strategies with the objectives to:

- Restore confidence in the municipalities, as the primary delivery machine of the developmental state at a local level; and
- Rebuild and improve the basic requirements for a functional, responsive, accountable, effective, and efficient developmental local government.
- Encourage the involvement of communities and community organizations in the matters of local government;
- Facilitate the culture of public service and accountability amongst its staff; and
- Assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms.

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 BUSINESS PERFORMANCE SUMMARY

Figure 2.1



Dihlabeng Local Municipality in executing its core business focused on expediting effective and efficient people-centred governance and provision of value for money services to the community. During the year under review as Council we continued to focus on the following Key Performance Areas:

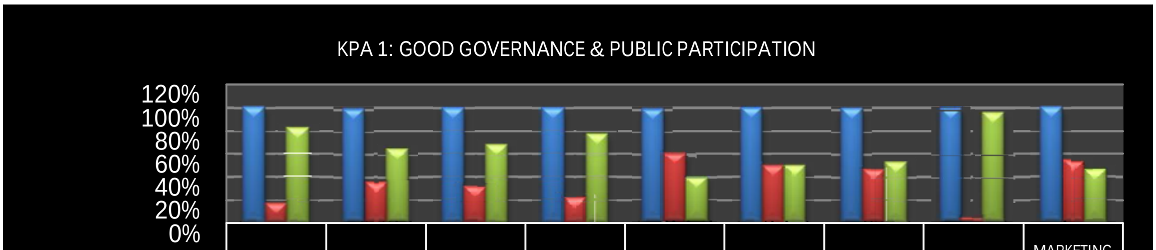
- Encouraging and creating conditions conducive for public involvement in the affairs of the Dihlabeng Local Municipality
- Ensuring Financial Viability and compliance to relevant legislation
- Transforming and Strengthening Institutional Capacity aimed at ensuring effective and efficient service delivery
- Building Economic Capacity of Dihlabeng to improve the economic future, sustainability and the quality of life for all
- Ensuring that services are delivered to the Community in line with strategies as outlined in the IDP

An analysis of our performance on each of the key performance areas is addressed in paragraph *2.1.1 to 2.1.6* below. A visual presentation of our overall organisational performance against the annual targets is displayed in *figure 2.1* above.

2.1.1 *Office of the Municipal Manager– KPA 1*

The Programme's Strategic objective is to oversee, coordinate and manage the transformation and strategic agenda of the Municipality as well as facilitating the development process by proving advise and project support to the Mayor and the Speaker and thereby ensuring political and administrative cohesion.

Figure 2.1



	OFFICE OF THE MAYOR	OFFICE OF THE SPEAKER	IDP	PMS	RISK MANAGEMENT	INTERNAL AUDIT	ICT	SECRETARIAT	MARKETING & COMMUNICATIONS
% Targets SDBIP	100%	100%	100%	100%	100%	100%	100%	100%	100%
% Targets not Achieved	17%	35%	31%	22%	61%	50%	46%	3%	54%
% Targets Achieved	83%	65%	69%	78%	39%	50%	54%	97%	46%

The primary function of this area is to create and encourage conditions conducive for good governance and effective public participation processes. In essence it was our mandate to oversee the following:

- Functional Ward Committees and Council
- Integrated Development Planning
- Sufficient internal controls and effective risk management
- Skills development and talent management
- IT Infrastructure to facilitate business processes and
- Constant communication and accountability

Dihlabeng Local Municipality developed and adopted a risk management strategy to oversee the effective implementation of a risk based internal audit plan. Each business unit has a risk register that talks to implementation of appropriate internal controls and ensures compliance to legislative and policy frame work. The Audit committee is functional and continues to execute the oversight role.

During the year under review Council focused on Performance Management and in particular developing programmes to facilitate our readiness to comply with the National Outcome Based Approach. More emphasis will be placed on performance monitoring and evaluation hence the establishment of a Section 80 committee solely focusing on planning, monitoring and reporting on achievements against set targets.

We were able to realise 62% of the SDBIP targets during the year under review. Figure 2.1 gives a reflection on how we did against predetermined targets in particular talking to Good Governance and Public Participation. A detailed report of our performance is attached under Chapter 5 of this report.

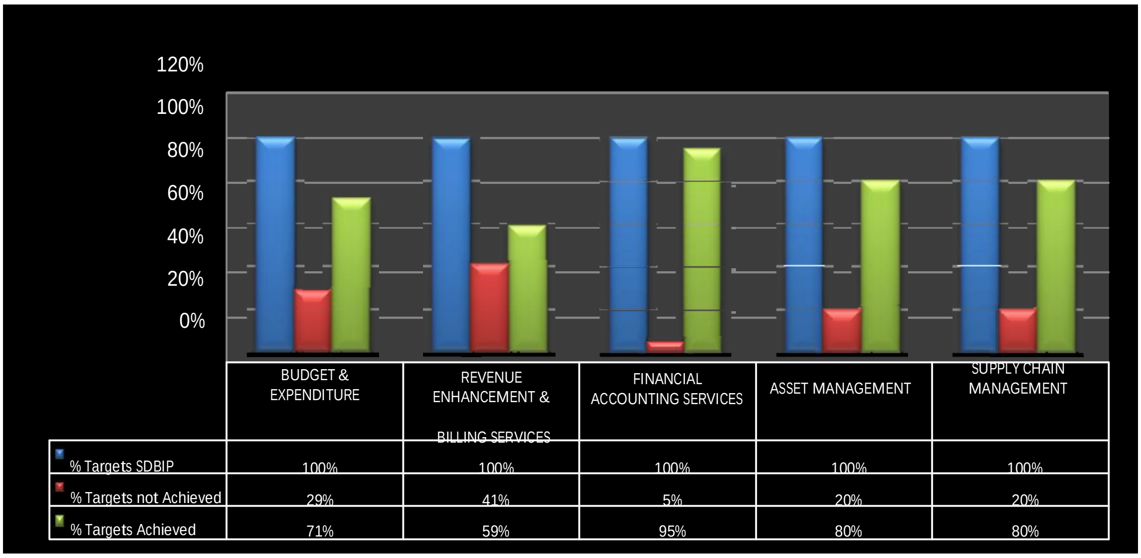
For the year ahead we will be focusing on the following: but not limited to,

- Adopt IDP planning processes appropriate to the capacity and sophistication of the Municipality
- Implement the community work programme
- Ensure ward committees are representative and fully involved in community consultation processes around the IDP, budget and other strategic service delivery issues
- Functional Organisational Performance Management system
- Effective Internal Audit and Risk Management practice

2.1.2 *Finance – KPA 2*

The Programme's Strategic objective is to manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.

Figure 2.2



During the year under review, the following strategic priorities were identified and appropriate internal controls deployed to manage and improve on our financial viability:

- Ensure availability of a credible budget
- Revenue enhancement
- Effective Debt Management
- Proper Cash Flow Management
- Ensure proper accounting for public funds
- GRAP compliant Asset Register
- Transparent Supply Chain Management
- Ensure accurate and proper financial reporting

We were able to realise 73% of the SDBIP targets. Figure 2.2 gives a reflection of our performance against predetermined targets with regard to financial viability. A detailed report of our performance is attached under Chapter 5 of this report.

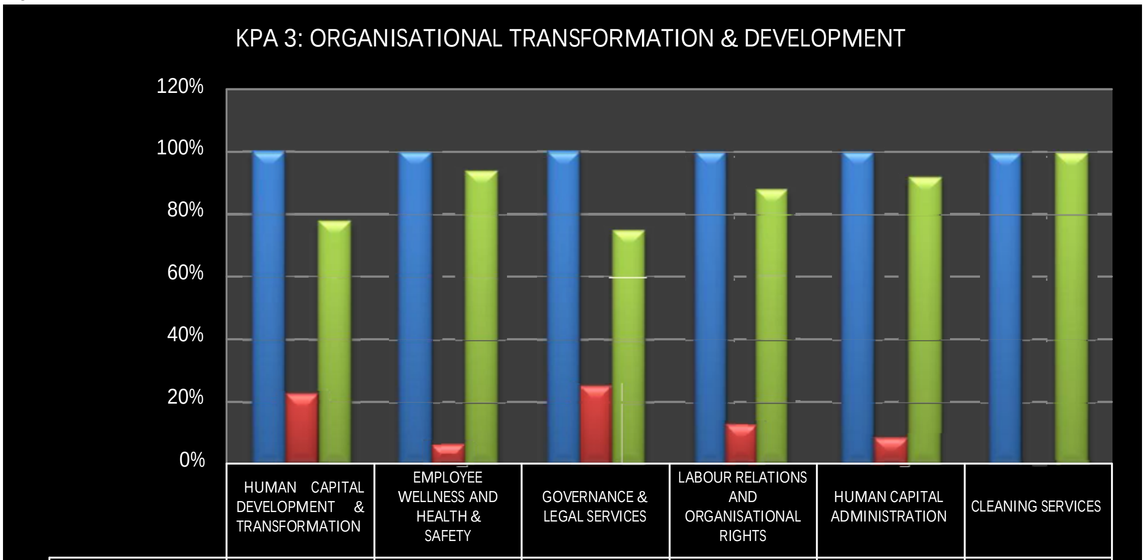
For the year ahead we will be focusing on the following: but not limited to:

- Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption
- The establishment of the Public Accounts Committee
- Intensify the implementation of the Revenue Enhancement Strategy
- Effective implementation of an integrated Financial Management System

2.1.3 *Corporate Services – KPA 3*

The Programme's Strategic objective is to provide internal support services, facilitate transformation and development and ensure service excellence to the Dihlabeng Community.

