



Annual Financial Statements

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 37, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TM Manyoni
City Manager

30 August 2007
Date

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MANGAUNG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		3 229 500 242	3 222 767 122
Housing development fund	1	42 567 563	54 261 905
Capital replacement reserve		-	185 683 910
Capitalisation reserve		422 563 207	498 614 330
Government grant reserve		324 590 572	272 837 595
Donations and public contribution reserve		6 580 227	7 243 694
Self insurance reserve		72 865 442	72 127 620
COVID reserve		12 991 730	14 006 625
Revaluation reserve		709 578 175	698 673 375
Accumulated surplus/(deficit)		1 637 763 326	1 419 318 068
Non-current liabilities		17 712 539	19 237 311
Long-term borrowings	2	15 929 356	17 479 184
Non-current provisions	3	1 783 183	1 758 127
Current liabilities		552 651 904	483 478 176
Consumer deposits	4	16 729 422	15 544 558
Provisions	5	11 689 465	10 760 975
Payables	6	405 244 309	363 780 965
Unspent conditional grants and receipts	7	96 058 914	63 889 553
Taxes payable	8	21 379 058	27 949 211
Current portion of borrowings	2	1 550 736	1 552 914
Total net assets and liabilities		<u>3 799 864 685</u>	<u>3 725 482 609</u>
ASSETS			
Non-current assets		3 273 571 658	3 127 865 328
Property, plant and equipment	9	1 849 356 917	1 727 304 080
Investments	10	8 293	8 293
Long-term receivables	11	1 424 206 448	1 400 552 955
Current assets		526 293 027	597 617 281
Inventory	12	3 701 082	4 167 476
Consumer receivables	13	237 286 365	187 411 492
Other receivables	14	54 418 489	53 863 450
Current portion of long-term receivables	11	29 133 767	24 677 305
Investments	10	66 858 992	213 300 000
Cash and cash equivalents	28	134 894 332	114 197 558
Total assets		<u>3 799 864 685</u>	<u>3 725 482 609</u>

MANGAUNG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 R	Actual 2006 R
REVENUE			
Property rates	16	229 340 707	218 345 085
Service charges	17	322 161 792	290 857 926
Rental of facilities and equipment		13 291 555	12 249 281
Interest earned - external investments		27 716 389	23 624 642
Interest earned - outstanding debtors		25 520 246	20 166 588
Interest on shareholders loan		96 000 000	100 000 000
Fines		9 259 801	13 185 389
Licenses and permits		325 449	296 850
Income for agency services		81 884 935	66 860 773
Government grants and subsidies	18	336 563 792	284 978 480
Other income	19	36 498 810	37 735 284
Public contributions and donations		257	544 759
Gains on disposal of property, plant and equipment (Refer footnote (a) below)		-	789 841 971
Total revenue		1 178 563 733	1 858 687 028
EXPENDITURE			
Employee related costs	20	501 123 666	443 390 425
Remuneration of councillors	21	16 647 969	13 373 576
Bad debts		39 037 268	99 720 960
Depreciation		98 028 046	88 523 702
Repairs and maintenance		74 770 932	68 204 426
Interest paid	22	2 433 906	3 634 389
Bulk purchases	23	157 737 246	138 946 314
Contracted services		19 276 481	19 934 211
Grants and subsidies paid	24	39 218 328	33 269 648
General expenses	25	150 318 630	160 268 653
Total expenditure		1 098 592 472	1 069 266 304
SURPLUS/(DEFICIT) FOR THE YEAR		79 971 261	789 420 724

(a) Included in gains on disposal of property, plant and equipment of R789 841 971 is a realised gain of R788 999 047 in respect of property, plant and equipment sold to Centlec (Pty) Ltd.

(b) Refer to Appendix E(1) for the comparison with the approved budget.

MANGAUNG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Pre-GAMAP Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self Insurance Reserve	COVID Reserve	Revaluation Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R	R	R	R	R	R	R	R	R
2006											
Balance at 1 July 2005	-	63 965 885	202 005 362	801 793 084	214 241 224	71 484 249	73 163 467	15 613 642	697 736 475	295 556 110	2 435 559 498
Correction of error (Note 26)											-
Change in accounting policy											-
Restated balance	-	63 965 885	202 005 362	801 793 084	214 241 224	71 484 249	73 163 467	15 613 642	697 736 475	295 556 110	2 435 559 498
Surplus/(deficit) for the year										789 420 724	789 420 724
Transfer to CRR			144 494 298	(243 040 775)						98 546 477	-
PPE purchased			(160 815 750)							157 665 750	(3 150 000)
Capital grants used to purchase PPE					80 926 764					(80 926 764)	-
Donated/contributed PPE						544 759				(544 759)	-
Contribution to insurance reserve							1 428 589	310 920		(1 739 509)	-
Insurance claims processed							(2 464 436)	(1 917 937)		4 382 373	-
Transfer from Housing Fund		(9 703 980)								9 703 980	-
Asset disposals				(164 438)	(5 976 401)	(64 116 208)				70 257 047	-
Asset revaluation (Refer to note 9)									936 900	-	936 900
Offsetting of depreciation				(59 973 541)	(16 353 992)	(669 106)				76 996 639	-
Balance at 30 June 2006	-	54 261 905	185 683 910	498 614 330	272 837 595	7 243 694	72 127 620	14 006 625	698 673 375	1 419 318 068	3 222 767 122
2007											
Correction of error (Note 26)										-	-
Change in accounting policy										-	-
Restated balance	-	54 261 905	185 683 910	498 614 330	272 837 595	7 243 694	72 127 620	14 006 625	698 673 375	1 419 318 068	3 222 767 122
Surplus/(deficit) for the year										79 971 261	79 971 261
Transfer to CRR			9 701 406							(9 701 406)	-
PPE purchased			(195 385 316)							195 385 316	-
Capital grants used to purchase PPE					95 981 058					(95 981 058)	-
Donated/contributed PPE						257				(257)	-
Contribution to insurance reserve							1 502 577	335 367		(1 837 944)	-
Insurance claims processed							(764 755)	(1 350 262)		2 115 017	-
Transfer from Housing Fund		(11 694 342)								11 101 433	(592 909)
Asset disposals				(25 083 543)	(20 390 304)	(47 750)				(38 028 435)	(83 550 032)
Asset revaluation (Refer to note 9)									10 904 800	-	10 904 800
Offsetting of depreciation				(50 967 580)	(23 837 777)	(615 974)				75 421 331	-
Balance at 30 June 2007	-	42 567 563	-	422 563 207	324 590 572	6 580 227	72 865 442	12 991 730	709 578 175	1 637 763 326	3 229 500 242

MANGAUNG LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1 434 530 169	1 274 061 716
Cash paid to suppliers and employees		(1 385 873 918)	(1 239 308 826)
Cash generated from/(utilized in) operations	27	<u>48 656 251</u>	<u>34 752 890</u>
Interest received		149 236 635	143 791 231
Interest paid		(2 433 906)	(3 634 389)
NET CASH FROM OPERATING ACTIVITIES		<u>195 458 980</u>	<u>174 909 732</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(292 726 117)	(224 073 831)
Proceeds on disposal of property, plant and equipment		-	1 009 200
(Increase)/decrease in non-current receivables		-	(30 025)
(Increase)/decrease in current investments		146 441 008	(128 150 000)
NET CASH FROM INVESTING ACTIVITIES		<u>(174 395 064)</u>	<u>(351 244 656)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(1 552 006)	(1 406 730)
Increase/(decrease) in consumer deposits		1 184 864	(23 843 903)
NET CASH FROM FINANCING ACTIVITIES		<u>(367 142)</u>	<u>(25 250 633)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>20 696 774</u>	<u>(201 585 557)</u>
Cash and cash equivalents at the beginning of the year		114 197 558	315 783 115
Cash and cash equivalents at the end of the year	28	<u>134 894 332</u>	<u>114 197 558</u>

**MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards 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
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting For Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include net rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to an investment account. The cash in the investment account designated to the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the Provincial Ordinance applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

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

5.3 Government Grant Reserve

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

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

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

5.5 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The contribution to the fund is provided by the council's insurance broker and is transferred to the fund from the accumulated surplus/(deficit). Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus. The balance of the self-insurance fund is invested.

