



MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2011

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Province: Free State

Contact Information:

Name of Municipal Manager: B.C.Mokomela

Name of Chief Financial Officer: I.L.Tlatsi

Contact telephone number: 083 289 0120

Contact e-mail address: tlatsii@masilo.co.za

Name of contact at provincial treasury: L.S.Moduane

Contact telephone number: 051 403 3415

Contact e-mail address: moduanel@treasury.fs.gov.za

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

General information

Members of the Council

K.S. Koalane	Executive Mayor
S.J. Mabitla	Speaker
M.M. Kholumo	Member
S.L. Kgoe	Member
N.G. Mafa	Member
V.M. Lekale	Member
K.P. Dichakane	Member
L.M. Moloele	Member
X.N. Qwiliso	Member
K.A. Sekharume	Member
T.J. Chele	Member
S.C. Mangoejane	Member
M.B. Tsoela	Member
D.E. Modise	Member
P. Thuthani	Member
J.A. Pienaar	Member
F. Posthumus	Member
P.T. Botha	Member

Administrator

B.C.Mokomela

Chief Financial Officer

I.L. Tlatsi

Grading of Local Authority

Low capacity

Auditors

Auditor-General

Bankers

ABSA - Theunissen

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

General information (continued)

Registered Office:

Cnr Le Roux and Pienaar Street
THEUNISSEN
9410

Physical address:

Cnr Le Roux and Pienaar Street
THEUNISSEN
9410

Postal address:

P.O. Box 8
THEUNISSEN
9410

Telephone number:

(057) 733-0106

Fax number:

(057) 733-2856

E-mail address:

info@masilo.co.za

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Accounting Officer

B.C. Mokomela (Appointed Administrator)

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

INDEX	Page
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Changes in Net Assets	3
Cash Flow Statement	4
Notes to the Annual Financial Statements	5-41
Appendix A: Schedule of External Loans	42
Appendix B: Analysis of Property, Plant and Equipment	43-44
Appendix C: Segmental Analysis of Property, Plant and Equipment	45-46
Appendix D: Segmental Statement of Financial Performance	47-49
Appendix E1: Segmental Statement of Financial Performance	50
Appendix E2: Segmental Statement of Financial Performance	51-52
Appendix F: Segmental Statement of Financial Performance	53

**MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

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

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

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements.

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

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

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

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, including import duties and non-refundable taxes.

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

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

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.6 PROPERTY, PLANT AND EQUIPMENT (cont.)

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

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

1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

1.6.3 DEPRECIATION AND IMPAIRMENT

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

Infrastructure

Roads, pavements, bridges and storm water	30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 - 20
Electricity reticulation	20 -30
Sewerage purification and reticulation	15 - 20
Housing	30
Refuse sites	15

Community Assets

Parks and gardens	10 -30
Sport fields	20 -30
Community halls	30
Libraries	30
Recreation facilities	20 -30
Clinics	30
Fire services	30
Cemeteries	30

Other Assets

Motor vehicles	5
Plant and equipment	2 -15
Security measures	3 -10
Buildings	30
IT equipment	3 -5
Office equipment	3 -7
Specialised vehicles	10

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

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

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

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.6 PROPERTY, PLANT AND EQUIPMENT (cont.)

1.6.4 DERECOGNITION

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

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Property, plant and equipment, GRAP 17, to comply fully with this standard..

1.7 INVENTORIES

1.7.1 INITIAL RECOGNITION

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

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

1.7.2.SUBSEQUENT MEASUREMENT

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

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

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Inventory, GRAP 11, to comply fully with this standard..

1.8 FINANCIAL INSTRUMENTS

1.8.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.8.2 SUBSEQUENT MEASUREMENT

1.8.2.1 INVESTMENTS

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

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.8 FINANCIAL INSTRUMENTS (cont.)

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.8.2.2 TRADE AND OTHER RECEIVABLES

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

1.8.2.3 TRADE PAYABLES AND BORROWINGS

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

1.8.2.4 CASH AND CASH EQUIVALENTS

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

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

1.8.3 IMPAIRMENT

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.9 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

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

1.10 LEASES

1.10.1 MUNICIPALITY AS LESSEE

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

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

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.11 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.11.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be 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.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.11 REVENUE (cont.)

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer. Revenue from the sale of even is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

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

Agency Services

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

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

Rates (including collection charges and penalty interest)

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

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

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

Public donations and contributions

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

Deferred income relating to government grants are recognised on the following bases:

- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

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

Other

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

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.11 REVENUE (cont.)