Figure 2.3



	HUMAN CAPITAL DEVELOPMENT & TRANSFORMATION	EMPLOYEE WELLNESS AND HEALTH & SAFETY	GOVERNANCE & LEGAL SERVICES	LABOUR RELATIONS AND ORGANISATIONAL RIGHTS	HUMAN CAPITAL ADMINISTRATION	CLEANING SERVICES
% Targets SDBIP	100%	100%	100%	100%	100%	100%
% Targets not Achieved	22%	6%	25%	13%	8%	0%
% Targets Achieved	78%	94%	75%	88%	92%	100%

During the year under review, the following priority areas were identified and appropriate strategies deployed to ensure sufficient transformation and Human Capital Development.

- To strengthen the institutional capacity
- To implement a Graduate Development Programme
- To encourage a culture of learning and education amongst the youth
- To finalise the implementation of the organisational structure and placement of employees
- To develop governance policies and by-laws to affect the functioning of the organisation
- To implement HIV/AIDS preventative measures
- To strengthen employer and employee labour relationship
- To ensure effective contract management and centralization of legal services
- To ensure effective records and filling systems management
- To ensure high levels of hygiene and cleanliness of all Council buildings

We were able to realise 84% of the SDBIP targets. Figure 2.3 gives a reflection of our performance against predetermined targets. A detailed report of our performance is attached under Chapter 5 of this report.

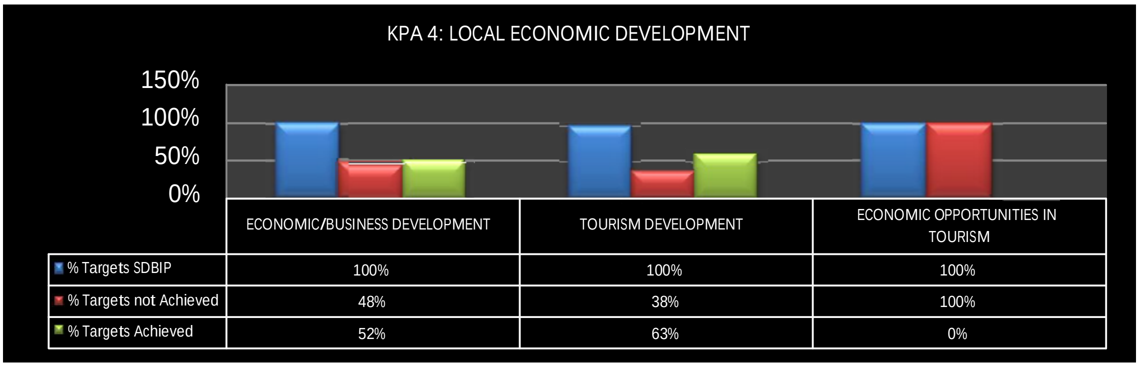
For the year ahead we will be focusing on the following areas: but not limited to,

- Review the Organisational Structure and ensure all funded vacancies are filled.
- Policy and by-Law development and effective implementation
- Effective Talent Management and Skills Development
- Provision of legal services and integrated HR management systems
- Improved Labour Relations

2.1.4 *Local Economic Development - KPA 4*

The Programme's Strategic objective is to stimulate Economic Growth and create job and business opportunities, thus alleviating poverty.

Figure 2.4



	ECONOMIC/BUSINESS DEVELOPMENT	TOURISM DEVELOPMENT	ECONOMIC OPPORTUNITIES IN TOURISM
% Targets SDBIP	100%	100%	100%
% Targets not Achieved	48%	38%	100%
% Targets Achieved	52%	63%	0%

The primary function of this key performance area is to create and encourage conditions conducive for economic and SMME development. In essence it is our mandate to oversee the following:

- To create an enabling environment that stimulates economic development
- To develop and enhance sustainable tourism opportunities in order to become a popular tourist destination
- To implement measures in order to broaden the economic base of the area
- To create employment by promoting viable economic opportunities

The purpose of Local Economic Development (LED) is an approach to sustainable economic development that encourages residents of local communities to work together to stimulate local economic activity that will result in, inter alia, an improvement in the quality of life for all in the local community.

It is a process by which the public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation to advance the economic identity, based on local competitive and comparative economic profile.

It encompasses a range of disciplines, including physical planning, economics and marketing. It also incorporates many local government and private sector functions, including environmental planning, business development, infrastructure provision, real estate development and finance, translating into a range of sector investments.

We were able to realise 49% of the SDBIP targets. Figure 2.4 gives a reflection of our performance against predetermined targets. A detailed report of our performance is attached under Chapter 5 of this report. A draft LED strategy is developed and for the year ahead we will be focus sing on achieving enhanced economic growth and creating new employment opportunities in the following key areas, Agriculture and agro-processing; Tourism; Trade and Business including manufacturing. This will be accomplished through:

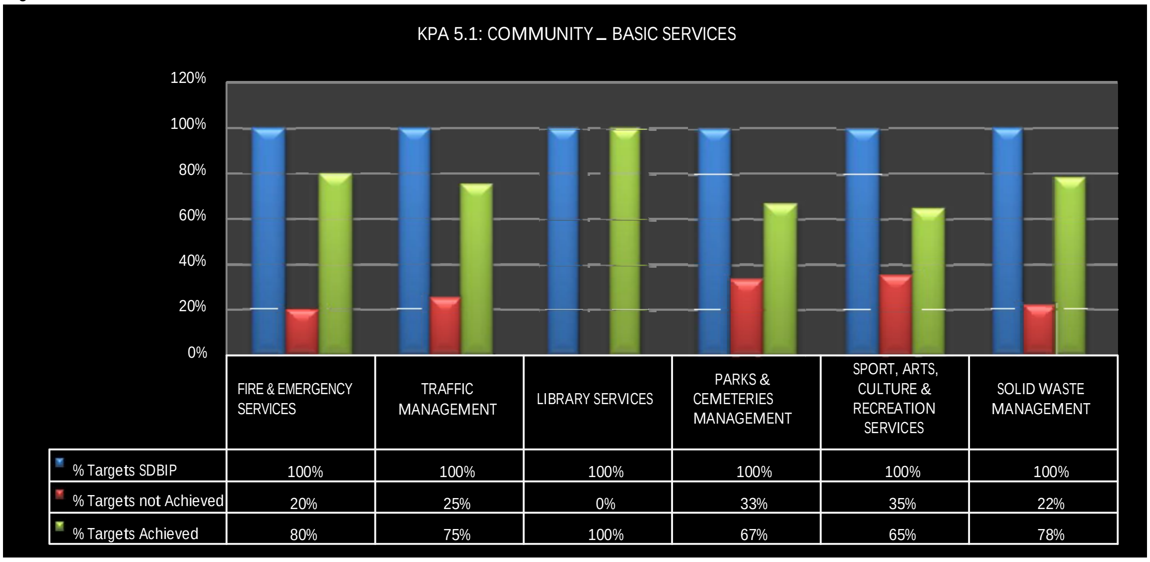
- Enhancing social equity
- Encouraging competitiveness
- Mobilizing domestic investment
- Ensuring stakeholder participation
- Broad Based Black Economic Empowerment
- Provision of appropriate infrastructure

The Municipality's commitment to LED will be facilitated through dedicated administration and bureaucracy.

2.1.5 *Community Services - KPA 5.1*

The Programme's Strategic objective is to ensure that social services are effectively provided to the Dihlabeng Community.

Figure 2.5



	FIRE & EMERGENCY SERVICES	TRAFFIC MANAGEMENT	LIBRARY SERVICES	PARKS & CEMETERIES MANAGEMENT	SPORT, ARTS, CULTURE & RECREATION SERVICES	SOLID WASTE MANAGEMENT
% Targets SDBIP	100%	100%	100%	100%	100%	100%
% Targets not Achieved	20%	25%	0%	33%	35%	22%
% Targets Achieved	80%	75%	100%	67%	65%	78%

During the year under review, the following priority areas were identified and appropriate strategies deployed to ensure effective provision of social services.

- To provide an effective fire fighting and rescue service
- To establish institutional capacity to handle all natural and human disasters
- To enforce traffic law and order on public roads and ensure safety in the use of municipal roads
- To provide library facilities to all residents and promote a culture of reading and lifelong learning
- To identify and develop new environmental areas
- To ensure timeous upgrading and integration of cemeteries
- To refurbish sport facilities within Dihlabeng
- To promote and develop all sporting codes
- To promote, develop and preserve art, cultural and heritage activities
- To ensure effective and prompt provision of waste disposal services to all towns within Dihlabeng
- To develop and implement an Integrated Waste Management Plan

We were able to realise 72% of the SDBIP targets. Figure 2.5 gives a reflection of our performance against predetermined targets. A detailed report of our performance is attached under Chapter 5 of this report.

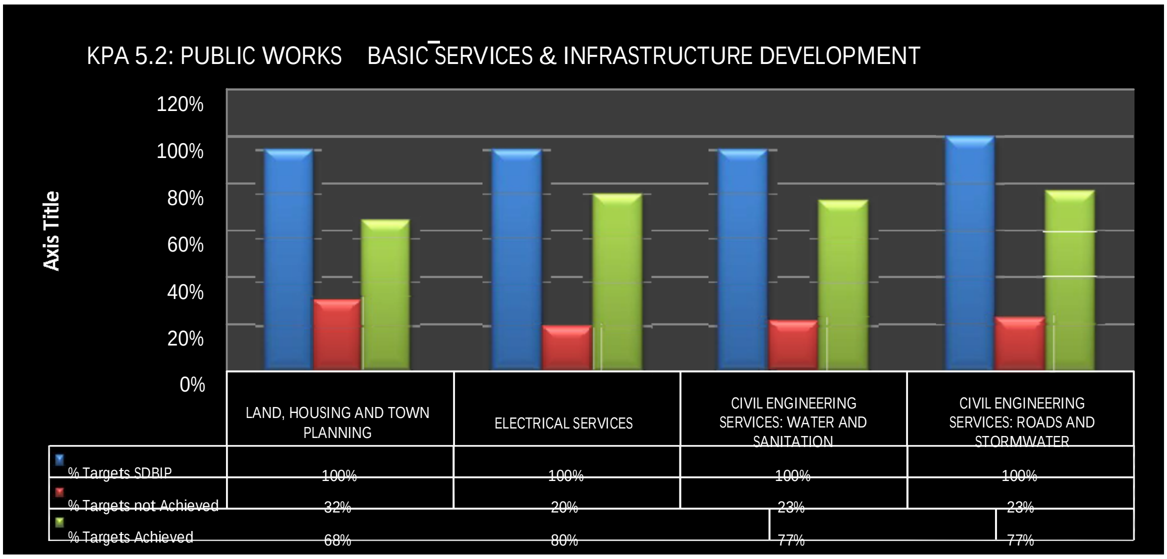
For the year ahead we will be focusing on the following areas: but not limited to,

- Improved waste management system and facilities
- Improved community services such as disaster management, cemeteries, parks, sport and libraries

2.1.6 *Public Works - KPA 5.2*

The Programme's Strategic objective is to deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.