5.6 COID Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the Compensation Commissioner, the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID Reserve from the accumulated surplus based on the amounts as approved in the annual budget as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus.

**MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

Impairment as well as the review of the useful life of assets and depreciation method is exempted in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

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

	Years		Years
Infrastructure		Other	
Roads and storm water	15-30	Buildings	30
Electricity	20-30	Specialist vehicles	10-15
Water	15-20	Other vehicles	5-7
Sewerage	15-20	Office equipment	3-5
Housing	30	Furniture and fittings	7-10
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	3-5
Recreational Facilities	20-30	Landfill sites	15
Security	3-5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

Intangible assets are not recognised in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

7. REVALUATION OF LAND AND BUILDINGS

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

8. INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

Investment property are included as PPE in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

9. INVESTMENTS

9.1 Financial Instruments

Financial instruments, which include unlisted shares and fixed deposits invested in registered commercial banks, are stated at cost in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

9.2 Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements were prepared for the 2005/06 financial year to account for the Municipality's share of net assets and post-acquisition results of these investments. In accordance with the exemptions in Gazette no. 30013 of 29 June 2007, consolidated statements were not prepared for the 2006/07 financial year. Separate financial statements are drawn for the municipal entity.

10. INVENTORIES

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

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

Immovable capital assets inventory is included under property, plant and equipment in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value.

13. REVENUE RECOGNITION

Revenue is recognised at cost in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

13.1 Revenue from Exchange Transactions

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

Service charges from sanitary services are based on the value of improvements. A fixed tariff is applied on vacant erven. Levies on churches, church halls and other qualifying charitable institutions are based on the number of sanitary points and refuse containers on each developed property. The tariffs are approved by council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

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

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

13.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

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

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

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

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

14. 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.

15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

16. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

17. 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.

18. 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.

19. 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.

MANGAUNG LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

21. LEASES

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due, in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

The Municipality as Lessor

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

Rental income from operating leases is recognised as income when invoiced in accordance with the exemptions in Gazette no. 30013 of 29 June 2007

22. BORROWING COSTS

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

23. RETIREMENT BENEFITS

Mangaung Local Municipality, its employees and councillors contribute to approved pension and provident funds. These funds provide retirement benefits to employees and councillors and are subject to the Pension Funds Act, 1956. Benefits are being calculated according to the different funds' rules. Current contributions are charged against operating income. Defined future benefit obligations are not disclosed in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

Actuarial valuations are performed by the relevant pension funds at least every three years.

24. COMPARATIVE INFORMATION

24.1 Current year comparatives:

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

24.2 Prior year comparatives:

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

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. HOUSING DEVELOPMENT FUND		
Housing Development Fund	42 567 563	54 261 905
Unappropriated surplus	<u>42 567 563</u>	<u>54 261 905</u>
The Housing Development Fund is represented by the following assets and liabilities:		
Housing selling scheme loans (See note 11)	38 508 222	37 674 947
Housing rental debtors (See note 13)	11 349 291	9 866 781
Investments	<u>(7 235 580)</u>	<u>6 760 788</u>
Sub-total	42 621 933	54 302 516
Creditors	<u>(54 370)</u>	<u>(40 611)</u>
Total Housing Development Fund assets and liabilities	<u><u>42 567 563</u></u>	<u><u>54 261 905</u></u>
2. LONG-TERM BORROWINGS		
Annuity loans	17 480 092	18 911 141
Government loans : other	-	120 957
Sub-total	<u>17 480 092</u>	<u>19 032 098</u>
Less: current portion transferred to current liabilities	(1 550 736)	(1 552 914)
Annuity loans	<u>(1 550 736)</u>	<u>(1 431 957)</u>
Government loans : other	-	(120 957)
Total long-term borrowings	<u><u>15 929 356</u></u>	<u><u>17 479 184</u></u>
Refer Appendix A for more detail on long-term borrowings.		
3. NON-CURRENT PROVISIONS		
Provision for the reclamation of Petra Quarry site	1 783 183	1 758 127
Total non-current provisions	<u><u>1 783 183</u></u>	<u><u>1 758 127</u></u>

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the Petra Quarry site after its useful life. Provision has been made for this cost based on the future value of the rehabilitation cost on 31 May 2016.

The movement in the non-current provision is reconciled as follows:-

	Petra Quarry
30 June 2007	
Balance at beginning of year	1 758 127
Contributions to provisions	25 056
Expenditure Incurred	-
Increase in provision due to discounting	-
Transfer to current provisions	-
Balance at end of year	<u><u>1 783 183</u></u>
30 June 2006	
Balance at beginning of year	1 710 247
Contributions to provisions	47 880
Expenditure Incurred	-
Increase in provision due to discounting	-
Transfer to current provisions	-
Balance at end of year	<u><u>1 758 127</u></u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
4. CONSUMER DEPOSITS		
Electricity and Water	16 198 159	13 964 380
Interest paid	531 263	1 580 178
Total consumer deposits	<u>16 729 422</u>	<u>15 544 558</u>
Included in deposits is an accrual of interest at an effective interest rate of 4% per annum, which is paid to consumers when deposits are refunded.		
Guarantees in lieu of electricity and water deposits	<u>12 610 137</u>	<u>10 748 487</u>
5. PROVISIONS		
Provision for bonuses	<u>11 689 465</u>	<u>10 760 975</u>
The movement in current provisions are reconciled as follows:		
Balance at beginning of year	10 760 975	10 246 564
Net contribution to provision	928 490	514 411
Balance at end of year	<u>11 689 465</u>	<u>10 760 975</u>
6. PAYABLES		
Trade payables	65 941 260	37 093 602
Payments received in advance	103 659 252	74 159 084
Retentions	49 899 540	41 245 697
Staff leave	27 624 746	28 005 030
Other payables	20 650 350	20 775 765
Sub total	<u>267 775 148</u>	<u>201 279 178</u>
Inter suspense account - Centlec	137 469 161	162 501 787
Total payables	<u>405 244 309</u>	<u>363 780 965</u>
7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>Conditional grants from other spheres of government</i>		
Restructuring Grant	19 136 954	28 348 141
Financial Management Grant	1 755 483	1 715 960
DWAF Funds	9 503 684	1 859 998
MIG Grants	11 180 463	6 883 991
Municipal System Improvement Grant	1 291 463	1 481 463
Public Transport Infrastructure & System Fund Grant	48 523 206	23 600 000
2010 Stadia Development Grant	4 013 816	-
Housing Grant: Municipal Accreditation Funding	653 845	-
Total conditional grants and receipts	<u>96 058 914</u>	<u>63 889 553</u>
See note 18 for reconciliation of grants from other spheres of government. These amounts are invested until utilized.		
8. TAXES PAYABLE		
VAT payable	<u>21 379 058</u>	<u>27 949 211</u>
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.		