1.11.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset are transferred to the Municipality.

1.12 EMPLOYEE BENEFITS

1.12.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.12.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.12.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit plans are valued tri-annually by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.13 UNAUTHORISED EXPENDITURE

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

1.14 IRREGULAR EXPENDITURE

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

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.16 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the payments basis

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets		25 255 199	9 137 520
Inventories	2	183 129	379 356
Consumer debtors and other receivables	3	18 538 754	3 510 055
Other receivables from non-exchange transactions	4	17 147	222 128
Cash and cash equivalents	6	6 484 797	203 125
Investments: Current Asset	9	31 373	4 822 856
Non-current assets		429 342 639	395 097 249
Property, plant and equipment	7	429 171 750	394 310 574
Intangible Assets	8	88 776	38 283
Investments: Non-current Asset	9	82 114	748 392
Total assets		454 597 839	404 234 769
LIABILITIES			
Current liabilities		85 614 329	85 258 245
Other Financial Liabilities	10	602 195	239 879
Finance lease liability	13	438 158	354 508
Trade and other payables from exchange transactions	14	40 622 998	50 353 154
VAT payable	5	14 763 110	11 575 273
Unspent Conditional Grants	15	2 992 736	3 786 765
Provisions	12	6 012 260	6 011 830
Other		20 182 872	12 936 836
Non-current liabilities		5 135 855	6 018 097
Other Financial Liabilities	10	3 862 536	4 306 621
Finance lease liability	13	1 273 318	1 711 476
Total liabilities		90 750 184	91 276 343
Net assets		363 847 655	312 958 426
NET ASSETS			
Accumalated Surplus / (Deficit)		363 847 655	312 958 426
Total net assets		363 847 655	312 958 426

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011			
	Note	2011 R	2010 R
Revenue			
Property rates	16	12 980 050	7 374 579
Service charges	17	44 840 540	36 480 291
Fines		50 111	106 595
Licences and permits		13 728	11 898
Government grants and subsidies	19	115 986 803	81 837 894
Fees earned		157 286	157 362
Rental of facilities and equipment	20	142 798	206 308
Sundry Income		661 294	318 368
Miscellaneous Other Revenue		162 921	205 691
Investment Revenue - external investments	18	1 006 269	2 902 597
Total revenue		176 001 800	129 601 583
Expenses			
Employee related costs	21	(44 546 295)	(47 419 838)
Remuneration of councillors	22	(4 804 106)	(4 844 407)
Depreciation and amortisation expense	23	(4 000 207)	(3 836 893)
Finance costs	24	(1 794 139)	(1 166 750)
Debt impairment		(19 560 579)	(26 555 442)
Repairs and Maintenance		(4 067 205)	(3 796 546)
Bulk purchases	25	(20 819 469)	(17 305 347)
General expenses	26	(25 531 516)	(27 402 385)
Total expenses		(125 123 516)	(132 327 608)
Profit / (Loss) on disposal of assets and liabilities		-	(77 464)
Fair Value Adjustments		-	4 853 260
Gain / (Loss) on Fair Value Adjustment	27	10 944	12 693
Surplus / (deficit) for the period		50 889 229	2 062 464

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011		
	Note	Accumulated Surplus/(Deficit)
		R
Balance at 30 June 2009		339 922 625
Correction of prior period error	29	(29 026 663)
Restated balance		310 895 962
Surplus / (deficit) for the period		(2 790 795)
Fair Value Adjustment		4 853 260
		-
Balance at 30 June 2010		312 958 426
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the period		50 889 229
Balance at 30 June 2011		363 847 655

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

CASH FLOW STATEMENT FOR THE PERIOD ENDING 30 JUNE 2011			
	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		26 624 130	28 893 522
Grants		115 192 774	73 899 353
Interest income		1 006 269	2 902 598
Other receipts		1 188 138	21 561 806
		144 011 311	127 257 279
Payments			
Employee costs		(49 349 971)	(49 430 932)
Suppliers		(52 706 083)	(19 673 886)
Finance costs		(1 794 139)	(1 166 750)
		(103 850 193)	(70 271 568)
Net Cash flows from operating activities	28	40 161 119	56 985 711
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(38 911 875)	(28 783 620)
Proceeds from sale of fixed assets		-	(2 246 755)
Decrease in Investments		5 468 705	-
Purchase of other asset			(998 055)
Other Assets			(1 565)
Net cash flows from investing activities		(33 443 170)	(32 029 995)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(81 769)	(5 745)
Other Liabilities			(21 456 389)
GRAP Implementation			-
Finance lease		(354 508)	1 935 347
Net cash flows from financing activities		(436 277)	(19 526 787)
Net increase/(decrease) in cash and cash equivalents		6 281 672	5 428 929
Cash and cash equivalents at beginning of the year		203 125	(5 225 804)
Cash and cash equivalents at end of the year	30	6 484 797	203 125

**MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
2 INVENTORIES		
Consumable stores - at cost	183 129	379 356
3 CONSUMER DEBTORS AND OTHER RECEIVABLES		
180 Days	161 092 008	128 575 206
150 Days	-1 070	3 482 397
120 Days	3 715 145	2 426 282
90 Days	3 959 537	2 569 646
60 Days	3 247 912	9 585 307
30 Days	4 291 245	1 992 210
Current	6 405 653	-
Balance	182 710 430	148 631 048
Provision for Bad Debts	-164 171 676	-145 120 993
	18 538 754	3 510 055
4 OTHER RECEIVABLES		
Government grants and subsidies	-	46 907
Employee Debtors	3 820	175 221
Other Debtors	13 327	-
Unspent Grants	-	-
	17 147	222 128
5 VAT PAYABLE		
VAT Payable	14 763 110	11 575 273

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

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
6 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	862 964	203 125
Call Investments	5 621 807	-
Cash on hand	26	-
	6 484 797	203 125

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
ABSA Current Account 40-5351-7822	862 964	527 478	862 964	203 125
ABSA Call Account 90-6109-6643	3 232 738	4 697 951	3 232 738	4 697 951
ABSA Call Account 30-7437-9337	-	-	-	-
ABSA Call Account 91-0161-0864	2 389 068	112 945	2 389 068	112 945
ABSA Fixed Deposit 20-5358-8077	-	238 724	-	238 724
ABSA Fixed Deposit 20-5173-9436	-	12 996	-	12 996
ABSA Fixed Deposit 20-4640-4292	11 320	11 058	11 320	11 058
ABSA Fixed Deposit 20-4900-4718	20 054	18 925	20 054	18 925
ABSA Fixed Deposit 30-5439-4690	-	11 960	-	11 960
ABSA Fixed Deposit 71-0611-15401	-	111 240	-	111 240
ABSA Fixed Deposit 71-0750-02298	-	56 831	-	56 831
ABSA Fixed Deposit 71-0748-25988	-	227 449	-	227 449
Total	6 516 144	6 027 557	6 516 144	5 703 204

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT

**Reconciliation of Carrying Value
30 June 2011**

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Leased Assets R	Total R
<u>Carrying values at beginning of the year</u>	95 168 372	3 514 726	270 314 360	11 807 973	11 765 392	1 739 780	394 310 603
Restated Opening Balance	95 168 372	3 514 726	270 314 360	11 807 973	15 229 721	2 128 082	398 163 234
Cost	-	3 514 726	171 910 285	106 715 824	113 894 288	2 128 082	398 163 204
Reclassification	95 168 372	-	98 404 076	(94 907 851)	(98 664 566)	(0)	30
Restated Accumulated Depreciation	-	-	-	-	(3 464 329)	(388 302)	(3 852 631)
Accumulated depreciation	-	-	-	-	(3 464 329)	(388 302)	(3 852 631)
Reclassification	-	-	-	-	-	-	-
<u>Movement for the year</u>							
Acquisitions	-	-	532 627	-	442 444	-	975 071
Capital under construction	-	-	37 860 054	-	-	-	37 860 054
Depreciation	-	-	-	-	(3 548 366)	(425 616)	(3 973 982)
<u>Carrying value of disposals</u>	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
<u>Carrying value at end of the year</u>	95 168 372	3 514 726	308 707 042	11 807 973	8 659 470	1 314 163	429 171 746
Cost	95 168 372	3 514 726	308 707 042	11 807 973	15 672 165	2 128 082	436 998 360
Accumulated depreciation	-	-	-	-	(7 012 695)	(813 918)	(7 826 613)

**MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT (cont.)

**Reconciliation of Carrying Value
30 June 2010**

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Leased Assets R	Total R
<u>Carrying values at beginning of the year</u>	-	2 314 726	153 179 829	101 093 215	108 936 611	77 464	365 601 844
Cost	-	2 314 726	152 181 773	101 093 215	108 936 611	77 464	364 603 788
Reclassification of Cost			998 056				998 056
Accumulated depreciation	-	-	-	-	-	-	-
Movement for the year							
Acquisitions	-	1 200 000	8 216 595	5 622 609	104 417	2 128 082	17 271 703
Capital under construction	-	-	11 511 917	-	-	-	11 511 917
Depreciation	-	-	-	-	(3 464 329)	(388 302)	(3 852 631)
							-
Fair value adjustment	-	-	-	-	4 853 260	-	
Cost reversal	-	-	-	-	-	-	-
Accumulated depreciation reversal	-	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	4 853 260	-	4 853 260
Carrying value of disposals	-	-	-	-	-	(77 464)	(77 464)
Cost	-	-	-	-	-	(77 464)	(77 464)
Accumulated depreciation	-	-	-	-	-	-	-
Carrying value at end of the year	-	3 514 726	171 910 285	106 715 824	110 429 958	1 739 780	394 310 573
Cost	-	3 514 726	171 910 285	106 715 824	113 894 288	2 128 082	398 163 204
Accumulated depreciation – cost	-	-	-	-	-3 464 329	-388 302	-3 852 631

The municipality is still utilising the transitional provisions as stipulated in directive 4. Therefore no depreciation on componentised assets have not been calculated.

Assets have been identified that was incorrectly classified and has now been corrected.

Errors made on property plant and equipment have been identified and corrected. The table above includes restated figures. Refer note 31 for additional information and reconciliation.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	<u>2011</u>	<u>2010</u>
	R	R
8 INTANGIBLE ASSETS		
<u>Carrying values at beginning of the year</u>	38 283	-
Cost	40 386	-
Accumulated depreciation	-2 102	-
<u>Movement for the year</u>	50 493	38 283
Acquisitions	76 718	40 386
Amortisation	-26 224	-2 102
<u>Carrying value at end of the year</u>	88 777	38 283
Cost	117 103	40 386
Accumulated depreciation	-28 327	-2 102
9 INVESTMENTS		
Investments: External	31 373	5 500 078
Investments: SENWES Shares	82 114	71 170
	113 487	5 571 248
Non-current assets		
Investments: External	-	677 222
Investments: SENWES Shares	82 114	71 170
	82 114	748 392
Current assets		
Investments: External	31 373	4 822 856
	113 487	5 571 248
10 BORROWINGS		
Loan - ABSA	89 282	127 756
Loan - INCA	89 282	124 640
Loan - DBSA	3 683 972	4 054 225
Non-current Borrowings	3 862 536	4 306 621
Loan - ABSA: Short Term Portion	15 884	
Loan - INCA: Short Term Portion	15 884	
Loan - DBSA: Short Term Portion	570 427	
Current portion transferred to current liabilities	602 195	239 879
Loan - ABSA	105 166	
Loan - INCA	105 166	
Loan - DBSA	4 254 399	
Total Borrowings	4 464 731	4 546 500
11 CONSUMER DEPOSITS		
CURRENT		
Electricity and Water	983 196	909 967
Total consumer deposits	983 196	909 967

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
12 PROVISIONS		
12.1 NON-CURRENT PROVISIONS		
Environmental rehabilitation	1 200 000	1 200 000
Post Retirement Medical Benefits	4 812 260	4 811 830
Total Non-Current Provisions	6 012 260	6 011 830

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

Reconciliation of Non-Current Provisions

Opening Balance	6 011 830
Movement in Statement of financial performance	430
Closing Balance	6 012 260

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.2 million to restore the site at the end of its useful life.

13 FINANCE LEASE LIABILITY

2011	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
Amounts payable under finance leases			
Within one year	762 669	324 511	438 158
Within two to five years	1 588 894	315 576	1 273 318
	2 351 563	640 087	1 711 476
Less: Amount due for settlement within 12 months (current portion)			(438 158)
			1 273 318

2010	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
Amounts payable under finance leases			
Within one year	762 669	408 161	354 508
Within two to five years	2 351 563	640 087	1 711 476
	3 114 232	1 048 248	2 065 984
Less: Amount due for settlement within 12 months (current portion)			(354 508)
			1 711 476