Figure 2.6



We were able to realise 73% of the SDBIP targets. Figure 2.6 gives a reflection of our performance against predetermined targets. A detailed report of our performance is attached under Chapter 5 of this report.

The table below shows the current profile of Dihlabeng in terms of access to basic services. Our target is to ensure that by 2014 all households have access to basic services.

BASELINE ANALYSIS			
Access to Electricity	Access to piped water	Access to full & intermediate sanitation	Access to refuse removal services
FREE STATE PROVINCE			
86.6%	97.5%	69.4%	76.1%
DIHLABENG LOCAL MUNICIPALITY Percentage access to household services, source: Community Survey 2007			
70.7% - 22 508 HH	93.7% - 29 830 HH	81.3% - 25 882 HH	81.1% - 25 818 HH
KEY MEASUREMENT TARGETS FOR THE YEAR UNDER REVIEW			
71.2% - 22 667 HH	100% - 31 836 HH	97% - 30 880 HH	90% - 28 652 HH
– 159 HH 0.7% increase	–2 006 HH 6.7% increase	4 998 HH 19.3% increase	–2 834 HH 11% increase

The following is a complete set of infrastructure projects undertaken during the year under review. The successful completion of these projects will facilitate our progress made against the realisation of the millennium goals and in particular access to electricity, piped water, sanitation, refuse removal services and access to roads.

Plans are underway to conduct a community survey and this process is dependent on the establishment of ward committees. Ward profiles will be used to determine the current baseline with regards to access to basic services and inform our plans going forward.

2.1.7 **Report on Capital Projects**

DIRECTORATE	PROJECT DESCRIPTION	TOTAL BUDGET (R)	VERIFIED (PMU)	PEOPLE EMPLOYED	SERVICE PROVIDER	SERVICE LEVEL AGREEMENT
CIVIL ENGINEERING: WATER & SANITATION	Clarens – Upgrading of Waste Water Treatment Plant	12 000 000	YES	10	Mhlohlori/Imbhoba Matiyane Civils JV	Draft
	Upgrade of Fouriesburg/Mashaeng water supply system (Abstraction point) Completed	3 000 000	YES	N/A	Medfo Trading CK	Draft not signed
	Upgrading of boreholes and water purification plant in Rosendal/Mautse (Completed)	1 420 000	YES	N/A	Taole Trading	Draft – signed by Municipal Manager
CIVIL ENGINEERING: ROADS & STORM WATER	Bethlehem/Bohlokong new paved roads (Phase I & II – 5km completed)		YES	65	Mashinini Enterprise Thama Development & Project JV	Yes
	Kgubetswana – Construction of blocked paved roads (Phase I – 1.4km completed)	17 499 999 3 872 107	YES	15	Ke a Dira Construction	Yes
	Fateng – Upgrading of gravel road (3.2km completed)	7 485 810	YES	3`	Morgan Govender	Yes
	Fateng – Construction of paved roads and bulk storm water drainage (5km completed – 90%	5 269 940	YES	38	Ndlovu Ngwenyama Civils	Yes
	Mautse – Upgrading of 1.8km gravel road (1.2km completed – 90%)	4 365 500	YES	9	Makgotamishe Building Construction	Yes
	Construction of 5.9km of streets in Mashaeng (2.6 km under construction – 85% completed)	2 000 000	YES	30	Sub-Contractors	No
	Construction of storm water channels in Mashaeng – 2.7km (completed)	252 493	YES	15	Marenza Civils	No
	Construction of 1km tarred road in Panorama East (International Project – Completed)	2 000 000	YES		Dihlabeng Local Municipality	Internal
	Rehabilitation and resealing of roads in Panorama East, Bergsig and Bethlehem (completed)	4 356 413	YES		Tlotliso Sempe Construction (TS Building Construction)	Yes
ELECTRICAL ENGINEERING: ELECTRICAL SERVICES	Erection and installation of 6 high mast lights around Dihlabeng (100% completed – awaiting Eskom's connection)	1 640 464	YES	N/A	Nkanyezi Energy (Pty) Ltd	Yes
	Supply, Delivery & Installation of 10 High mast lights (100% installation completed – awaiting ESKOM's connection)	4 668 260	YES	N/A	Nkanyezi Energy (Pty) Ltd	Draft
	Supply and delivery of traffic lights for 6 intersections around the Bohlokong township – material delivered – awaiting Eskom to install points of supply	1 272 515		N/A	Nkanyezi Energy (Pty) Ltd	Yes
COMMUNITY SERVICES	Mashaeng: Upgrading of Sport Facility	10 204 000 (8 745 901)	YES	50	Sibamu Building Contractors	Yes
	Fateng: Upgrading of Sport Facility (Phase I)	10 000 000	YES	52	Mol Procon CC	Draft
	Bohlokong: Construction of Community Hall (Phase 1)	24 000 000	YES	29	Boiketlong Consult. Eng & Group Two Enterprise	Yes
	Bohlokong: Construction of Tennis Courts (70% completed)	2 000 000	YES	15	Mol Procon CC	Yes
	Refurbishment of rest rooms, pavilion and change rooms at Goble Park Stadium	197 945 .14	YES		Mmasekatana General Trading CC	Yes
	Empty and Cleaning of 300 VIP toilets in Paul roux	182 970		N/A	Isintu Properties CC	Yes

DIRECTORATE	PROJECT DESCRIPTION	TOTAL BUDGET (R)	VERIFIED (PMU)	PEOPLE EMPLOYED	SERVICE PROVIDER	SERVICE LEVEL AGREEMENT
COMMUNITY SERVICES	Empty and Cleaning of 450 VIP toilets in Mautse	274 455		N/A	Isintu Properties CC	Yes
	Supply and delivery of 4 000 bins on wheels and 3 000 dust bins	1 949 400	YES	N/A	Setshabelo Trading 620 CC	Yes
	Provision of relevant machinery and technical skills to operate and maintain the Bethlehem Regional Landfill site – Multi-year contract (3 years)	28 235 520	YES	N/A	Mashinini Enterprise	Yes
	Grave digging services at all cemeteries when needed				Mashinini Enterprise Plant Hire	Draft – signed by Mun. Manager
	Environmental management and the establishment of a Waste Recycling Services	60 000	YES		Clarens Village Conservancy (CVC)	Yes
LED	Upgrading of existing infrastructure on the following projects:	1 925 493			Mama Africa Construction & Maintenance	Yes
FINANCE	Provision of Prepaid Electricity Vending Services		YES	N/A	Utilities World	Draft – signed by Mun. Manager

2.1.8 *Report on Professional Services*

DIRECTORATE	PROJECT DESCRIPTION	TOTAL BUDGET (R)	VERIFIED (PMU)	PEOPLE EMPLOYED	SERVICE PROVIDER	SERVICE LEVEL AGREEMENT
OFFICE OF THE MUNICIPAL MANAGER	Management of the Project Management Unit – Multi-year contract – 3 years	5 112 000	YES	N/A	Mphati & Associates	Yes
	Provision of a 24-hour Security Service on areas as specified by Council. Multi-Year contract – 3 years	11 945 850	YES		Cybko Security Services CC	Yes
	Provision of Information Technology Services. Provide 11 copiers	3 657 305	YES	N/A	BC Solution	Yes
	Development of ICT Strategy (subject to negotiations)	2 657 305		N/A	Meropa Sechaba Technology	
	Review of the 2010/2011nIDP	176 700	YES	N/A	Emendo Inc	Yes
	Implementation of an Electronic Performance Management System	199 868	YES	N/A	PriceWaterhouse -Coopers (PWC)	Yes
	FIFA World Cup Public View area	1 050 000	YES	N/A	Zam Entertainment	Yes
	Forensic Investigation	1 671 098	NO	N/A	Ramathe Fivaz Forensic & Investigative Accounting Services	Draft
	Provide 65 vehicles on a full maintenance lease basis		NO	N/A	Round Fleet	Draft
FINANCE	Revenue enhancement Strategy development and implementation		YES	N/A	Dinatla	
LED	Development of a Local Economic Development Strategy for Dihlabeng Local Municipality	381 900	Yes	N/A	Urban-Econ (Pty) Ltd	Yes
CIVIL ENGINEERING: WATER & SANITATION	Provide civil engineering and construction services for Fateng Tse Ntsho upgrading of sport & recreational facility	% of project cost	YES	N/A	Mol Procon CC	Draft
CIVIL ENGINEERING: ROADS & STORM WATER	Design and Supervision of the upgrade of gravel roads and storm water in Rosendal/Mautse	% of project cost	YES	N/A	Mogan Govender Consultancy	Draft
	Design, Supervision and construction of 5.8km gravel road in Fateng Tse Ntsho	% of project cost	YES	N/A	JV Ndlovu Ngwenyama	Draft
	Design and Supervision of the construction of paved roads in Bohlokong and Bethlehem	% of project cost 40 000 000	YES	N/A	Proper Consulting Engineers/Mol Procon	Draft