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	870 058 593	731 144 687	13 920 997	-	112 179 803	-	-	1 727 304 080
Cost	1 079 813 057	1 262 446 499	21 173 688	-	294 779 246	-	-	2 658 212 490
Correction of error	-	-	-	-	-	-	-	-
Revaluation	936 900	-	-	-	-	-	-	936 900
Accumulated depreciation	(210 691 364)	(531 301 812)	(7 252 691)	-	(182 599 443)	-	-	(931 845 310)
- Cost	(210 691 364)	(531 301 812)	(7 252 691)	-	(182 599 443)	-	-	(931 845 310)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	87 486 008	181 782 249	2 509 591	-	20 948 269	-	-	292 726 117
Capital under Construction	-	-	-	-	-	-	-	-
Increases /decreases in revaluation	10 904 800	-	-	-	-	-	-	10 904 800
Depreciation	(53 056 730)	(231 481 863)	(1 295 937)	-	(25 689 046)	-	-	(311 523 576)
- based on cost	(12 271 830)	(58 771 233)	(1 295 937)	-	(25 689 046)	-	-	(98 028 046)
- Other movements	(40 784 900)	(172 710 630)	-	-	-	-	-	(213 495 530)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	(18 720 340)	(58 219 476)	(18 339)	-	(6 591 879)	-	-	(83 550 034)
Cost / revaluation	(21 929 124)	(77 699 329)	(18 971)	-	(14 226 309)	-	-	(113 873 733)
Accumulated depreciation	3 208 784	19 479 853	632	-	7 634 430	-	-	30 323 699
Impairment losses	-	-	-	-	-	-	-	-
Other movements	40 784 900	172 710 630	-	-	-	-	-	213 495 530
Carrying values at 30 June 2007	937 457 231	795 936 227	15 116 312	-	100 847 147	-	-	1 849 356 917
Cost	1 187 091 741	1 539 240 049	23 664 308	-	301 501 206	-	-	3 051 497 304
Revaluation	10 904 800	-	-	-	-	-	-	10 904 800
Accumulated depreciation	(260 539 310)	(743 303 822)	(8 547 996)	-	(200 654 059)	-	-	(1 213 045 187)
- Cost	(260 539 310)	(743 303 822)	(8 547 996)	-	(200 654 059)	-	-	(1 213 045 187)
- Revaluation	-	-	-	-	-	-	-	-

30 June 2006

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Develop. Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	858 114 221	941 881 675	13 009 548	-	152 390 466	-	-	1 965 395 910
Cost	1 057 246 440	1 676 786 867	19 519 437	-	360 932 593	-	-	3 114 485 337
Correction of error	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(199 132 219)	(734 905 192)	(6 509 889)	-	(208 542 127)	-	-	(1 149 089 427)
- Cost	(199 132 219)	(734 905 192)	(6 509 889)	-	(208 542 127)	-	-	(1 149 089 427)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	22 566 617	183 270 226	1 654 251	-	16 582 737	-	-	224 073 831
Capital under Construction	-	-	-	-	-	-	-	-
Increases /decreases in revaluation	936 900	-	-	-	-	-	-	936 900
Depreciation	(11 559 145)	(57 656 087)	(742 802)	-	(18 565 668)	-	-	(88 523 702)
- based on cost	(11 559 145)	(57 656 087)	(742 802)	-	(18 565 668)	-	-	(88 523 702)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	(336 351 127)	-	-	(38 227 732)	-	-	(374 578 859)
Cost / revaluation	-	(597 610 594)	-	-	(82 736 084)	-	-	(680 346 678)
Accumulated depreciation	-	261 259 467	-	-	44 508 352	-	-	305 767 819
Impairment losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	870 058 593	731 144 687	13 920 997	-	112 179 803	-	-	1 727 304 080
Cost	1 079 813 057	1 262 446 499	21 173 688	-	294 779 246	-	-	2 658 212 490
Revaluation	936 900	-	-	-	-	-	-	936 900
Accumulated depreciation	(210 691 364)	(531 301 812)	(7 252 691)	-	(182 599 443)	-	-	(931 845 310)
- Cost	(210 691 364)	(531 301 812)	(7 252 691)	-	(182 599 443)	-	-	(931 845 310)
- Revaluation	-	-	-	-	-	-	-	-

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

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2006/07 financial year due to the exemption granted in Gazette 30013.

Included in land and buildings above are items that may meet the definition of investment property but have been included as PPE because the municipality had not finalized the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of the definition in IAS 40 (AC 135).

Erven were revalued on a current value basis on 1 July 2003 by an independent valuer with the qualifications of an associated valuer.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
10. INVESTMENTS		
Listed	-	-
Unlisted		
Investment in municipal entities - Centlec (Pty) Ltd	100	100
Senwes Ltd shares	5 658	5 658
OVK Holdings Ltd	2 535	2 535
Total unlisted	<u>8 293</u>	<u>8 293</u>
Financial instruments		
Short-term deposits maturing during 4th to 12 months	66 858 992	213 300 000
Total cash investments	<u>66 858 992</u>	<u>213 300 000</u>
Total investments	<u>66 867 285</u>	<u>213 308 293</u>

Included in fixed deposits, is an amount of R358 992, being the balance of an investment at New Republic Bank currently under curatorship. Surplus funds are invested until used for specific purposes.

Council's valuation of unlisted investments

Investment in municipal entities - Centlec (Pty) Ltd	100	100
Senwes Ltd shares	5 658	5 658
OVK Holdings Ltd	2 535	2 535
	<u>8 293</u>	<u>8 293</u>

Investment in municipal entities

Centlec (Pty) Ltd

30 June 2007

Issued share capital	100
Percentage owned by council (%)	100%
Indebtness of municipal entities	1 399 543 205
Interest received	96 000 000
Management fees received	71 591 369
Administration fees received	6 060 890

30 June 2006

Issued share capital	100
Percentage owned by council (%)	100%
Indebtness of municipal entities	1 368 531 422
Interest received	100 000 000
Management fees received	62 064 503
Administration fees received	4 796 270

Pledged investments

An investment of R6 000 000 is pledged as security to the Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
11. LONG-TERM RECEIVABLES		
Shareholders loan - Centlec	1 339 348 947	1 352 617 429
Loans to controlled municipal entities	60 194 258	15 913 221
Car loans	5 264 939	9 045 741
Study loans	108 027	161 951
Erven loans	9 915 822	9 816 971
Housing selling scheme loans	38 508 222	37 674 947
	<u>1 453 340 215</u>	<u>1 425 230 260</u>
Less: Current portion transferred to current assets	29 133 767	24 677 305
Loans to controlled municipal entities	3 042 745	769 620
Car loans	3 477 362	4 078 566
Study loans	101 342	120 015
Erven loans	7 117 103	6 592 460
Housing selling scheme loans	15 395 215	13 116 644
Total long-term receivables	<u><u>1 424 206 448</u></u>	<u><u>1 400 552 955</u></u>

Shareholders loan Centlec (Pty) Ltd

A shareholders loan account was established in accordance with the sale of business agreement for the purchase of the electricity service by Centlec. The capital amount outstanding bears interest from the effective date of 1 July 2005 by applying an interest rate on the loan account to achieve an agreed upon revenue for the municipality, based upon the past contribution to the Rate and General Services.

Loans to controlled municipal entities

Loans are granted to Centlec for capital expenditure at an interest rate of 10% per annum and repayable over the estimated life of the financed asset.

Car loans

Senior staff obtained loans at 8.50% interest per annum repayable over a maximum period of 6 years. These loans are being phased out and are repayable in the year 2010.

Study loans

Staff members qualified for interest free study loans under the approved study scheme of the municipality. These loans are being phased out and no further loans are granted.

Erven loans

Loans were granted to the public for the sale of erven, repayable over a maximum period of five years at an interest rate of 1% above the bank rate of the municipality. No further loans are granted.