The finance lease liability is secured by Photo Copier Machines. The agreement does not provide for contingent rental payments. Ownership of the machine will not pass to the municipality upon payment of the last instalment.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
14 TRADE AND OTHER PAYABLES		
Trade creditors	20 079 845	31 701 313
Debtor payments received in advance	5 760 261	6 687 501
Creditors for SDL	-	591 238
Deposits received	969 026	914 884
Salary Suspense	2 192 225	1 912 789
Motor Loan: SJ Mohlalane	-	2 277
Creditors: Retentions	4 460 898	1 851 853
Provision for Compensation Fund	1 902 792	1 902 792
Provision for Leave	4 646 280	3 133 643
Provision for Bonuses	611 672	1 655 108
Total creditors	40 622 998	50 353 397
15 UNSPENT CONDITIONAL GRANTS		
P, R & T Grant	2 992 736	-
Municipal Infrastructure Grant	-	3 786 765
	2 992 736	3 786 765
See note 20 for the reconciliation of grants from other spheres of government.		
16 PROPERTY RATES		
	2011	2010
Actual		
Residential	4 725 268	3 212 613
Commercial	2 478 621	412 667
Agricultural	3 277 779	1 507 965
State	2 498 381	2 241 334
Total	12 980 050	7 374 579
Valuations	R '000	R '000
Residential	646 880 015	670 914 584
Commercial	107 117 200	34 388 975
State	123 170 775	93 388 930
Agricultural	1 583 127 914	1 507 965 015
Municipal	98 614 867	31 610 465
Exempted	30 703 689	
Total Property Valuations	2 558 910 771	2 338 267 969
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.		
17 SERVICE CHARGES		
Sale of Electricity	17 905 948	16 726 848
Sale of Water	11 159 712	6 138 658
Sewerage and sanitation charges	11 133 514	8 621 452
Refuse removal	4 637 980	4 985 447
Other service charges	3 387	7 886
Total Service Charges	44 840 540	36 480 291

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
18 INVESTMENT REVENUE - EXTERNAL INVESTMENTS		
Associates	580 303	159 079
Bank	954	123
Interest charged on trade and other receivables	425 013	2 743 396
Total interest	1 006 269	2 902 597
19 GOVERNMENT GRANTS AND SUBSIDIES		
Capital Grants		
Equitable Share	66 188 520	51 952 911
Financial Management Grant	3 000 000	2 750 000
Municipal Systems Improvement Grant	750 000	735 000
Municipality Infrastructure Grant	29 956 019	20 941 541
LDM Grant	-	100 000
COGTA Financial Relief Grant	11 085 000	4 543 274
DBSA Grant	-	815 168
Infrastructure Grant	5 007 264	-
Total Government Grant and Subsidies	115 986 803	81 837 894
19.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.		
19.2 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	2 750 000
Conditions met - transferred to revenue	(3 000 000)	(2 750 000)
	-	-
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
19.3 MIG Grant		
Balance unspent at beginning of year	3 786 765	11 725 306
Current year receipts	26 169 254	13 003 000
Conditions met - transferred to revenue	(29 956 019)	(20 941 541)
(Spent not yet received)	-	3 786 765
(see note 16)		
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met. No funds have been withheld.		
19.4 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(750 000)	(735 000)
	-	-
The purpose of the grant is for institutional systems. No funds were withheld or delayed.		

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
19 GOVERNMENT GRANTS AND SUBSIDIES (cont.)		
19.5 LDM Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	100 000
Conditions met - transferred to revenue	-	(100 000)
	<u>-</u>	<u>-</u>
19.6 P, R & T Grant		
Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	-
Conditions met - transferred to revenue	(5 007 264)	-
Unspent amount transferred to liabilities	<u>2 992 736</u>	<u>-</u>
19.7 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, 2011, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
20 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	<u>142 798</u>	<u>206 308</u>
21 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	30 667 883	28 581 489
Bonus	1 998 221	1 963 005
Medical Aid - company contributions	1 560 055	1 463 492
UIF	329 077	274 801
WCA	-	343 010
SDL	363 859	219 480
Other payroll levies	15 346	14 873
Provision Leave	1 579 949	624 407
Provision Bonuses	(1 043 436)	1 119 661
Post-employment benefits - Pension - Defined contribution plan	4 564 926	9 384 292
Overtime payments	1 897 408	1 353 218
Housing Benefits and allowances	79 120	49 731
Allowance: Cell Phones	82 560	31 424
Allowance: Locomotion - Fixed	2 132 780	1 829 041
Allowance: Standby	300 757	72 818
Allowance: Sundry	17 790	95 098
Total Employee Related Costs	<u>44 546 295</u>	<u>47 419 838</u>
Remuneration of Municipal Manager		
Annual Remuneration	389 332	321 717
Travel, motor car, accommodation, subsistence and other allowances	315 675	125 000
Contributions to UIF, Medical and Pension Funds	7 916	873
	<u>712 923</u>	<u>447 590</u>
Remuneration of Chief Financial Officer		
Annual Remuneration	372 831	453 260
Travel, motor car, accommodation, subsistence and other allowances	268 275	198 756
Contributions to UIF, Medical and Pension Funds	6 538	1 539
	<u>647 644</u>	<u>653 555</u>