Chapter 3: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

3.1 Audited Service Delivery and Budget Implementation Report – Annexure A

3.2 Audited Performance Assessment Report – Annexure B

Chapter 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

Dihlabeng Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Bankers	ABSA

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

The annual financial statements set out on pages 6 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Accounting Officer

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Other financial assets	6	354,700	421,371
Inventories	8	886,431	2,918,840
Trade and other receivables from exchange transactions	9	88,764,476	159,873,484
Other receivables from non-exchange transactions	10	2,275,972	604,382
Cash and cash equivalents	12	59,066	45,130
		92,340,645	**163,863,207**
Non-Current Assets			
Investment property	3	6,403,662	6,403,662
Property, plant and equipment	4	635,108,038	579,883,497
Intangible assets	5	983,620	983,620
Other financial assets	6	811,320	736,774
Prepayments		1,183,455	-
Long-term debtors		-	326,963
		644,490,095	**588,334,516**
Total Assets		**736,830,740**	**752,197,723**
Liabilities			
Current Liabilities			
Cash and Cash Equivalents	12	25,448,041	47,447,860
Other financial liabilities	13	3,971,956	4,048,038
Trade and other payables from exchange transactions	17	59,653,850	35,812,121
VAT payable	18	13,085,561	1,851,628
Unspent conditional grants and receipts	15	9,716,000	2,699,000
		111,875,408	**91,858,647**
Non-Current Liabilities			
Other financial liabilities	13	35,867,643	41,208,422
Finance lease obligation	14	57,176	89,779
Retirement benefit obligation	7	21,400,326	20,656,529
Provisions	16	18,929,300	9,296,845
Consumer deposits		3,278,322	3,189,275
		79,532,767	**74,440,850**
Total Liabilities		**191,408,175**	**166,299,497**
Net Assets		**545,422,565**	**585,898,226**
Net Assets			
Accumulated surplus		545,422,565	585,898,226

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of sundry services		1,123,843	1,047,838
Property rates	19	52,074,194	53,068,426
Service charges	20	175,961,990	161,432,020
Sale of housing		29,070	-
Rental of facilities and equipment	33	3,525,265	3,037,369
Interest received		12,381,085	17,987,900
Fines		251,160	501,898
Licences and permits		33,987	(5,028)
Government grants and subsidies	21	115,541,926	85,861,585
Other income	22	683,481	(539,728)
Interest Received - Investments	28	25,925	67,776
Total Revenue		**361,631,926**	**322,460,056**
Expenditure			
Employee Related Costs	24	(100,929,299)	(92,011,503)
Remuneration of councillors	25	(7,917,822)	(7,144,082)
Administrative expenditure	26	-	(10,400)
Depreciation and amortisation	30	(31,438)	(31,438)
Fair Value Adjustment of Accounts Receivable		(1,124,983)	-
Finance costs	31	(6,316,006)	(11,051,650)
Debt impairment	27	(128,213,955)	(12,826,290)
Repairs and maintenance		(16,822,572)	(17,968,557)
Bulk purchases	36	(56,866,979)	(43,164,578)
Contracted services	34	(1,319,356)	(884,994)
Grants and subsidies paid	35	(9,365,512)	(5,355,486)
General Expenses	23	(83,764,260)	(71,501,654)
Total Expenditure		**(412,672,182)**	**(261,950,632)**
Gain or loss on disposal of assets and liabilities		10,251,726	161,673
Fair value adjustments - Investments	29	30,845	43,438
Fair value adjustments - Game Stock		(1,031,600)	542,225
(Deficit) surplus for the year		**(41,789,285)**	**61,256,760**

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported	-	547,121,783	547,121,783
Adjustments			
Difference regarding 2007 prior year error	-	255,957	255,957
Change in accounting policy, Implementation of GRAP	-	983,620	983,620
Prior year adjustments	-	(23,719,894)	(23,719,894)
Balance at 01 July 2008 - Restated	**-**	**524,641,466**	**524,641,466**
Changes in net assets			
Surplus for the year	-	61,256,760	61,256,760
Total changes	-	61,256,760	61,256,760
Opening balance as previously reported	-	585,898,225	585,898,225
Adjustments			
Prior year adjustments	-	1,313,625	1,313,625
Balance at 01 July 2009 as restated	**-**	**587,211,850**	**587,211,850**
Changes in net assets			
(Deficit) for the year	-	(41,789,285)	(41,789,285)
Total changes	-	(41,789,285)	(41,789,285)
Balance at 30 June 2010	**-**	**545,422,565**	**545,422,565**

Note(s)

Dihlabeng Local Municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		186,162,556	171,761,109
Grants		122,558,926	84,154,072
		308,721,482	255,921,014
Payments			
Employee costs		(108,887,917)	(99,155,585)
Suppliers		(121,797,017)	(140,397,474)
		(230,684,934)	(239,539,850)
Net cash flows from operating activities	37	**78,036,548**	**16,381,164**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(55,715,270)	(34,237,839)
Proceeds from sale of property, plant and equipment	4	10,251,726	161,673
Proceeds from sale of financial assets		22,970	(49,568)
Proceeds from sale of long-term debtors		326,963	-
Other cash item		(15,095)	-
Interest Income		25,925	67,776
Net cash flows from investing activities		**(45,102,781)**	**(34,057,958)**
Cash flows from financing activities			
Repayment of other financial liabilities		(5,416,861)	(2,026,113)
Movement in consumer deposits		89,047	338,057
Finance lease payments		(70,377)	(28,792)
Adjustment posted directly in surplus		756,411	3,738,896
Finance costs		(6,278,232)	(11,051,650)
Net cash flows from financing activities		**(10,920,012)**	**(9,029,602)**
Net increase/(decrease) in cash and cash equivalents		**22,013,755**	**(26,706,396)**
Cash and cash equivalents at the beginning of the year		(47,402,730)	(20,696,334)
Cash and cash equivalents at the end of the year	12	**(25,388,975)**	**(47,402,730)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

These accounting policies are consistent with the previous period

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the accounting Standards Board, are summarised as follows:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Seperate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC140) Business Combinations
IFRS 4 (AC141) Insurance Contracts
IFRS 6 (AC143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144) Financial Instruments: Disclosures
IAS 12 (AC102) Income Taxes
IAS 19 (AC116) Employee Benefits
IAS 32 (AC125) Financial Instruments: Presentation
IAS 36 (AC128) Impairment of Assets
IAS 39 (AC133) Financial Instruments: Recognition and Measurement

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including maintenance, changes in technology, market conditions, together with economic factors such as interest rate fluctations..

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Transitional provision

The municipality changed its accounting policy for investment property in 2009. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

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

1.3 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Infrastructure	
• Roads and Paving	10 - 30
• Airports	20
• Pedestrian Malls	20
• Electricity	10 - 30
• Water	15 - 20
• Sewerage	15 - 40
• Security Measures	3 - 5
Community	
• Buildings community	30
• Recreational Facilities	20
• Land	Infinite
Other property, plant and equipment	
• Office Equipment	5 - 7
• Furniture and Fittings	7 - 10
• Bins and Containers	5 - 10
• Emergency Equipment	5 - 15

1.3 Property, plant and equipment (continued)

• Motor Vehicles	3 - 20
• Plant and Equipment	5 - 15
• Buildings other	Infinite
• Other (Aircraft)	15

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

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

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Transitional provision

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 4. The transitional provision expires on 30 June 2011.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software	3 years
Website development costs	3 years

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities at fair value through surplus or deficit
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

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

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses

1.5 Financial instruments (continued)
arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.5 Financial instruments (continued)

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase,

1.5 Financial instruments (continued)

except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

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

Assets are carried at amortised cost.

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

1.6 Leases

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

Finance leases – lessee

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

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

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

Operating leases - lessor

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

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

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

Accounting Policies

1.6 Leases (continued)

This liability is not discounted.

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

1.7 Inventories

Water inventory are measured at the lower of cost and net realisable value.

Other inventory are measured at the lower of cost and net replacement value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of cash-generating assets

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

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both the liability.

1.11 Provisions and contingencies

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This

1.11 Provisions and contingencies (continued)

increase is recognised as an interest expense.

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

1.12 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the

municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

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

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

1.15 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

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

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly

Accounting Policies

1.18 Irregular expenditure (continued)

in the irregular expenditure register.

1.19 Use of Estimates

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

1.20 Presentation of Currency

These annual financial statements are presented in South african Rand which is the functional currency.

1.21 Offsetting

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

1.22 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.

1.23 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with 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.

Figures in Rand	2010	2009

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2009.

The municipality has adopted the interpretation for the first time in the 2010 annual financial statements.

The impact of the interpretation is material but the materiality cannot be determined.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and

2. New standards and interpretations (continued)

Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the

2. New standards and interpretations (continued)

date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

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

2. New standards and interpretations (continued)

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, n municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by

2. New standards and interpretations (continued)

employees;

- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;

2. New standards and interpretations (continued)

- Past service cost.

- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and

2. New standards and interpretations (continued)

- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects surplus or deficit. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Figures in Rand	2010	2009

3. Investment property

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	6,403,662	-	6,403,662	6,403,662	-	6,403,662

Reconciliation of investment property - 2010

	Opening Balance	**Total**
Investment property	6,403,662	6,403,662

Reconciliation of investment property - 2009

	Opening Balance	**Total**
Investment property	6,403,662	6,403,662

A register containing the information required by section 63 of the Municpal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The valuation was based on values of the properties as contained in the valuation roll. The valuation roll was updated by Arthur Lelosa independent valuers and implemented the 1st of July 2009.