Housing selling scheme loans

Housing loans are granted to qualifying individuals and public organizations in terms of the housing program. These loans attract interest of between 6 to 14% per annum and are repayable over 20 years.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
12. INVENTORY		
Consumable stores - at cost	1 751 871	1 701 478
Water maintenance material - at cost	624 884	743 727
Water in reservoirs - at cost	560 932	573 208
Fuel - at cost	763 395	1 149 063
Total inventory	<u>3 701 082</u>	<u>4 167 476</u>

13. CONSUMER RECEIVABLES

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2007			
Service receivables	544 158 851	(311 730 053)	232 428 798
Rates	226 475 759	(129 739 019)	96 736 740
Electricity	4 813 158	(2 768 529)	2 044 629
Water	201 379 097	(115 355 394)	86 023 703
Sewerage	111 490 837	(63 867 111)	47 623 726
Housing rentals	11 349 291	(6 491 724)	4 857 567
Total	<u>555 508 142</u>	<u>(318 221 777)</u>	<u>237 286 365</u>

As at 30 June 2006			
Service receivables	466 626 750	(289 082 039)	177 544 711
Rates	192 925 820	(119 520 344)	73 405 476
Electricity	6 165 426	(3 819 571)	2 345 855
Water	162 610 707	(100 739 691)	61 871 016
Sewerage	104 924 797	(65 002 433)	39 922 364
Housing rentals	9 866 781	-	9 866 781
Total	<u>476 493 531</u>	<u>(289 082 039)</u>	<u>187 411 492</u>

	2007 R	2006 R
Rates: ageing		
Current (0 – 30 days)	23 631 097	20 722 569
31 - 60 Days	8 295 224	7 187 521
61 - 90 Days	5 909 215	6 063 609
+ 90 Days	188 640 223	158 952 121
Total	<u>226 475 759</u>	<u>192 925 820</u>

Electricity: ageing		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	4 813 158	6 165 426
Total	<u>4 813 158</u>	<u>6 165 426</u>

Water and sewerage: ageing		
Current (0 – 30 days)	34 587 786	36 299 631
31 - 60 Days	14 833 767	12 673 811
61 - 90 Days	13 339 120	9 303 451
+ 90 Days	250 109 261	209 258 611
Total	<u>312 869 934</u>	<u>267 535 504</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Housing rentals: ageing		
Current (0 – 30 days)	599 284	383 269
31 - 60 Days	564 229	279 789
61 - 90 Days	326 166	216 629
+ 90 Days	9 859 612	8 987 094
Total	<u>11 349 291</u>	<u>9 866 781</u>

<u>Summary of receivables by customer classification</u>	<u>Consumers</u> R	<u>Industrial/ Commercial</u> R	<u>National and Provincial Government</u> R
30 June 2007			
Current (0 – 30 days)	43 980 649	9 618 348	5 219 170
31 - 60 Days	17 801 456	3 846 383	2 045 381
61 - 90 Days	14 587 792	3 213 611	1 773 098
+ 90 Days	332 923 725	71 901 852	48 596 677
Sub-total	<u>409 293 622</u>	<u>88 580 194</u>	<u>57 634 326</u>
Less: Provision for bad debt	(234 463 069)	(50 742 995)	(33 015 713)
Total receivables by customer classification	<u>174 830 553</u>	<u>37 837 199</u>	<u>24 618 613</u>
30 June 2006			
Current (0 – 30 days)	42 924 319	9 387 334	5 093 816
31 - 60 Days	15 132 653	3 269 731	1 738 737
61 - 90 Days	11 613 661	2 558 426	1 411 602
+ 90 Days	281 483 145	60 792 181	41 087 926
Sub-total	<u>351 153 778</u>	<u>76 007 672</u>	<u>49 332 081</u>
Less: Provision for Bad Debt	(213 040 144)	(46 112 804)	(29 929 092)
Total receivables by customer classification	<u>138 113 634</u>	<u>29 894 868</u>	<u>19 402 989</u>

	2007 R	2006 R
<u>Reconciliation of bad debt provision</u>		
Balance at beginning of year	289 082 039	128 427 657
Contributions to provision	39 037 268	165 160 638
Bad debts written off against provision	(9 897 530)	(4 506 256)
Reversal of provision	-	-
Balance at the end of the year	<u>318 221 777</u>	<u>289 082 039</u>

14. OTHER RECEIVABLES

Sundry receivables	39 958 606	38 302 081
Outstanding health claims	6 790 446	6 920 446
Interest on investments	7 313 710	8 070 422
Insurance claims	355 727	570 501
Total other receivables	<u>54 418 489</u>	<u>53 863 450</u>

15. BANK BALANCES AND CASH

The municipality has the following bank accounts:

Current account (primary bank account)

ABSA Bank
Account number 470000465

Cashbook balance at the beginning of the year	62 970 698	121 518 114
Cashbook balance at the end of the year	<u>15 215 159</u>	<u>62 970 698</u>
Bank statement balance at the beginning of the year	109 720 698	166 782 374
Bank statement balance at the end of the year	<u>42 215 585</u>	<u>109 720 698</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<u>Current account (fresh produce market)</u>		
ABSA Bank Account Number 470001348		
Cashbook balance at the beginning of the year	1 267 868	1 656 009
Cashbook balance at the end of the year	<u>2 738 547</u>	<u>1 267 868</u>
Bank statement balance at the beginning of the year	1 267 868	1 656 009
Bank statement balance at the end of the year	<u>2 738 547</u>	<u>1 267 868</u>
<u>Current account (2010 FIFA world cup)</u>		
ABSA Bank Account Number 4067877886		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	<u>4 013 816</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>4 013 816</u>	<u>-</u>
<u>Total cashbook balance at the beginning of the year</u>	<u>64 238 566</u>	<u>123 174 123</u>
<u>Total cashbook balance at the end of the year</u>	<u>21 967 522</u>	<u>64 238 566</u>

16. PROPERTY RATES

<u>Actual</u>		
Residential and commercial	206 655 899	196 292 669
State	21 301 241	20 744 598
Municipal	1 383 567	1 307 818
Total assessment rates	<u>229 340 707</u>	<u>218 345 085</u>
<u>Valuations</u>		
Residential	13 429 642 469	11 935 655 578
Commercial	3 935 119 900	3 463 768 416
State	1 779 373 500	2 211 134 300
Municipal	52 511 100	1 544 557 100
Total property valuations	<u>19 196 646 969</u>	<u>19 155 115 394</u>

Valuations on land and buildings are performed at least every three years. The last valuation came into effect on 1 July 2003. The basic rates of R0.0782 (2006: R0.0745) on the value of land and R0.00710 (2006: R0.00677) on the value of improvements are applied to determine assessment rates. A rebate of 40% is granted to owners which properties are used solely for residential purposes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes. A rebate of 20% is applied on residential properties from which an informal business is operated. A rebate of 100% is granted in the Bloemindustria industrial area.

17. SERVICE CHARGES

Sale of water	236 168 572	209 229 358
Refuse removal	3 309 569	3 146 227
Sewerage and sanitation charges	82 683 651	78 482 341
Total service charges	<u>322 161 792</u>	<u>290 857 926</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	196 823 266	155 606 839
Provincial subsidy - Botshabelo salaries R293	-	11 712 501
Restructuring Grant	19 211 187	14 065 028
Financial Management Grant	460 477	5 801 931
Provincial health subsidies	14 598 323	14 485 610
Municipal Systems Improvement Grant	190 000	18 537
DWAF funds	1 856 314	470 620
National Electrification Program Grant	3 999 600	-
MIG grant	91 525 196	82 817 414
Public Transport Infrastructure & System Fund Grant	4 306 794	-
Housing Grant: Municipal Accreditation Funding	3 592 635	-
Total government grants & subsidies	336 563 792	284 978 480

18.1 Equitable share

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

18.2 Provincial subsidy Botshabelo - salaries R293

Employees of the Provincial Administration in the former Local Council of Botshabelo was transferred to the Mangaung Local Municipality during 2001. Their salaries were subsidised for a period of five years until 30 June 2006.

18.3 Restructuring Grant

Balance unspent at beginning of year	28 348 141	37 907 875
Current year receipts	10 000 000	4 505 294
Conditions met - transferred to revenue	(19 211 187)	(14 065 028)
Operating expenditure	(18 837 045)	(14 065 028)
Capital expenditure	(374 142)	-
Conditions still to be met - transferred to liabilities (see note 7)	19 136 954	28 348 141

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.

18.4 Financial Management Grant

Balance unspent at beginning of year	1 715 960	5 517 891
Current year receipts	500 000	2 000 000
Conditions met - transferred to revenue	(460 477)	(5 801 931)
Conditions still to be met - transferred to liabilities (see note 7)	1 755 483	1 715 960

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).