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
21 EMPLOYEE RELATED COSTS (cont.)		
Remuneration of Corporate Services Manager		
Annual Remuneration	409 362	276 078
Travel, motor car, accommodation, subsistence and other allowances	263 578	281 853
Contributions to UIF, Medical and Pension Funds	7 267	1 761
	680 207	559 692
Remuneration of Community and Social Services Manager		
Annual Remuneration	492 307	401 885
Travel, motor car, accommodation, subsistence and other allowances	170 988	134 267
Contributions to UIF, Medical and Pension Funds	7 780	1 729
	671 075	537 882
22 REMUNERATION OF COUNCILLORS		
Mayor	627 829	525 035
Mayoral Committee Members	-	663 100
Speaker	464 613	408 492
Councillors	3 711 665	3 247 780
Total Councillors' Remuneration	4 804 106	4 844 407
In-kind Benefits		
The Executive Mayor, Speaker and Executive Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.		
The Mayor has use of a Council owned vehicle for official duties.		
23 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	3 973 982	3 834 790
Intangible assets	26 224	2 102
Total Depreciation and Amortisation	4 000 207	3 836 892
24 FINANCE COSTS		
Non-current Borrowings	1 794 139	1 166 750
Total Finance Costs	1 794 139	1 166 750
25 BULK PURCHASES		
Bulk purchase - Electricity	20 819 409	16 831 591
Bulk purchase - Water	60	473 756
Total Bulk Purchases	20 819 469	17 305 347

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
26 GENERAL EXPENSES		
Included in general expenses are the following:-		
Accounting Fees	1 843 301	2 242 278
Advertising	942 203	1 080 423
Bank charges	238 540	208 563
Cleaning	200	-
Consulting and professional fees	7 867 185	2 598 191
Consumables	96 706	58 098
Entertainment	109 565	31 767
Fines and penalties	-	1 525 383
Licence & Registration - Vehicles	81 042	79 441
Licence Fees - Financial System	570 170	1 411 826
Insurance	324 999	328 761
Community development and training	737 514	348 155
PMU Expenses	122 099	66 045
Lease rentals on operating lease	357 984	3 966 325
IDP review	605 873	640 562
Fuel and oil	1 061 726	1 063 493
Postage and courier	639 085	431 558
Printing and stationary	394 174	327 132
Security (Guarding of municipal property)	144 552	79 824
Software expenses	88 689	24 389
Subscriptions and membership fees	40 435	208 200
Telephone and fax	2 895 318	2 702 879
Training	678 374	223 706
Travel, Accom. and Subsistence	504 506	403 891
Uniforms	639 806	328 303
Bursaries	420 522	139 267
Pauper Burials	50 050	70 250
Valuation Cost	-	3 754 825
Lease Charges	-	212 117
Chemicals	3 364 732	2 815 534
Special programmes: Youth	-	500
Indigent Support	-	30 683
Other Expenses	712 166	18
	25 531 516	27 402 385
27 GAIN / (LOSS) ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value	10 944	-
Total Gain / (Loss) on Fair Value Adjustment	10 944	-

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
28 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	50 889 229	2 062 462
Adjustment for:		
Depreciation and amortisation	4 000 207	3 836 892
Gain on sale of assets and liabilities	-	77 464
Income from equity accounted investments	(10 944)	(12 693)
Fair value adjustments	-	(4 853 260)
Debt impairment	19 560 579	26 555 442
Movement in provisions	430	6 011 830
Changes in working capital:		
Consumer debtors	(34 384 297)	(21 648 850)
Trade and other payables from exchange transactions	(2 484 120)	32 339 380
VAT	3 187 837	20 555 585
Inventory	196 227	
Unspent conditional grants and receipts	(794 029)	(7 938 541)
	40 161 119	56 985 711
29 CORRECTION OF ERROR		
29.1 Correction of Property Plant and Equipment		
Statement of Financial Position		
PPE opening balance		435 532 395
Municipal owned properties overstated		-39 977 935
Infrastructure assets overstated		-7 101 578
Community assets under stated		4 786 852
Other assets not previously recognised		90 628
Accumulated depreciation on Other assets not previously recognised		-17 841
PPE closing balance		393 312 521
Other Revenue		
Unidentified deposits reached prescription period		13 193 211
Statement of Financial Performance		
Depreciation		
Previously reported		3 834 791
Depreciation on Other assets not previously recognised		17 841
		3 852 632
Accumulated Surplus		
Assets incorrectly recognised		-29 026 663
Fixed Properties owned by the Municipality were double counted and Other assets were omitted from the asset register		