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain investment property with a carrying value of R6,403,662 (2009: R6,403,662) was recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are as follows:

Due to initial adoption of GRAP 16

Investment property	6,403,662	6,403,662

Provisional amounts retrospectively adjusted during the year, are as follows for effect on the annual financial statements:

Investment property	6,403,662	6,403,662

The date at which full compliance with GRAP 16 is expected, is 30 June 2011.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Aircraft	3,850	-	3,850	3,850	-	3,850
Bins and containers	3,779,979	-	3,779,979	3,779,979	-	3,779,979
Buildings Other	18,130,784	-	18,130,784	17,521,253	-	17,521,253
Community - Buildings	19,430,738	-	19,430,738	11,917,358	-	11,917,358
Community - Land	177,407,324	-	177,407,324	177,347,732	-	177,347,732
Community - Recreational Facilities	24,064,973	-	24,064,973	10,437,362	-	10,437,362
Emergency Equipment	178,096	-	178,096	119,596	-	119,596
Finance Leased Assets	594,714	(547,545)	47,169	594,714	(516,107)	78,607
Furniture and equipment	2,545,009	-	2,545,009	2,212,462	-	2,212,462
Game Stock	1,445,800	-	1,445,800	2,477,400	-	2,477,400
Infrastructure - Airports	624,542	-	624,542	624,542	-	624,542
Infrastructure - Electricity	42,210,948	-	42,210,948	42,119,849	-	42,119,849
Infrastructure - Pedestrian Malls	9,701,631	-	9,701,631	9,701,631	-	9,701,631
Infrastructure - Roads	115,514,217	-	115,514,217	93,951,106	-	93,951,106
Infrastructure - Security Measures	2,329,204	-	2,329,204	2,196,427	-	2,196,427
Infrastructure - Sewerage	72,652,049	-	72,652,049	69,135,511	-	69,135,511
Infrastructure - Water	103,090,541	-	103,090,541	101,765,588	-	101,765,588
Motor vehicles	16,191,046	-	16,191,046	16,191,046	-	16,191,046
Office equipment	9,808,469	-	9,808,469	7,990,293	-	7,990,293
Plant and machinery	15,951,669	-	15,951,669	10,311,905	-	10,311,905
Total	**635,655,583**	**(547,545)**	**635,108,038**	**580,399,604**	**(516,107)**	**579,883,497**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Fair Value Adjustments	Other changes, movements	Depreciation	Total
Aircraft	3,850	-	-	-	-	3,850
Bins and containers	3,779,979	-	-	-	-	3,779,979
Buildings Other	17,521,253	609,531	-	-	-	18,130,784
Community - Buildings	11,917,358	7,513,380	-	-	-	19,430,738
Community - Land	177,347,732	59,592	-	-	-	177,407,324
Community - Recreational facilities	10,437,362	13,627,611	-	-	-	24,064,973
Emergency equipment	119,596	58,500	-	-	-	178,096
Finance leased assets	78,607	-	-	-	(31,438)	47,169
Furniture and equipment	2,212,462	332,547	-	-	-	2,545,009
Game Stock	2,477,400	-	(1,031,600)	-	-	1,445,800
Infrastructure - Airports	624,542	-	-	-	-	624,542
Infrastructure - Electricity	42,119,849	91,099	-	-	-	42,210,948
Infrastructure - Pedestrian Malls	9,701,631	-	-	-	-	9,701,631
Infrastructure - Roads	93,951,106	21,994,111	-	(431,000)	-	115,514,217
Infrastructure - Security measures	2,196,427	132,777	-	-	-	2,329,204
Infrastructure - Sewerage	69,135,511	3,516,538	-	-	-	72,652,049
Infrastructure - Water	101,765,588	321,644	-	1,003,309	-	103,090,541
Motor vehicles	16,191,046	-	-	-	-	16,191,046
Office equipment	7,990,293	1,818,176	-	-	-	9,808,469
Plant and machinery	10,311,905	5,639,764	-	-	-	15,951,669
	579,883,497	**55,715,270**	**(1,031,600)**	**572,309**	**(31,438)**	**635,108,038**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Fair Value Adjustments	Depreciation	Total
Aircraft	3,850	-	-	-	3,850
Bins and containers	3,779,979	-	-	-	3,779,979
Buildings Other	17,521,253	-	-	-	17,521,253
Community - Buildings	11,917,358	-	-	-	11,917,358
Community - Land	177,347,732	-	-	-	177,347,732
Community - Recreational facilities	3,215,644	7,221,718	-	-	10,437,362
Emergency equipment	105,596	14,000	-	-	119,596
Finance leased assets	110,045	-	-	(31,438)	78,607
Furniture and equipment	1,922,660	289,802	-	-	2,212,462
Game stock	1,935,175	-	542,225	-	2,477,400
Infrastructure - Airports	624,542	-	-	-	624,542
Infrastructure - Electricity	41,760,967	358,882	-	-	42,119,849
Infrastructure - Pedestrian Malls	8,667,531	1,034,100	-	-	9,701,631
Infrastructure - Roads	84,558,213	9,392,893	-	-	93,951,106
Infrastructure - Security Measures	2,196,427	-	-	-	2,196,427
Infrastructure - Sewerage	67,726,666	1,408,845	-	-	69,135,511
Infrastructure - Water	88,327,406	13,438,182	-	-	101,765,588
Motor vehicles	16,191,046	-	-	-	16,191,046
Office equipment	7,659,614	330,679	-	-	7,990,293
Plant and machinery	9,563,167	748,738	-	-	10,311,905
	545,134,871	**34,237,839**	**542,225**	**(31,438)**	**579,883,497**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Finance leased assets	47,169	78,607

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain property, plant and equipment with a carrying value of R 583,731,151 (2009: R 591,231,032) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

Property, plant and equipment	635,108,040	589,300,123

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality is in the process of identifying and classifying the assets into their respective categories. The Infrastructure assets were identified and will be taken into account in the next financial year.

The date at which full compliance with GRAP 17 is expected, is 30 June 2011.

A register containing the information required by section 63 of the Municpal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	983,620	-	983,620	983,620	-	983,620

Reconciliation of intangible assets - 2010

	Opening Balance	**Total**
Computer software	983,620	983,620

Reconciliation of intangible assets - 2009

	Opening Balance	**Total**
Computer software	983,620	983,620

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain intangible assets with a carrying value of R 983,620 (2009: R 983,620) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. Intangible assets (continued)

Due to initial adoption of GRAP 102

Computer Software	983,620	983,620

Steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

The Municipality identified Computer Software as intangible assets in the previous financial year. They are in the process of identifying the remaining intangible assets that may exist.

The date at which full compliance with GRAP 102 is expected, is 30 June 2011.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
6. Other financial assets		
Loans and receivables		
Short-term deposit Standard Bank The short-term deposit at Standard Bank is fixed and matures at a future date. The balance is represented by: Standard Bank Call Account 248 786 032 R - (2010) R 2 276 (2009)	-	2,276
Financial Instrument ABSA Short-term Deposit The short-term deposit at ABSA is fixed and matures at a future date. The balance is represented by the following fixed deposits: ABSA 205 630 2408 R 10 000 (2010) R 13 024(2009) ABSA 205 189 9282 R 243 063 (2010) R283 771(2009) ABSA 205 710 3524 R 101 637 (2010) R122 300(2009)	354,700	419,095
Listed Co-operative fund Insemnia - Long-term The co-operative fund consist of shares in Insemnia and is represented by 5 shares held in Insemnia .	43,004	43,004
Unlisted Co-operative fund Rosendal - Long-term The co-operative fund consists of 5 088 shares held in Rosendal.	20,937	18,754
Unlisted Co-operative fund Fouriesburg - Long-term The co-operative fund consists of 12 590 shares held in Fouriesburg.	51,806	46,407
Listed Investment Sanlam - Long-term The listed shares held in Sanlam is represented by the following: Sanlam 2714634125: 1 873 shares at R22,86 per share (2010) 1 873 shares at R17,28 per share (2009) Sanlam 2714634346: 2 296 shares at R22,86 per share (2010) 2 296 shares at R17,28 per share (2009)	95,303	72,040
Financial Instrument Sanlam Long-term The long-term deposit at Sanlam is fixed and matures at a future date. The balance is represented by: Sanlam 102 310364 R600 270 (2010) R556 244 (2009)	600,270	556,569
	1,166,020	**1,158,145**
Non-current assets		
Loans and receivables	811,320	736,774
Current assets		
Loans and receivables	354,700	421,371
	1,166,020	**1,158,145**

Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Figures in Rand	2010	2009

6. Other financial assets (continued)

Fair values of loans and receivables

Loans and receivables	1,166,020	1,158,145

7. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

The valuation was performed by Deloitte & Touche and they are not connected to the municipality. The full actuarial valuation report are available on request.

The Post retirement medical aid plan consists of the Bonitas, Hosmed, LA Health, Key Health and Samwumed and Munimed medical aid funds.

The total in-service employees belonging to Medical Scheme as at 30 June 2010 were 47 and the total continuation employees receiving the medical aid benefit as at 30 June 2010 were 56.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(21,400,326)	(20,656,529)

Movements for the year

Opening balance	20,656,529	20,656,529
Net expense recognised in the statement of financial performance	743,797	-
	21,400,326	**20,656,529**

Net expense recognised in the statement of financial performance

Current service cost	390,772	-
Interest cost	1,533,665	-
Curtailment or settlement	(1,180,640)	-
	743,797	**-**

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

The economic assumptions as follows were applied:
- Investments return 7.64%
- Long-term medical inflation 6.58%

The investment return assumption is based on the entire zero-coupon South African Bond Yield curve as at 30 June 2009.

The investment return assumption should not be considered in isolation but in conjunction with the assumed level of medical inflation, as the relation between these two assumptions affects the size of the liability to a far greater extent than the actual values of the assumptions.