18.5 Provincial health subsidies

Balance unspent at beginning of year		-
Current year receipts	14 598 323	14 485 610
Conditions met - transferred to revenue	(14 598 323)	(14 485 610)
Conditions still to be met - transferred to liabilities (see note 7)	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 60% of total expenditure incurred. The grant is used mainly to fund primary health care services.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	1 481 463	500 000
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	<u>(190 000)</u>	<u>(18 537)</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>1 291 463</u>	<u>1 481 463</u>

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000.

18.7 DWAF funds

Balance unspent at beginning of year	1 859 998	665 268
Current year receipts	9 500 000	1 665 350
Conditions met - transferred to revenue	<u>(1 856 314)</u>	<u>(470 620)</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>9 503 684</u>	<u>1 859 998</u>

The purpose of the grant is to fund bulk, connector and internal infrastructure for water services at a basic level of service.

18.8 National Electrification Program Grant

Balance unspent at beginning of year	-	-
Current year receipts	3 999 600	-
Conditions met - transferred to Centlec	<u>(3 999 600)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>-</u>	<u>-</u>

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. The grant is transferred to Centlec.

18.9 MIG grant

Balance unspent at beginning of year	6 883 991	4 360 127
Current year receipts	95 821 668	85 341 278
Conditions met - transferred to revenue	<u>(91 525 196)</u>	<u>(82 817 414)</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>11 180 463</u>	<u>6 883 991</u>

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

18.10 Public Transport Infrastructure & System Fund Grant

Balance unspent at beginning of year	23 600 000	-
Current year receipts	29 230 000	23 600 000
Conditions met - transferred to revenue	<u>(4 306 794)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities (see note 7)	<u>48 523 206</u>	<u>23 600 000</u>

The grant is allocated to the municipality to improve public transport infrastructure and systems, in accordance with agreed project plans.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
18.11 Housing Grant: Municipal Accreditation Funding		
Balance unspent at beginning of year	-	-
Current year receipts	4 246 480	-
Conditions met - transferred to revenue	(3 592 635)	-
Conditions still to be met - transferred to liabilities (see note 7)	<u>653 845</u>	<u>-</u>

The grant is allocated to the municipality to finance and support the municipal accreditation project as well as capacity development.

18.12 2010 Stadia Development Grant

Balance unspent at beginning of year	-	-
Current year receipts	4 013 816	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 7)	<u>4 013 816</u>	<u>-</u>

The grant is allocated to the municipality for the development and improvement of the sport stadium for the 2010 soccer world cup..

18.13 Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no. 2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

19. OTHER INCOME

Commission Fresh Produce Market	9 690 100	9 283 791
Building plan fees	2 996 250	2 466 448
Grave plots	2 353 060	2 024 304
Sale of land	3 943 248	8 769 483
Other income	17 516 152	15 191 258
Total other income	<u>36 498 810</u>	<u>37 735 284</u>

20. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and wages	353 040 221	321 141 022
Employee related costs - Contributions for UIF, pensions and medical aids	79 604 233	67 371 196
Travel, motor car, accommodation, subsistence and other allowances	26 250 451	23 081 201
Housing benefits and allowances	4 006 838	3 629 055
Overtime payments	32 816 544	23 753 505
Performance bonuses	4 458 230	3 883 035
Long-service awards	18 659	17 000
Provision for bonuses	928 490	514 411
Total employee related costs	<u>501 123 666</u>	<u>443 390 425</u>

Included above are employees in service of the municipality, which are seconded to the municipal entity Centlec (Pty) Ltd. The total cost charged to Centlec in this regard is R69 883 229 (2006: R60 594 857) and is reflected in the statement of financial performance as income for agency services.

There were no advances to employees. Loans to employees are set out in note 11.

Remuneration of the City Manager

Annual remuneration	897 132	673 714
Performance bonus	55 271	182 454
Car allowance	180 000	166 420
Contribution to UIF, medical and pension funds	14 339	17 762
Total	<u>1 146 742</u>	<u>1 040 350</u>

The remuneration as reflected in 2006, is for a period of 10 months.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
Remuneration of the Chief Financial Officer		
Annual remuneration	507 144	603 746
Performance bonus	125 512	150 265
Car allowance	123 564	98 152
Contribution to UIF, medical and pension funds	88 743	135 047
Total	<u>844 963</u>	<u>987 210</u>

The contract of the previous CFO terminated on 30 November 2006. He acted as CFO up to 12 March 2007. A new CFO was appointed on 13 March 2007.

Remuneration of the Chief Operating Officer		
Annual remuneration	312 485	651 568
Performance bonus	-	167 463
Car allowance	43 480	132 083
Contribution to UIF, medical and pension funds	2 281	1 060
Total	<u>358 246</u>	<u>952 174</u>

The remuneration as reflected in 2007 is for a period of 4 months, and for 2006 for a period of 10 months.

Remuneration of the individual Executive Directors:

Executive Director: Community and Social Development		
Annual remuneration	688 281	571 227
Performance bonus	157 841	139 765
Car allowance	60 000	87 000
Contribution to UIF, medical and pension funds	149 817	130 829
Total	<u>1 055 939</u>	<u>928 821</u>

Executive Director: Corporate Services		
Annual remuneration	779 160	673 040
Performance bonus	151 665	136 002
Car allowance	84 000	84 000
Contribution to UIF, medical and pension funds	1 435	1 284
Total	<u>1 016 260</u>	<u>894 326</u>

Executive Director: Economic Development and Planning		
Annual remuneration	275 518	267 484
Performance bonus	-	132 627
Car allowance	40 000	68 000
Contribution to UIF, medical and pension funds	478	13 952
Total	<u>315 996</u>	<u>482 063</u>

The remuneration as reflected in 2007 is for a period of 4 months, and for 2006 for a period of 5 months.

Executive Director: Infrastructure		
Annual remuneration	842 248	719 776
Performance bonus	175 944	156 626
Car allowance	156 000	156 000
Contribution to UIF, medical and pension funds	1 435	3 944
Total	<u>1 175 627</u>	<u>1 036 346</u>

21. REMUNERATION OF COUNCILLORS

Executive Mayor	528 683	418 932
Deputy Executive Mayor	422 946	118 808
Speaker	422 946	335 286
Chief Whip	396 512	329 912
Mayoral Committee Members	3 568 608	2 753 537
Councillors	11 308 274	8 193 059
Councillors' medical and pension contributions	-	1 224 042
Total Councillors' Remuneration	<u>16 647 969</u>	<u>13 373 576</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R

The Minister for Provincial and Local Government changed the remuneration of councillors to *total remuneration packages* by means of Government Notice number R653 in Government Gazette number 28990 dated 30 June 2006. This means that the council's contribution to pension and medical aid funds for 2007 is included in the abovementioned figures.

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The Executive Mayor and Deputy-Executive Mayor have use of council owned vehicles for official duties.

The Executive Mayor and Deputy Executive Mayor have five bodyguards and an official driver at the cost of Council.

22. INTEREST PAID

Borrowings	1 902 643	2 054 211
Consumer deposits	531 263	1 580 178
Total interest on external borrowings	2 433 906	3 634 389

23. BULK PURCHASES

Water	157 737 246	138 946 314
Total bulk purchases	157 737 246	138 946 314

24. GRANTS AND SUBSIDIES PAID

Miscellaneous grants	56 327	62 155
S P C A	270 580	257 700
Central Agricultural Society	-	6 360
Bursaries-employees	537 906	608 319
Cost of living allowance -pensioners	107 742	113 505
Ex-employees - medical aid contribution	4 170 053	4 125 768
Centlec - Free services recoverable	30 076 120	28 095 841
National Electrification Program Grant	3 999 600	-
Total grants and subsidies	39 218 328	33 269 648

Miscellaneous grants are allocated mainly for ad hoc grants and the free use of council facilities, as approved during the year.