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
30 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
30.1 Fruitless and wasteful expenditure		
Interest and penalties on PAYE, SDL and UIF due to late payment		158 664
Interest on late payments		213 166
Interest and penalties on late payment of VAT		2 213 117
		2 584 947
31 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
31.1 Contributions to organised local government - SALGA		
Opening balance	208 200	-
Council subscriptions	289 395	-
Amount paid - current	-	208 200
Amount paid - previous years	(208 200)	-
Balance unpaid (included in trade payables)	289 395	208 200
31.2 Audit fees		
Opening balance	1 795 789	220 535
Current year audit fee	2 125 218	2 242 278
Amount paid - current year	-	(667 024)
Amount paid - previous years	(1 795 789)	-
Balance unpaid (included in trade payables)	2 125 218	1 795 789
31.3 PAYE and UIF		
Opening balance	134 161	254 025
Current year payroll deductions and Council Contributions	4 122 178	3 741 737
Amount paid - current year	(3 674 336)	(3 607 576)
Amount paid - previous years	(134 161)	(254 025)
Balance unpaid (included in trade payables)	447 842	134 161
31.4 Pension and Medical Aid Deductions		
Opening balance	1 563 620	717 627
Current year payroll deductions and Council Contributions	7 929 648	9 541 188
Amount paid - current year	(7 142 197)	(7 977 568)
Amount paid - previous years	(1 563 620)	(717 627)
Balance unpaid (included in trade payables)	787 451	1 563 620
31.5 VAT		
VAT receivable	-	-
VAT payable	14 584 434	11 575 273
	14 584 434	11 575 273

VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
32 CONTINGENT LIABILITY		
Legal cases pending against Municipality:		
AJ General Services/ Alwyn Castelyn	Services rendered	1 075 588
Bon Accor Safaris and four others	Field Fires	1 291 019
State Attorney	Accident - Stop sign	41 180
Triple E Training	Services rendered	16 560
MS Mokgoke	Pension monies	57 500
Naledi Constructions	Agreement	455 015
SALA Pension Fund	Non Payment	941 167
SAMWU Provident Fund	Non Payment	967 672
	4 845 701	
33 CONTINGENT ASSETS		
Claims against the insurers awaiting confirmation:		
Damage Mayor's Car	13 500	
Transformer Damage Theunissen Reservoir	60 773	
Write off CBV 899 FS	No amount	
Theft Cable & Damage Transformer Winburg	24 651	
	98 924	
34 COMMITMENTS		
For future projects, the municipality has entered into contracts with resulting capital commitments	70 983 977	
35 EVENTS AFTER THE REPORTING DATE		
At the date of this report, management was not aware of any event or circumstance, which have come to their attention after the end of the financial year, which may have a material impact on the information contained in these financial statements		
36 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)		

**MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the period	Adjustments	Redeemed written off during the period	Balance 2011/06/30
LONG- TERM LOANS							
Loan - ABSA	BDT114U-S - 908		127 756	-	(1 572)	(21 018)	105 166
Loan - INCA	THN114U-S - 879		124 640	-	1 545	(21 018)	105 166
Loan - DBSA	61001050		4 294 104	-	-	(39 705)	4 254 399
			4 546 500	-	(28)	(81 741)	4 464 731
LEASES							
Finance Lease			2 065 984	-	-	(354 508)	1 711 476
Total leases			2 065 984	-	-	(354 508)	1 711 476
TOTAL EXTERNAL LOANS			6 612 484	-	(28)	272 767	6 176 207