The real discount rate, the difference between the medical inflation and the discount rate, is 1,0% per annum and is consistent with that used in the full valuation of the Municipality's post-retirement medical asisstance liabilities as at 30 June 2010.

No actuarial gain or loss has arisen as we have not performed a full valuation as at 30 June 2009.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

7. Retirement benefits (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. All Councillors and employees belong to 3 defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 is being finalised and will be submitted to the municipality once approved by the executive committee of the fund. Information could not be obtained for the other two funds regarding the administrators nor the actuaries.

An actuarial valuation is being performed and will be provided as soon as it is available.

The municipality is under no obligation to cover any unfunded benefits.

8. Inventories

	2010	2009
Consumable stores	393,027	2,097,219
Water	147,604	120,249
Fuel (Diesel, Petrol)	141,092	701,372
Chemicals	204,708	-
	886,431	**2,918,840**

9. Trade and other receivables from exchange transactions

	2010	2009
Trade debtors	204,230,305	175,207,222
Debt Impairment	(115,477,790)	(15,345,239)
Other receivables	8,337	8,337
Bank errors	3,624	3,164
	88,764,476	**159,873,484**

Reconciliation of provision for impairment of trade and other receivables

	2010	2009
Opening balance	15,345,239	105,796,757
Provision for impairment	128,213,955	12,825,808
Amounts written off as uncollectible	(28,081,404)	(102,191,033)
Other	-	(1,086,293)
	115,477,790	**15,345,239**

10. Other receivables from non-exchange transactions

	2010	2009
Other receivables from non-exchange revenue	2,275,972	604,382

11. Consumer debtors

Fair value of consumer debtors

	2010	2009
Consumer debtors	88,764,476	159,873,484

Refer to Annexure A for the disclosure of Debtors.

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R128,213,955 (2009: R 12,825,808) were impaired and provided for.

The amount of the provision was R 128,213,955 as of 30 June 2010 (2009: R 12,825,808).

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Consumer debtors (continued)

Reconciliation of provision for impairment of consumer debtors

Opening balance	15,345,239	105,796,757
Provision for impairment	128,213,955	12,825,808
Amounts written off as uncollectible	(28,081,404)	(102,191,033)
Other	-	(1,086,293)
	115,477,790	**15,345,239**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Other cash and cash equivalents	59,066	45,130
Cashbook Balance	(25,448,041)	(47,447,860)
	(25,388,975)	**(47,402,730)**

Current assets	59,066	45,130
Current liabilities	(25,448,041)	(47,447,860)
	(25,388,975)	**(47,402,730)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
ABSA Bank - Cheque Account (Primary) - 405-289-8966 Bloemfontein	(2,537,752)	(9,181,389)	(5,343,780)	(25,427,904)	(50,908,268)	(19,844,362)
ABSA Bank - Cheque Account (Projects) - 100-001-0223 Bloemfontein	21,475	246,610	-	(20,137)	3,460,409	100,521
Total	**(2,516,277)**	**(8,934,779)**	**(5,343,780)**	**(25,448,041)**	**(47,447,859)**	**(19,743,841)**

13. Other financial liabilities

Held at amortised cost		
DBSA Loan 1 DBSA Loan 1 bears interest at a fixed rate of 5% per annum. Arrears at 7% per annum. Monthly installments of R136,197.75 over a period of 60 months. There are 8 months remaining.	1,200,422	3,942,089
INCA Loan 1264 The loan bears interest at a rate of 14.52% per annum. Monthly installments of R114,870.41 over a period of 120 months. There are 37 months remaining.	3,434,023	4,266,653
INCA Loan 2813 The loan bears interest at a rate of 14% compounded monthly. Monthly installments of R46,914.40 over a period of 120 months. There are 41 months remaining.	1,521,306	1,846,104
DBSA Loan 2 DBSA Loan 2 bears interest at a fixed rat eof 14.5% per annum. Arrears at 16.5% per annum. Monthly installments of R517,222.94 over a period of 180 months. There are 121 months remaining.	33,683,848	35,201,614
	39,839,599	**45,256,460**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

13. Other financial liabilities (continued)

Non-current liabilities		
At amortised cost	35,867,643	41,208,422
Current liabilities		
At amortised cost	3,971,956	4,048,038
	39,839,599	**45,256,460**

Fair value of the financial liabilities carried at amortised cost		
Bank loans	39,839,599	45,256,460

The fair values of the financial liabilities were determined by using the valuation as done by the relevant institutions who has external credit ratings.

Financial liabilities are carried at amortised cost.

The fair value is the carrying value of the outstanding capital.

14. Finance lease obligation

Minimum lease payments due		
- within one year	42,000	42,000
- in second to fifth year inclusive	21,000	63,000
	63,000	105,000
less: future finance charges	(5,824)	(15,221)
Present value of minimum lease payments	**57,176**	**89,779**

Present value of minimum lease payments due		
- within one year	36,921	32,604
- in second to fifth year inclusive	20,255	57,175
	57,176	**89,779**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 13% (2009: 13%).

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	9,716,000	2,699,000

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	7,500,000	11,000,000	-	18,500,000
Rehabilitation Dumping Site	1,796,845	-	(1,367,545)	429,300
	9,296,845	**11,000,000**	**(1,367,545)**	**18,929,300**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	7,500,000	-	-	7,500,000
Rehabilitation Dumping Site	931,198	865,647	-	1,796,845
Legal Costs	20,000	-	(20,000)	-
	8,451,198	**865,647**	**(20,000)**	**9,296,845**

Provisions:

The provision for the rehabilitation of the landfill site was calculated by the Municipality and it is based on the implementation costs of an environmental impact assessment. The provision for the rehabilitation of the regional Bethlehem landfill site was calculated at R20 per square metre on the area of 850 000 square metre of the site. The timing of the cashflow is uncertain.

The provision for the clearing of illegal dumping sites were calculated by the Municipality on a basis of machinery and man hours needed to clear the dumping sites. The timing of the cashflow is uncertain.

No final decision has been taken to rehabilitate the landfill site and the clearing of illegal dumping sites.

Restatement of Provision for legal fees:
Legal fees of R315 500 relating to the 2008 financial year was restated as it was no longer a provision.

17. Trade and other payables from exchange transactions

	2010	2009
Trade payables	31,862,385	15,075,722
Accrued leave pay	7,560,983	6,359,777
Accrued bonus	2,624,347	2,455,084
Deposits received	(17,059)	26,274
Suspense accounts	17,623,194	11,895,264
	59,653,850	**35,812,121**

Fair value of trade and other payables

	2010	2009
Trade payables	59,653,849	35,812,121

18. VAT payable

	2010	2009
VAT Payable	(1,313,609)	(9,684,537)
Debtors VAT accrued	14,399,170	11,536,165
	13,085,561	**1,851,628**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

19. Property Rates

Rates received

Property rates	52,074,194	53,068,426

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.0055% is applied to residential property valuations and 0.016% to business and state-owned properties to determine the assessment rates. Rebates of 25% are granted to pensioners and 75% to Agriculural owners.

20. Service charges

Sale of electricity	84,154,702	77,874,006
Sale of water	33,009,641	30,083,610
Sewerage and sanitation charges	30,563,034	28,798,577
Refuse removal	28,234,613	24,675,827
	175,961,990	**161,432,020**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

21. Government grants and subsidies

	2010	2009
Councillors Remuneration Grant	1,620,045	1,963,447
Equitable Share - Indigents	78,154,369	60,866,847
Equitable Share - Free Basic Electricity	4,050,112	2,617,929
Fire Brigade Grant	-	64
National Roads Subsidy Grant	17,100	17,100
Financial Support Grant	1,250,000	570,298
Municipal Infrastructure Grant	30,450,300	19,825,900
	115,541,926	**85,861,585**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Equitable Share - Indigents and Free Basic Electricity

	2010	2009
Current-year receipts	82,204,481	62,749,223
Conditions met - transferred to revenue	(82,204,481)	(62,749,223)
	-	-

The Equitable Share Allocation was fully utilised.

Councillors Remuneration Grant

	2010	2009
Current-year receipts	1,620,045	1,963,447
Conditions met - transferred to revenue	(1,620,045)	(1,963,447)
	-	-

The Councillors remuneration grant was fully utilised.

Finance Support Grant

	2010	2009
Current-year receipts	1,250,000	527,248
Conditions met - transferred to revenue	(1,250,000)	(527,248)
	-	-

The Finance Support Grant was fully utilised during the year.

National Roads Subsidy Grant

	2010	2009
Current-year receipts	17,100	17,100
Conditions met - transferred to revenue	(17,100)	(17,100)
	-	-

The National Roads Subsidy Grant was fully utilised during the year.