The subsidy to SPCA is paid annually to assist this organisation in performing its tasks.

The payment to the Central Agricultural Society is for the maintenance of council's property at the show grounds, which are used in accordance with an agreement with the society.

Bursaries are paid to employees in accordance with the approved study scheme.

The cost of living allowance is applicable to black pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

The medical aid contribution of pensioners is subsidised by the municipality to a maximum of 60% of the cost of the prescribed basic medical plan.

The free electricity provided by Centlec (Pty) Ltd is recoverable from the equitable share grant.

The National Electrification Program Grant received by the municipality was transferred to Centlec. See note 18.8.

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
25. GENERAL EXPENSES		
Included in general expenses is the following:		
Leave provision	2 472 266	17 581 775
Restructuring Grant - projects	18 837 045	14 065 028
Fuel	17 093 139	13 653 018
Legal expenses	1 843 757	10 049 613
Telephone and cellular costs	9 881 454	10 905 405
Financial Management Grant - projects	460 477	5 801 931
Vehicle tracking system	4 854 403	5 133 954
Electricity and water	13 826 315	11 774 410
Hire equipment	5 796 520	4 904 718
Other general expenses	75 253 254	66 398 801
Total	<u>150 318 630</u>	<u>160 268 653</u>

26. CORRECTION OF ERROR

The employee related expenses of the employees of the municipality, which were seconded to the municipal entity Centlec, were not included in the statement of financial performance in the 2006 financial year.

The comparative amounts have been restated as follows:

Revenue:		
Income for agency services		(60 594 857)
Expenditure:		
Employee related costs		60 120 990
General expenses - Skills development levy		473 867
Net effect on surplus/(deficit) for the year		<u>-</u>

27. CASH GENERATED BY OPERATIONS

Net surplus for the year	79 971 261	789 420 724
Adjustment for:		
Previous years	-	(69 049 382)
Depreciation	98 028 046	88 523 702
Gain on disposal of property, plant and equipment	-	(789 841 971)
Contributions to provisions - non-current	25 056	47 880
Contributions to provisions - current	928 490	514 411
Contributions to bad debt provision	39 037 268	165 160 638
Contributions reserves	(592 907)	-
Inter suspense account Centlec	-	(29 854 012)
Investment income	(149 236 635)	(143 791 231)
Interest paid	2 433 906	3 634 389
Operating surplus before working capital changes:	<u>70 594 485</u>	<u>14 765 148</u>
(Increase)/decrease in inventories	466 394	13 182 408
(Increase)/decrease in consumer receivables	(79 014 611)	(1 331 377)
(Increase)/decrease in other receivables	(555 039)	(11 079 176)
Increase/(decrease) in conditional grants & receipts	32 169 361	14 938 392
Increase/(decrease) in provisions	(9 897 530)	(4 506 256)
Increase/(decrease) in payables	41 463 344	12 596 879
Increase/(decrease) in taxes	(6 570 153)	(3 813 128)
Cash generated by/(utilised in) operations	<u>48 656 251</u>	<u>34 752 890</u>

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Investments in financial instruments maturing during first 3 months	112 926 810	49 958 992
Favourable bank account	21 967 522	64 238 566
Total cash and cash equivalents	<u>134 894 332</u>	<u>114 197 558</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
29. UTILISATION OF BORROWINGS RECONCILIATION		
Borrowings (See note 2)	17 480 092	19 032 098
Used to finance property, plant and equipment - at cost	(17 480 092)	(19 032 098)
	<u>-</u>	<u>-</u>
30. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>30.1 Contributions to organized local government</u>		
Opening balance	-	-
Council subscriptions	1 563 850	1 937 814
Amount paid -current year	(1 563 850)	(1 937 814)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>30.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	2 947 941	2 133 240
Amount paid -current year	(2 947 941)	(2 133 240)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>30.3 VAT</u>		
Vat paid/(claimed)	<u>(4 806 792)</u>	<u>1 804 048</u>
All Vat returns have been submitted by the due date during the year.		
<u>30.4 PAYE AND UIF</u>		
Opening balance	-	-
Current year payroll deductions	61 316 721	57 374 049
Amount paid -current year	(61 316 721)	(57 374 049)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>30.5 Pension and medical aid deductions</u>		
Opening balance	-	-
Current year payroll deductions and council contributions	104 284 780	92 670 785
Amount paid -current year	(104 284 780)	(92 670 785)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

30.6 Councillor's arrear consumer accounts

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

30 June 2007	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor:			
Dithebe G C	2 070	-	2 070
Makhanya K N L	6 514	1 504	5 010
Masita M J	254	44	210
Mavuya M A	603	170	433
Minnie H	1 236	747	489
Modise M M	9 979	1 901	8 078
Mokotjo N G	8 934	4 600	4 334
Moletsane S G	4 413	2 862	1 551
Monyabane T A	3 861	207	3 654
Moroe L G	4 273	1 626	2 647
Mphetheng M A	363	66	297
Mtshwane K J	10 171	554	9 617
Nakedi S S	1 549	297	1 252
Phupha N A	4 282	539	3 743
Pongolo X D	4 021	-	4 021
Scheepers M A	1 914	683	1 231
Sefuthi S M	273	-	273
Siyonzana M A	1 112	628	484
Somimi P M	236	59	177
Tsomela M M	1 963	494	1 469
Zweni T A	18 343	752	17 591
Total councillor arrear consumer accounts	86 364	17 733	68 631

30 June 2006	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor:			
Choene S K M	810	616	194
Erasmus J C	708	213	495
Janse van Vuuren D E	5 662	1 010	4 652
July L R	1 189	471	718
Khutlane M S	18 503	523	17 980
Kopane S P	7 668	3 074	4 594
Lubbe G D	862	510	352
Makhanya K N L	4 534	1 756	2 778
Minnie H	5 780	509	5 271
Modise M M	4 091	136	3 955
Monyabane T A	3 028	132	2 896
Mtshwane K J	11 155	1 513	9 642
Siyonzana M A	5 312	1 472	3 840
Zweni T A	9 515	171	9 344
Total councillor arrear consumer accounts	78 817	12 106	66 711

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

During the year the following councilors had arrear accounts outstanding for more than 90 days:

	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
30 June 2007		
Councillor:		
Human J S	4 344	>90 Days
Janse van Vuuren D E	7 545	>90 Days
July L R	683	>90 Days
Kopane S P	5 913	>90 Days
Lubbe G D	1 042	>90 Days
Mbange M B	2 954	>90 Days
Nothnagel J	3 396	>90 Days
30 June 2006		
Councillor:		
Adoons N L	366	>90 Days
Ditthebe G C	750	>90 Days
Erasmus J C	1 056	>90 Days
Janse van Vuuren D E	5 064	>90 Days
July L R	1 155	>90 Days
Khutlane M S	17 923	>90 Days
Kopane S P	12 458	>90 Days
Lubbe G D	922	>90 Days
Makhanya K N L	12 514	>90 Days
Masita M J	150	>90 Days
Matsoetlane M J	1 454	>90 Days
Mavuya M A	272	>90 Days
Mbange M B	422	>90 Days
Minnie H	5 525	>90 Days
Modise M M	4 023	>90 Days
Mokotjo N G	1 967	>90 Days
Monyabane T A	3 504	>90 Days
Moroe L G	3 145	>90 Days
Motaung B	781	>90 Days
Mphetheng M A	337	>90 Days
Mtshiwane K J	10 991	>90 Days
Nakedi S S	96	>90 Days
Nchaba T J	109	>90 Days
Nothnagel J	6 516	>90 Days
Nzapheza F B	5 349	>90 Days
Ramokone M A	781	>90 Days
Scheepers M A	1 643	>90 Days
Siyonzana M A	5 380	>90 Days
Snyman-Van Deventer E	3 909	>90 Days
Taaibosch S E	478	>90 Days
Tafana M F	150	>90 Days
Tanyane S P	329	>90 Days
Tsomela M M	3 259	>90 Days
Zweni T A	9 515	>90 Days

MANGAUNG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
31. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
-Approved and contracted for		
Infrastructure	147 345 650	102 739 440
Community	39 737 760	7 810 620
Total	187 083 410	110 550 060
 This expenditure will be financed from:		
-Capital Replacement Reserve	94 199 150	61 615 069
-Government Grants	92 884 260	48 934 991
Total	187 083 410	110 550 060

32. RETIREMENT BENEFIT INFORMATION

All councillors and employees belong to defined benefit retirement funds as listed below:

Free State Municipal Pension Fund
SALA Pension Fund
Municipal Councillor's Pension Fund
Free State Municipal Provident Fund
SAMWU National Provident Fund
Mangaung Multi Provident Fund
Government Employees Pension Fund
Old Mutual Orion

The actuarial valuations of the funds could not be obtained.

