



KOPANONG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

I am responsible for the preparation of these financial statements, which are set out on page 2 to 41, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of Republic of South Africa, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager
Me. L Moletsane

Date

**KOPANONG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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**KOPANONG LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010**

MEMBERS OF COUNCIL

Speaker and mayor : Mr T X Matwa

Councilor	Mr MA Moeketsi	: Speaker
Councilor	Mr P Mdlokovana	: Exco Member
Councilor	Mr J van Resnburg	: Exco Member
Councilor	Mrs ME Maema	: Exco Member
Councilor	Mrs H Hagenmann	: Exco Member
Councilor	Mrs M Khiwanana	: Exco Member
Councilor	Mrs N Mqgaliso	: Exco Member
Councilor	Mrs W Coakley	: Exco Member
Councilor	Mr M Mafata	: Exco Member
Councilor	Ms KE Dhlomo	: Exco Member
Councilor	Mr D Matseo	: Exco Member
Councilor	Mr T Koyana	: Exco Member
Councilor	Mr M Pholo	: Exco Member

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interest of the local community mainly in the Kopanong area
Grading of the municipality	Kopanong Local Municipality is a Grade Two Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Registered address	20 Louw Street Trompsburg 9913
Postal address	P O Box 23 Trompsburg 9913
Auditors	The Auditor - General: Free State
Bankers	First National Bank - Trompsburg
Attorneys	Bokwa Attorneys - Bloemfontein Bomela attorneys - Bloemfontein

KOPANONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

	Note	2010 R	2009 R
ASSETS			
Current assets		26 336 175	53 182 080
<i>Receivables from non exchange transaction</i>			
Rates	3	2 332 819	7 202 497
<i>Receivables from exchange transaction</i>			
Consumer receivables	3	2 108 200	22 333 265
Other receivables	4	19 389 035	20 912 707
VAT	13	-	234 529
Cash and cash equivalents	30	92 235	86 333
Short term Deposits	7	2 373 140	2 264 641
Inventory	35	35 000	133 600
Short term portion of long term debtors	12	5 747	14 508
Non-current assets		326 485 721	295 610 106
Property, plant and equipment	6	326 480 648	295 584 832
Long term debtors	12	5 072	25 274
Total assets		352 821 896	348 792 186
LIABILITIES			
Current liabilities		59 469 811	44 926 357
Consumer deposits	8	712 853	974 233
Payables	9	31 761 066	31 728 344
Other Payables	10	5 869 201	3 776 970
Unspent conditional grants and receipts	11	1 837 748	2 486 202
VAT	13	8 757 740	-
Current portion of long-term liabilities	14	258 657	298 570
Bank overdraft	30	10 272 547	5 662 038
Non-current liabilities		3 462 470	3 025 234
Long - term liabilities	14	2 590 897	2 849 555
Leased Assets		871 573	175 679
Total liabilities		62 932 281	47 951 591
Net assets		289 889 615	300 840 595
NET ASSETS			
Accumulated surplus/(deficit)		289 378 219	300 329 200
Housing Development Fund	2	511 395	511 395
Total net assets and liabilities		352 821 895	348 792 186

**KOPANONG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Actual 2010 R	Actual 2009 R
Revenue			
<i>Revenue from non exchange transactions</i>			
Property Rates	15	8 189 656	7 390 197
Government grants and subsidies	17	102 809 758	77 606 734
Fines		83 955	119 835
<i>Revenue from exchange transactions</i>			
Services charges	16	46 812 349	46 253 270
Rental Income		1 055 816	1 001 654
Interest on debtors		2 837 181	3 892 322
Interest on Investment		137 106	173 564
Other income	18	2 273 470	865 146
Gains on disposal of property, plant and equipment		3 079	41 100
Total Revenue		164 202 371	137 343 822
EXPENDITURE			
Employee related costs	19	43 373 039	38 371 632
Remuneration of councillors	20	3 235 658	2 619 738
Bad debts	3	46 749 178	-
Repairs and maintenance		2 738 001	3 102 836
Interest paid	21	1 247 269	761 910
Bulk purchases	22	29 404 226	24 367 548
General expenses	25	33 216 743	33 476 807
Finance cost		1 760 017	-
Total Expenditure		161 724 131	102 700 472
SURPLUS		2 478 240	34 643 350

Refer to Appendix E for the comparison with the approved budget.