Municipal Infrastructure Grant

	2010	2009
Balance unspent at beginning of year	2,699,000	-
Current-year receipts	38,183,300	22,524,900
Conditions met - transferred to revenue	(30,450,300)	(19,825,900)
Unspent	(716,000)	-
	9,716,000	**2,699,000**

The unspent portion of the Municipal Infrastructure Grant will be utilised in the next financial year.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. Other revenue

Sundry income	683,481	(539,728)

Other income:		
Advertising Signs	90,465	92,469
Blocked Sewerage Charges	30,674	51,533
Building Plan Fees	152,490	168,542
Clearance Certificates	61,684	26,194
Eskom Contribution	118,102	271,277
Current and General	297,931	(822,105)
Enroachment Charges	9,506	8,437
Enquiry fees	439	(83)
Escourting Abnormal Freight	3,103	3,484
Game Stock Sales	39,322	124,654
Labour Workshop	1,210	4,190
Landing Charges	13,800	13,800
Maintenance Charges	1,838	3,196
Municipal Gravel Roads Levy	2,100	2,100
Parking Meters	46,656	51,326
Photostats Copies and Faxes	14,238	13,907
Railway Siding	49,152	41,718
Sale of Library Books	(14,659)	-
Pound Sales	31,942	-
Service Centre Levies	3,155	3,155
Skills Development Levy Refund	565,258	-
Sundry Income	(1,229,199)	(635,403)
Sundry Income Traffic	17,259	33,030
Sundry Income Electricity	254,725	3,661
Sundry Income Parks	122,290	1,190
	683,481	**(539,728)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. General expenses

Advertising	513,495	456,532
Assessment rates and municipal charges	-	73,461
Repairs and Maintenance	1,116,759	2,350,838
Auditors remuneration	2,574,112	1,658,364
Bank charges	1,060,057	940,500
Best practice for Councillors	198,638	112,164
Bursaries	669,951	1,194,817
Capital Expenditure	3,074,403	3,266,569
Chemicals	368,406	1,056,723
Civic Funerals	110,307	-
Cleaning	14,945	-
Community development and training	4,524,054	4,133,744
Post Employment Medical Benefit Current Service Cost	390,772	-
Post Employment Medical Benefit Interest	1,533,665	-
Consulting and professional fees	15,699,134	8,829,845
Consumables	1,903,124	408,231
Donations	680,264	1,926,111
Entertainment	1,646,485	871,355
Fines and penalties	1,513,476	423,290
Fleet	19,479	289,568
Hire	1,509,809	3,131,396
Electricity Cost	4,261,523	9,979,634
Insurance	2,410,402	2,086,115
Lease rentals on operating lease	658	-
Magazines, books and periodicals	27,979	348,526
Marketing	1,090,001	435,495
Other expenses	(288)	144,320
Pauper Burials	48,751	104,571
Postage and courier	769,997	767,384
Printing and stationery	1,046,502	868,082
Productions	4,500	53,468
Promotions and sponsorships	441,362	1,734,643
Public Participation	297,258	388,825
Refuse	(350)	-
Rehabilitation of Dumping Site	3,063,486	2,391,029
Rehabilitation of Landfill Site	11,000,000	3,650,000
Royalties and license fees	335,004	84,612
Security (Guarding of municipal property)	3,449,235	3,486,331
Sewerage and waste disposal	-	604,676
Staff welfare	256,857	227,023
Subscriptions and membership fees	1,120,473	738,003
Telephone and fax	1,919,717	1,577,533
Town Planning Cost	(22,807)	323,444
Training	142,631	1,219,016
Transport and freight	8,167,485	6,796,100
Travel and subsistence	780,557	572,352
Travel and subsistence - Councillors	172,799	158,473
Uniforms	978,763	805,158
Valuation Cost	2,880,430	833,333
	83,764,260	**71,501,654**

Figures in Rand	2010	2009

24. Employee related costs

Basic	61,130,171	53,992,475
Bonus	4,994,084	4,532,648
Car allowance	3,295,408	1,782,384
Group Life Insurance	107,983	129,800
Housing benefits and allowances	376,853	-
Leave pay provision charge	2,722,531	1,900,140
Medical aid - company contributions	5,371,666	5,790,348
Acting Allowances	216,701	-
Other Allowances	2,184,400	-
Other payroll levies	31,988	31,454
Overtime payments	2,433,848	2,342,633
Pension Fund Contributions	10,847,339	9,885,773
Post-employment benefits - Medical Aid - Defined contribution plan	1,159,212	1,113,277
Standby allowances	2,100,463	1,692,596
Telephone Allowance	212,509	-
UIF	621,604	603,568
	97,806,760	**83,797,096**

Remuneration of municipal manager

Annual Remuneration	390,022	590,345
Car Allowance	134,556	241,164
Contributions to UIF, Medical and Pension Funds	39,587	99,068
Leave Pay Out	212,601	135,440
Cellphone Allowance	9,000	18,000
	785,766	**1,084,017**

Mr SJ Msibi from 1 July 2009 to 31 July 2009.

Mr MM Monchusi from 1 August 2009 to 12 September 2009.

The post of the municipal manager was vacant from 13 September 2009 to 21 February 2010.

Mr TE Tsoaeli from 22 February 2010 to 30 June 2010.

Remuneration of chief finance officer

Annual Remuneration	-	467,500
Car Allowance	-	155,833
Contributions to UIF, Medical and Pension Funds	-	5,829
Leave Pay Out	-	164,560
Re-imbursive travel and subsistence allowance	-	4,598
	-	**798,320**

The post of the Chief Finance Office was vacant for the current financial year.

Director of Public Works

Annual Remuneration	46,625	561,000
Car Allowance	15,583	187,000
Contributions to UIF, Medical and Pension Funds	695	5,882
Leave Pay Out	-	44,880
Cellphone Allowance	1,000	13,000
	63,903	**811,762**

Mr MM Monchusi from 1 July 2009 to 31 July 2009. The post was vacant from 1 August 2009.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. Employee related costs (continued)

Director Corporate Services

Annual Remuneration	512,877	467,500
Car Allowance	171,417	155,833
Acting Allowance	75,563	-
Contributions to UIF, Medical and Pension Funds	8,592	5,690
Leave Pay Out	-	137,632
Cellphone Allowance	11,000	13,000
	779,449	**779,655**

Mr MES Mathwalo from 1 August 2009 to 30 June 2010.

Director Community Services

Annual Remuneration	373,002	561,000
Car Allowance	124,667	187,000
Contributions to UIF, Medical and Pension Funds	3,597	6,009
Leave Pay Out	156,831	44,880
Cellphone Allowance	8,000	13,000
	666,097	**811,889**

Mrs AA Molefe from 1 July 2009 to 25 November 2009. The post was vacant from 26 November 2009.

Director of Local Economic Development

Annual Remuneration	559,503	561,000
Car Allowance	187,000	187,000
Contributions to UIF, Medical and Pension Funds	8,981	5,408
Cellphone Allowance	12,000	2,000
Leave Pay Out	59,840	-
	827,324	**755,408**

Mrs GT Hadebe from 1 July 2009 to 30 June 2010.

25. Remuneration of councillors

Mayor	432,200	389,024
Travel Allowance - Mayor	144,069	129,675
Cellphone Allowance - Mayor	17,100	15,984
Speaker	345,765	311,218
Travel Allowance - Speaker	115,255	103,740
Cellphone Allowance - Speaker	17,100	15,984
Councillors and Executive Committee Members	4,856,111	4,373,226
Travel Allowance - Councillors and Executive Committee Members	1,618,692	1,457,736
Cellphone Allowance - Councillors and Executive Committee Members	371,530	347,495
	7,917,822	**7,144,082**

26. Administrative expenditure

Administration and management fees - third party	-	10,400

27. Debt impairment

Contributions to debt impairment provision	128,213,955	12,826,290

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. Interest Received - Investments

Interest revenue		
Interest charged on sundry loans	523	61,943
Interest Received - ABSA	25,402	5,628
Interest Received - Standard Bank	-	205
	25,925	**67,776**

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R10,998 (2009:R67,776).

29. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L)	30,845	43,438

30. Depreciation and amortisation

Property, plant and equipment	31,438	31,438

Depreciation was calculated on the finance leased asset over the assets usefull life of 5 years.

31. Finance costs

Trade and other payables	(231,329)	-
Finance leases	37,774	13,209
Other interest paid	6,509,561	11,038,441
	6,316,006	**11,051,650**

32. Auditors' remuneration

Fees	2,574,112	1,658,364

33. Rental of facilities and equipment

Premises		
Rental of Premises	3,202,068	2,758,300
Facilities and equipment		
Rental of equipment	323,197	279,069
	3,525,265	**3,037,369**

34. Contracted Services

Meter Reading services	1,319,356	884,994

35. Grants and subsidies paid

Other subsidies		
Indigents - Council contribution	9,365,512	5,077,331
Eskom Electrification Grant	-	278,155
	9,365,512	**5,355,486**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

36. Bulk purchases

Electricity	56,866,979	43,164,578

37. Cash generated from operations

(Deficit) surplus	(41,789,285)	61,256,760
Adjustments for:		
Depreciation and amortisation	31,438	31,438
Loss on sale of assets and liabilities	(10,251,726)	(161,673)
Fair Value Adjustment - Game Stock	1,031,600	(542,225)
Fair value adjustment Investments	(30,845)	(43,438)
Finance costs - Finance leases	37,774	13,209
Interest income	(25,925)	(67,776)
Finance costs	6,278,232	11,051,650
Impairment deficit	1,124,983	-
Debt impairment	128,213,955	12,826,290
Movements in retirement benefit assets and liabilities	743,797	-
Movements in provisions	9,632,455	2,020,636
Changes in working capital:		
Inventories	2,032,409	(521,838)
Trade and other receivables from exchange transactions	69,984,025	(51,338,914)
Other receivables from non-exchange transactions	(1,671,590)	(604,382)
Consumer debtors	(128,213,955)	(12,826,290)
Prepayments	(1,183,455)	189,822
Trade and other payables from exchange transactions	23,841,728	7,626,732
VAT	11,233,933	(10,282,862)
Unspent conditional grants and receipts	7,017,000	(2,245,975)
	78,036,548	**16,381,164**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure assets	56,201,765	2,892,506

This committed expenditure relates to infrastructure assets and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The following contracts have already been awarded and the Municipality is committed on spending the remaining funds:

Project Number: MIG/FS/R,ST/09/11.
Project Description: Fateng-tse-Ntsho - Upgrading of gravel roads with storm water.
Project Value: R 7 485 810
Remaining Funding: R 3 031 391

Project Number: MIG/FS0710/R,ST/09/13
Project Description: Bohlokong / Bethlehem - New paved roads.
Project Value: R40 000 000
Remaining Funding: R33 770 188

Project Number: MIG/FS/4568/08/09
Project Description: Clarens - Waste water treatment works.
Project Value: R12 000 000
Remaining Funding: R 7 499 819