An amount of R51.8 million (2006: R46.8 million) was contributed by council in respect of councillor and employees retirement funding. These contributions have been expensed.

33. CONTINGENT LIABILITY

33.1 Guarantees by council in respect of housing loans at financial institutions for officials	5 037 387	5 342 591
33.2 Pending claims		
The municipality is being sued in the following pending claims against the council. All the claims are being contested based on legal advice.		
- A claim for alleged breach of contract regarding the marketing of the Mangaung brand.	-	1 100 000
- A claim for alleged breach of contract regarding the contract for the new regional offices.	-	5 500 000
- A claim for payment of animals which have died after the date of delivery.	200 000	90 000
- A claim for an alleged breach of contract in respect of the allocation of a tender.	300 000	100 000
- Outstanding claims regarding labour disputes.	500 000	2 000 000
- Claim against municipality from person wishing to evict persons from erf in Botshabelo.	1 260 000	-
- A claim for vicarious liability for two traffic guards being accused of culpable homicide.	500 000	-
	2 760 000	8 790 000

34. MUNICIPAL ENTITIES

Centlec (Pty) Ltd

A new company, Centlec (Pty) Ltd of which Mangaung Local Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity. The income derived from this activity will revert to the newly established business. All assets, including certain of the debtors of the electricity service were taken over by the newly formed company. The income formerly derived from the electricity service, will be replaced by interest to be received on a loan account. The company has commenced with business on 1 July 2005.

35. EVENTS AFTER THE REPORTING DATE

None

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).

MANGAUNG LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2007

External loans	Loan Number	Redeemable	Balance at 30/6/2006	Received during the year	Redeemed or written off during the year	Balance at 30/6/2007	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
Annuity loans								
DBSA @ 11.25	12279	2007/12/31	94 311		61 151	33 160	-	-
DBSA @ 11.25	12280	2008/12/31	99 417		36 542	62 875	-	-
DBSA @ 12.00	1529	2009/03/31	58 083		17 156	40 927	-	-
DBSA @ 14.00	1864	2011/09/30	986 208		129 362	856 846	1 084 441	-
DBSA @ 10.00	8001	2015/12/31	17 673 122		1 186 838	16 486 284	16 370 069	-
Total Annuity loans			18 911 141	-	1 431 049	17 480 092	17 454 510	-
Government loans								
BOP @ 10%		2007/06/30	120 957		120 957	-	65 892	-
Total Government loans			120 957	-	120 957	-	65 892	-
Total external loans			19 032 098	-	1 552 006	17 480 092	17 520 402	-

MANGAUNG LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals		Closing Balance
Land and Buildings													
Land	711 054 066	3 533 945		(767 400)		10 508 990	703 311 621	-				-	703 311 621
Buildings	369 695 891	83 952 063	40 784 900	11 672 200		11 420 134	494 684 920	210 691 365	12 271 830	40 784 900	3 208 784	260 539 311	234 145 609
	1 080 749 957	87 486 008	40 784 900	10 904 800	-	21 929 124	1 197 996 541	210 691 365	12 271 830	40 784 900	3 208 784	260 539 311	937 457 230
Infrastructure													
Roads & Stormwater	534 965 851	77 270 720				35 533 667	576 702 904	218 353 137	35 005 323		15 985 438	237 373 022	339 329 882
Street Lights	14 398 975	1 202 854					15 601 829	696 618	269 183			965 801	14 636 028
Traffic Light	9 749 570	981 764					10 731 334	2 372 397	507 137			2 879 534	7 851 800
Railway Sidings	1 757 990	100 000					1 857 990	958 912	48 659			1 007 571	850 419
Sewerage Purification	57 022 760	13 977 083					70 999 843	25 512 838	1 442 178			26 955 016	44 044 827
Sewerage Mains	325 912 304	68 222 204				31 063 487	363 071 021	105 659 908	12 322 642		1 736 622	116 245 928	246 825 093
Water Purification	3 895 884						3 895 884	2 219 008	108 872			2 327 880	1 568 004
Water Mains	314 336 258	20 027 624	172 710 630			11 102 175	495 972 337	175 486 804	9 057 857	172 710 630	1 757 793	355 497 498	140 474 839
Electricity Mains	406 906						406 906	42 189	9 382			51 571	355 335
	1 262 446 498	181 782 249	172 710 630	-	-	77 699 329	1 539 240 048	531 301 811	58 771 233	172 710 630	19 479 853	743 303 821	795 936 227
Community Assets													
Parks & Gardens	21 173 688	2 509 591					18 971	23 664 308	7 252 691	1 295 937		632	8 547 996
	21 173 688	2 509 591	-	-	-	18 971	23 664 308	7 252 691	1 295 937	-	632	8 547 996	15 116 312
Other Assets													
Site Development	44 377 160	1 760 619				3 470 742	42 667 037	24 357 836	2 225 223		1 226 223	25 356 836	17 310 201
Furniture & Office Equipment	79 156 679	7 577 690				4 239 842	82 494 527	42 267 543	10 221 761		3 201 053	49 288 251	33 206 276
Tools, Plant & Equipment	34 739 127	1 835 732				1 043 047	35 531 812	23 130 503	2 829 629		556 822	25 403 310	10 128 502
Motor Vehicles	136 506 281	9 774 228				5 472 678	140 807 831	92 843 561	10 412 433		2 650 332	100 605 662	40 202 169
	294 779 247	20 948 269	-	-	-	14 226 309	301 501 207	182 599 443	25 689 046	-	7 634 430	200 654 059	100 847 148
Total	2 659 149 390	292 726 117	213 495 530	10 904 800	-	113 873 733	3 062 402 104	931 845 310	98 028 046	213 495 530	30 323 699	1 213 045 187	1 849 356 917

MANGAUNG LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2007

	Cost							Accumulated Depreciation					Carrying Value
	Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	
Office of the City Manager	6 898 234	108 641				125 881	6 880 994	4 280 182	824 753		125 881	4 979 054	1 901 940
Corporate Services	131 744 389	44 485 540				4 987 417	171 242 512	69 516 490	7 522 186		2 803 861	74 234 815	97 007 697
Finance	24 706 040	4 013 853				-	28 719 893	12 833 207	2 840 226		-	15 673 433	13 046 460
Community and Social Development	256 175 367	8 928 841				4 824 182	260 280 026	147 519 487	13 134 947		1 687 543	158 966 891	101 313 135
Economic Development and Planning	772 558 704	6 759 226		(767 400)		19 472 829	759 077 701	27 409 983	2 459 089		2 311 703	27 557 369	731 520 332
Infrastructural Services	1 058 574 117	196 259 173				69 334 516	1 185 498 774	442 008 688	55 675 484		19 821 721	477 862 451	707 636 323
Housing	47 654 822	7 142 286	40 784 900	11 672 200		2 375 489	104 878 719	28 910 114	1 230 725	40 784 900	904 994	70 020 745	34 857 974
Fresh Produce Market	23 593 514	2 199 929				284 690	25 508 753	12 428 141	2 631 666		151 825	14 907 982	10 600 771
Water	337 244 203	22 828 628	172 710 630			12 468 729	520 314 732	186 939 018	11 708 970	172 710 630	2 516 171	368 842 447	151 472 285
Total	2 659 149 390	292 726 117	213 495 530	10 904 800	-	113 873 733	3 062 402 104	931 845 310	98 028 046	213 495 530	30 323 699	1 213 045 187	1 849 356 917