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment losses	Closing Balance	
	R	R	R	R	R	R	R	R		R	R
INFRASTRUCTURE	270 314 360	532 627	37 860 055	-	308 707 042	-	-	-	-	-	308 707 042
Roads, pavements, bridges & stormwater	20 843 847	-	10 654 048	-	31 497 895	-	-	-	-	-	31 497 895
Water reservoirs & reticulation	79 862 745	289 335	15 047 643	-	95 199 723	-	-	-	-	-	95 199 723
Car parks, bus terminals & taxi ranks	-	-	-	-	-	-	-	-	-	-	-
Electricity reticulation	6 417 137	107 796	-	-	6 524 933	-	-	-	-	-	6 524 933
Sewerage purification & reticulation	161 990 631	135 496	8 204 423	-	170 330 550	-	-	-	-	-	170 330 550
Housing	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-
Refuse sites	1 200 000	-	-	-	1 200 000	-	-	-	-	-	1 200 000
Other (town planning & development)	-	-	3 953 941	-	3 953 941	-	-	-	-	-	3 953 941
COMMUNITY ASSETS	11 807 973	-	-	-	11 807 973	-	-	-	-	-	11 807 973
Establishment of parks & gardens	526 307	-	-	-	526 307	-	-	-	-	-	526 307
Sports fields	6 742 452	-	-	-	6 742 452	-	-	-	-	-	6 742 452
Community halls	2 490 838	-	-	-	2 490 838	-	-	-	-	-	2 490 838
Libraries	1 131 200	-	-	-	1 131 200	-	-	-	-	-	1 131 200
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-
Clinics	414 000	-	-	-	414 000	-	-	-	-	-	414 000
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-
Other (fire services & cemeteries)	503 176	-	-	-	503 176	-	-	-	-	-	503 176
OTHER ASSETS	113 953 204	519 162	-	-	114 472 366	3 466 432	3 574 590	-	-	7 041 022	107 431 344
Other motor vehicles	11 404 243	-	-	-	11 404 243	2 692 612	2 692 612	-	-	5 385 225	6 019 018
Plant & equipment	150 039	-	-	-	150 039	27 871	33 654	-	-	61 526	88 513
Office equipment	972 662	403 146	-	-	1 375 808	275 540	349 344	-	-	624 884	750 924
Abattoirs	-	-	-	-	-	-	-	-	-	-	-
Security measures (including fencing)	-	-	-	-	-	-	-	-	-	-	-
Civic land & buildings	-	-	-	-	-	-	-	-	-	-	-
Other land & buildings	98 683 098	-	-	-	98 683 098	-	-	-	-	-	98 683 098
Other (including IT)	2 743 162	116 016	-	-	2 859 178	470 408	498 979	-	-	969 388	1 889 790
LEASED ASSETS	2 128 082	-	-	-	2 128 082	388 302	425 616	-	-	813 918	1 314 163
SPECIALISED VEHICLES	-	-	-	-	-	-	-	-	-	-	-
Refuse	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-
TOTAL	398 203 620	1 051 789	37 860 055	-	437 115 464	3 854 734	4 000 207	-	-	7 854 941	429 260 523

MASILONYANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX C (1)
ACTUAL OPERATING VERSUS BUDGET

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	12 980 050	13 240 235	(260 185)	-1.97	
Service charges	44 840 540	55 564 340	(10 723 800)	-19.30	GRAP: Revenue forgone
Finance Income	1 006 269	3 024 364	(2 018 094)	-66.73	Investments liquidated for co-funding of projects
Government grants and subsidies	115 986 803	114 150 000	1 836 803	1.61	
Rental of facilities and equipment	142 798	154 500	(11 702)	-7.57	
Licences and permits	13 728	0	13 728	-	
Fines	50 111	81 080	(30 969)	-38.20	
Other Revenue	981 501	156 300	825 201	527.96	
Total Revenue	176 001 800	186 370 819	(10 369 019)	-5.56	
EXPENDITURE					
Employee related costs	44 546 295	41 787 853	2 758 442	6.60	
Remuneration of councillors	4 804 106	4 544 000	260 106	5.72	
Depreciation and amortisation expense	4 000 207	400 000	3 600 207	900.05	Implementation of GRAP standards
Bad debts	19 560 579	37 527 508	(17 966 929)	-47.88	Reduction in revenue and improvement in collection
Finance costs	1 794 139	1 006 165	787 974	78.31	Penalties on late payment of creditors
Repairs and maintenance	4 067 205	6 076 000	(2 008 795)	-33.06	Major refurbishment was capitalised
Bulk purchases	20 819 469	19 300 000	1 519 469	7.87	
Grants and subsidies paid	0	12 400 000	(12 400 000)	100.00	
General expenses	25 531 516	29 953 544	(4 422 028)	-14.76	Reduction in valuation cost
Total Expenditure	125 123 516	152 995 070	(27 871 554)	-18.22	
NET SURPLUS/(DEFICIT) FOR THE YEAR	50 878 284	33 375 749	17 502 536		