Project Number: MB/RS/2009/02.03.05
Project Description: Fateng-tse-Nstho - Upgrading of internal roads.
Project Value: R13 000 000
Remaining Funding: R 5 269 941

Project Number:
Project Description: Clarens - Upgrading of internal roads.
Project Value: R 3 000 000
Remaining Funding: R 1 289 836

Project Number:
Project Description: Panorame East - Upgrading of roads.
Project Value: R 2 000 000
Remaining Funding: R 1 855 919

Project Number: MIG/FS051/CF/07/08
Project Description: Bohlokong - New community hall.
Project Value: R26 000 000
Remaining Funding: R 9 000 000

Project Number: MIG/FS/0179/6/7
Project Description: Mashaeng Fouriesburg - 2.7 km storm water disposal
Project Value: R 1 017 398
Remaining Funding: R 252 493

Project Number: MIG/FS/R/5845/09/10
Project Description: Dihlabeng Mautse - Upgrading of gravel road with storm water.
Project Value: R 4 142 760
Remaining Funding: R 4 142 760

Project Number:
Project Description: Rosendal Mautse - Upgrading of boreholes and water treatment plant.
Project Value: R 1 500 000
Remaining Funding: R 1 500 000

38. Commitments (continued)

Project Number:
Project Description: Mashaeng / Fouriesburg - abstraction of raw water.
Project Value: R 3 000 000
Remaining Funding: R 3 000 000

Project Number:
Project Description: Bohlokong - Upgrading of new tennis courts.
Project Value: R 2 000 000
Remaining Funding: R 2 000 000

Project Number:
Project Description: Mashaeng / Fouriesburg - Upgrading of roads.
Project Value: R 2 000 000
Remaining Funding: R 2 000 000

Figures in Rand	2010	2009

39. Contingencies

The following civil cases are currently in process of being finalised:

G D van Zyl:
The case is handled by Breytenbach Mavuso Attorneys and is regarding the sale of a site in Fouriesburg to Mr van Zyl on the site a municipal pump station is erected and no servitude is registered. The liability could be R150 000.

T D Lephondo:
The case is handled by Breytenbach Mavuso Attorneys. Our application for a Court Order to reverse the Sale of the Property was successful. We are waiting for the Council to resell the property. No liability for Council.

Thabo Mofutsanyana District Municipality:
The case is handled by Breytenbach Mavuso Attorneys. We are acting for a lot of defendants against Thabo Mofutsanyana. In the trial case the Judge has given judgment against Thabo Mofutsanyana on our exception. They are now trying to appeal in this matter so we are waiting to see what will happen. No liability at this stage.

Lezmin 1163 CC:
The case is handled by Breytenbach Mavuso Attorneys and is regarding the erection of illegal structures. No liability for Council. The case is for a Court Order to demolish certain buildings

LAK Investments:
The case is handled by Breytenbach Mavuso Attorneys. This is a defended matter in which the Defendant wants to negotiate. We are waiting for dates to proceed with negotiations. No liability for Council.

Makitikiti:
The case is handled by Breytenbach Mavuso Attorneys. We are at this present time awaiting further instructions from client regarding the consultation between Dihlabeng Local Municipality and Mr Makitikiti. No liability for Council.

Mr J Prinsloo (Electrician Section):
The case is handled by Breytenbach Mavuso Attorneys. In this case the employee was injured on duty and the Department of Labour referred the matter to court to establish negligence. Liability can not be established.

New Municipal Buildings:
A building was purchased for R 14 000 000 to be used as Municipal Offices but due to contractual disagreements there is a possible liability of which the outcome can not be reliably determined.

Katushya Security Services vs Dihlabeng Local Municipality:
Naudes Attorneys, Bloemfontein handle the case on behalf of Council. Council awaits further documents in this regard. In this application the applicant did not render a proper security service and Council terminated the contract. Can not establish liability at this stage.

South African Revenue Service (VAT):
According to the records of SARS there is an amount due to them that amounts to R 7 860 499 in respect of VAT that was incorrectly claimed. The amount is being disputed and the outcome of the event can not be reliably determined.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

40. Prior period errors

The effect of the prior period errors is disclosed in Annexure B.

41. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated surplus of R545,422,565 and that the municipality's total assets exceed its liabilities by R545,422,565.

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

42. Fruitless and wasteful expenditure

Employee Cost	-	90,761
Interest paid on Bank Account / Creditors	299,082	904,800
Interest paid on Eskom account	1,101,179	-
Penalty Interest on Arrears on DBSA and INCA Loans	338,915	-
Penalties and Interest Paid on VAT	282,097	-
	2,021,273	**995,561**

43. Irregular expenditure

Details of irregular expenditure – current year

	Effect on the Financial Statements	
Tenders for payments above R200 000 were not available for inspection.	Upgrading of Fateng Stadium is affecting additions to Community Assets Recreational Facilities.	9,181,132
Tenders for payments above R200 000 were not available for inspection.	Upgrading of Cemeteries is affecting additions to Community Assets Recreational Facilities.	4,439,640
Tenders for payments above R200 000 were not available for inspection.	Upgrade of Internal Roads in Fateng is affecting addtions to Infrastructure Roads.	3,434,994
Tenders for payments above R200 000 were not available for inspection.	Unit stand and access card is affecting additions to Office Equipment.	475,000
Tenders for payments above R200 000 were not available for inspection.	Electronic rev counter is affecting additions to Office Equipment.	289,754
Tenders for payments above R200 000 were not available for inspection.	Payment for services rendered in respect of the recovery of VAT not previously claimed is affecting Service Provider fees.	1,102,119
Tenders for payments above R200 000 were not available for inspection.	Upgrading of Roads in Clarens is affecting additions to Infrastructure Roads.	596,860
Tenders for payments above R200 000 were not available for inspection.	Upgrade of roads in Fouriesburg and Rehabilitation of Dumping sites is affecting Infrastructure Roads and Expenditure.	6,690,588
		26,210,087

44. Leases (Effects of transitional provisions)

In accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework, the municipality need not comply with the standard on Leases, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	284,217	(101,541)
Current year subscription / fee	2,536,080	2,323,898
Amount paid - current year	(1,941,082)	(1,938,140)
	879,215	**284,217**

PAYE and UIF

Current year subscription / fee	10,619,264	9,572,095
Amount paid - current year	(10,619,264)	(9,572,095)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27,836,068	25,640,581
Amount paid - current year	(27,836,068)	(25,640,581)
	-	-

VAT

VAT payable	13,085,561	1,851,628

VAT output payables and VAT input receivables are shown in note 15.

VAT returns have been submitted late throughout the year.

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:-

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
D Stevens	5,996	2,388	8,384
HT Mofokeng	1,869	3,553	5,422
S Motsoeneng	1,872	36,079	37,951
AL Mashinini	2,506	38,978	41,484
E Mokoena	612	1,159	1,771
MS Maseko	1,191	5,137	6,328
J Tshabalala	817	1,633	2,450
G Mofokeng	731	1,846	2,577
BJ Mofokeng	2,440	8,207	10,647
P Jacobs	1,653	816	2,469
BDL Hatta	1,921	47,652	49,573
E Kongoana	988	22,314	23,302
S Mofokeng	1,016	16,145	17,161
S Msimanga	640	33	673
J Mofokeng	620	1,393	2,013
MD Bukhali	382	8,497	8,879
P Changube	656	4,357	5,013
LJ Wanzi	782	1,828	2,610
L Lemako	598	469	1,067
E Mkhwanazi	4,521	16	4,537
J Mashinini	1,516	10,714	12,230
LJ Lemako	2,923	3,084	6,007
	36,250	**216,298**	**252,548**

30 June 2009	Outstanding less than 90 days	Outstanding more than 90 days	Total
NC Bukhali	1,230	2,992	4,222
MH Mofokeng	640	751	1,391
HE Mokoena	882	697	1,579
BDL Hatla	1,966	40,264	42,230
MS Maseko	1,377	11,790	13,167
RP Mofokeng	1,070	11,812	12,882
VD Mzizi	4,983	48,679	53,662
S Msimanga	651	885	1,536
MJ Tshabalala	1,115	3,015	4,130
SE Mosia	830	16,805	17,635
MA Mokoena	1,530	365	1,895
CP Changube	568	1,890	2,458
MK Mofokeng	11,778	38,856	50,634
	28,620	**178,801**	**207,421**

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

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

30 June 2010	**Highest outstanding amount**	**Aging (in days)**
BDL Hatta	49,573	120
AL Mashinini	41,484	120
S Motsoeneng	37,951	120
EST Kongoana	23,302	120
S Mofokeng	17,161	120
J Mashinini	12,230	120
BJ Mofokeng	10,647	120
MD Bukhali	8,879	120
D Stevens	8,384	120
M Maseko	6,328	120
LJ Lemako	6,007	120
HT Mofokeng	5,422	120
P Changube	5,013	120
E Mkhwanazi	4,537	90
LJ Wanzi	2,610	120
GEO Mofokeng	2,577	120
P Jacobs	2,469	120
J Tshabalala	2,450	120
J Mofokeng	2,013	120
E Mokoena	1,771	120
L Lemako	1,067	120
S Msimanga	673	90
	252,548	**(180)**

30 June 2009	**Highest outstanding amount**	**Aging (in days)**
VD Mzizi	53,662	-
MK Mofokeng	50,634	-
MJ Hatla	42,231	-
SE Mosia	17,636	-
MS Maseko	13,167	-
RP Mofokeng	12,882	-
NC Bukhali	4,223	-
MJ Tshabalala	4,130	-
CP Changube	2,459	-
MA Mokoena	1,895	-
HE Mokoena	1,579	-
S Msimanga	1,536	-
MH Mofokeng	1,391	-
	207,425	**-**

Appendice's A to G

Chapter 5: AUDITOR GENERAL REPORT

Chapter 6: INTERNAL AUDITOR ACTION PLAN