MANGAUNG LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
218 345 085	-	218 345 085	Property Rates	229 340 707		229 340 707
14 413 828	75 509 754	(61 095 926)	Office of the City Manager	17 395 475	80 145 285	(62 749 810)
3 287 394	54 665 872	(51 378 478)	Corporate Services	1 553 024	57 520 814	(55 967 790)
29 173 388	38 934 702	(9 761 314)	Finance	36 408 903	44 133 707	(7 724 804)
38 203 502	170 425 684	(132 222 182)	Community and Social Development	37 480 613	185 833 472	(148 352 859)
15 875 683	28 948 024	(13 072 341)	Economic Development and Planning	8 630 968	34 363 092	(25 732 124)
172 454 095	219 450 517	(46 996 422)	Infrastructural Services	185 650 723	251 421 062	(65 770 339)
346 571 491	209 014 911	137 556 580	Miscellaneous Services	399 457 814	165 027 695	234 430 119
788 999 047	-	788 999 047	Gain on PPE sold to Centlec (Pty) Ltd	-	-	-
6 317 316	20 946 166	(14 628 850)	Housing	12 022 213	23 801 787	(11 779 574)
11 210 058	9 087 295	2 122 763	Fresh Produce Market	11 717 276	11 156 616	560 660
213 836 141	242 283 379	(28 447 238)	Water	238 906 017	245 188 942	(6 282 925)
1 858 687 028	1 069 266 304	789 420 724	Total	1 178 563 733	1 098 592 472	79 971 261

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APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of significant variances greater than 10% versus budget
Revenue					
Property rates	229 340 707	229 744 608	(403 901)	(0)	
Service charges	322 161 792	301 226 907	20 934 885	7	
Rental of facilities and equipment	13 291 555	13 683 210	(391 655)	(3)	
Interest earned - external investments	27 716 389	24 000 000	3 716 389	15	The investment income was more than originally anticipated.
Interest earned - outstanding debtors	25 520 246	35 047 461	(9 527 215)	(27)	The income source was over budgeted.
Interest on shareholders loan	96 000 000	96 000 000	-	-	
Fines	9 259 801	13 959 450	(4 699 649)	(34)	The income from traffic fines was R4.6 million less than the amount budgeted for.
Licenses and permits	325 449	528 290	(202 841)	(38)	The income from dog licenses was less than the amount budgeted for.
Income for agency services	81 884 935	9 217 920	72 667 015	788	The income from Centlec in the amount of R69.8 million for salaries of employees seconded to the entity was not included in the 2007 budget. The amount is contra under the expenditure of Miscellaneous Services.
Government grants and subsidies	336 563 792	377 470 723	(40 906 931)	(11)	The amount utilized from the Restructuring Grant was less than the budgeted amount.
Other income	36 498 810	183 492 191	(146 993 381)	(80)	Included in the budget is a contra amount of R146 137 800 in respect of free services recoverable from the equitable share grant. The equitable share is already recognized under Government Grants and Subsidies and the contra transaction to expenditure was as a result of the duplication not effected during 2007.
Public contributions and donations	257	-	257	-	
Gains on disposal of property, plant and equipment	-	-	-	-	
Total Revenue	1 178 563 733	1 284 370 760	(105 807 027)	(8)	
Expenditure					
Office of the City Manager	80 145 285	92 139 500	(11 994 215)	(13)	Saving on expenses for IDP and ward committee planning and other savings in general resulted in an under-spending on the vote
Corporate Services	57 520 814	61 978 030	(4 457 216)	(7)	
Finance	44 133 707	44 717 400	(583 693)	(1)	
Community and Social Development	185 833 472	201 203 160	(15 369 688)	(8)	
Economic Development and Planning	34 363 092	38 107 910	(3 744 818)	(10)	
Infrastructural Services	251 421 062	230 109 840	21 311 222	9	
Miscellaneous Services	165 027 695	264 682 550	(99 654 855)	(38)	The contra transaction for free services, as indicated above under other income, was not made during 2007. Only an amount of R30 million was allocated to Centlec as a contribution for free services.
Housing	23 801 787	16 574 462	7 227 325	44	The transfer from the Housing Fund to finance the shortage on the housing schemes is deducted from the budget as a contribution from the fund.
Fresh Produce Market	11 156 616	10 301 820	854 796	8	
Water	245 188 942	238 882 620	6 306 322	3	
Total Expenditure	1 098 592 472	1 198 697 292	(100 104 820)	(8)	
Net surplus/(deficit) for the year	79 971 261	85 673 468	(5 702 207)	7	

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APPENDIX E (2)

ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual R	2007 Under Construction R	2007 Total Additions R	2007 Budget R	2007 Variance R	2007 Variance %
Office of the City Manager	108 641		108 641	200 000	(91 359)	(46)
Corporate Services	44 485 540		44 485 540	44 414 108	71 432	0
Finance	4 013 853		4 013 853	9 175 780	(5 161 927)	(56)
Community and Social Development	8 928 841		8 928 841	17 560 736	(8 631 895)	(49)
Economic Development and Planning	6 759 226		6 759 226	18 083 954	(11 324 728)	(63)
Infrastructural Services	196 259 173		196 259 173	229 019 850	(32 760 677)	(14)
Housing	7 142 286		7 142 286	7 785 000	(642 714)	(8)
Fresh Produce Market	2 199 929		2 199 929	2 218 675	(18 746)	(1)
Water	22 828 628		22 828 628	23 049 310	(220 682)	(1)
Total	292 726 117	-	292 726 117	351 507 413	(58 781 296)	(17)

MANGAUNG LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30JUNE 2007

Grants and subsidies received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Reason for delay/ withholding of funds	Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2006	Dec 2006	March 2007	June 2007	Sept 2006	Dec 2006	March 2007	June 2007	Sept 2006	Dec 2006	March 2007	June 2007			
Equitable Share	National Government	65 620 877	49 205 817	81 996 572	-	6 006 104	7 742 040	7 884 704	175 190 419						Yes	
Public Transport Infrastructure System Grant	National Government	19 000 000	-	-	10 230 000	-	-	-	4 306 794						Yes	
DWAF Grant	National Government	-	-	-	9 500 000	137 018	25 953	-	1 693 343						Yes	
Mig Grant -Infrastructure	National Government	15 458 038	19 467 720	20 231 569	40 664 341	-	-	-	91 525 196						Yes	
Restructuring Grant	National Government	-	-	10 000 000	-	3 064 434	5 034 419	2 737 027	8 375 307						Yes	
Financial Management Grant	National Government	-	500 000	-	-	130 524	191 927	2 034	135 993						Yes	
Municipal System Improvement Grant	National Government	-	-	-	-	-	80 000	80 000	30 000						Yes	
Provincial Health Subsidies	Provincial Government	-	7 108 556	7 489 767	-	3 649 580	3 649 581	3 649 581	3 649 581						Yes	
National Electrification Program Grant	National Government	3 999 600	-	-	-	-	-	-	3 999 600						Yes	
2010 Stadia Development Grant	National Government	-	-	4 000 000	13 816	-	-	-	-						Yes	
Housing Accreditation Subsidy	National Government	2 231 748	-	2 014 732	-	2 231 748	-	-	1 360 887						Yes	
		106 310 263	76 282 093	125 732 639	60 408 157	15 219 407	16 723 920	14 353 345	290 267 119	-	-	-	-			