KOPANONG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund	Accumulated Surplus/ (Deficit)	TOTAL
Balance at 30 June 2007	511 395	214 003 451	214 514 846
Prior year error		56 360 173	56 360 173
Restated Balance at 30 June 2008	511 395	270 363 624	270 875 019
Surplus for the year	-	34 643 350	34 643 350
Change in accounting policy	-	(84 581 382)	(84 581 382)
Prior year error	-	79 903 607	79 903 607
Restated Balance at 30 June 2009	511 395	300 329 200	300 840 595
Surplus/ (deficit) for the year	-	2 478 240	2 478 240
Prior year error corrections	-	(13 429 220)	(13 429 220)
Balance at 30 June 2010	511 395	289 378 220	289 889 615

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 HOUSING DEVELOPMENT FUND		
Housing Development Fund	511 395	511 395
Unappropriated Surplus	511 395	511 395

The Housing Development Fund is represented by the following assets and liabilities

Bank and cash	-	-
Total Housing Development Fund Assets and Liabilities	511 395	511 395

3 CONSUMER RECEIVABLES

	Gross balance	Impairments Allowance	Net Balance
Receivables from non exchange transaction			
As at 30 June 2009			
Rates	9 995 581	2 793 084	7 202 497
Total	9 995 581	2 793 084	7 202 497

As at 30 June 2010

Rates	12 964 037	10 631 218	2 332 819
Total	12 964 037	10 631 218	2 332 819

Receivables from exchange transaction
As at 30 June 2009

	Gross balance	Impairments Allowance	Net Balance
Service receivables	33 859 825	11 526 559	22 333 265
Electricity	786 799	60 241	726 558
Water	13 145 591	3 673 297	9 472 294
Sewerage	12 390 023	3 462 063	8 927 960
Refuse	9 120 442	2 708 158	6 412 284
Rentals	2 619 723	1 622 800	996 923
Payments in Advance	(1 964 651)	-	(1 964 651)
Cash Control Account	(2 238 103)	-	(2 238 103)
	-	-	-
	33 859 825	11 526 559	22 333 265

As at 30 June 2010

Service receivables	39 858 780	37 750 580	2 108 200
- Electricity	1 021 739	-	1 021 739
- Water	12 043 307	11 594 806	448 501
- Sewerage	17 056 409	16 708 600	347 809
- Refuse	12 559 230	12 308 837	250 393
Rentals	2 393 482	2 353 724.72	39 757
Payments in Advance	(3 183 736)	(3 183 736)	-
Cash Control Account	(2 031 651)	(2 031 651)	-
Total	39 858 780	37 750 580	2 108 200

Receivables Age Analysis
Property Rates

Current (0 – 30 days)	41 900	851 623
31 – 60 Days	427 916	570 748
61 – 90 Days	417 231	505 776
120 – 150 Days	12 076 990	8 067 434
Total	12 964 037	9 995 581

Electricity
Total

1 021 739	786 799
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The detailed age analysis for Electricity debtors is not available. Only the total balances have been provided.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CONSUMER RECEIVABLES (CONTINUED)

	2010 R	2009 R
Water		
Current (0 – 30 days)	508 480	
31 - 60 Days	484 713	
61 - 90 Days	400 388	
120 - 150 Days	10 649 726	
Total	12 043 307	13 145 591
Sewerage		
Current (0 – 30 days)	669 950	
31 - 60 Days	597 490	
61 - 90 Days	469 932	
120 - 150 Days	15 319 037	
Total	17 056 409	12 390 023
Refuse		
Current (0 – 30 days)	304 260	
31 - 60 Days	484 938	
61 - 90 Days	434 718	
120 - 150 Days	11 335 314	
Total	12 559 230	9 120 442
Rentals		
Current (0 – 30 days)	69 568	
31 - 60 Days	55 094	
61 - 90 Days	53 705	
120 - 150 Days	2 215 115	
Total	2 393 482	2 619 723

The detailed age analysis for 2008/2009 consumer debtors is not available. Consequently, only the total balances have been disclosed for the comparatives.

3 **Reconciliation of the Impairment allowances**

Balance at beginning of the year	14 319 643	15 931 304
Contributions to provision	46 749 178	(236 939)
Bad debts written off against provision	(7 876 355)	(1 374 722)
Balance at end of year	53 192 466	14 319 643

4 **OTHER RECEIVABLES**

Centlec Bank;	181 197	96 691
PMU	-	58 408
Centlec Pre-Paid;	186 185	-
Centlec Reconnection	9 941	-
Upgrading Tennis;	-	127 498
DBSA Grant GIS;	-	667 548
Mogolola Mokoka	76 761	-
Bonus	12 279	-
Elect. Debtors Bloem	165 339	165 339
Telephone Lines;	2 800	2 800
Equitable Share	16 895 598	12 979 650
Sundry	906	3 057
Rent	196	126 416
Health	176 251	1 618 688
Salaries	56 384	-
Debtors - Arrears	-	247 858
Arrears (VAT)	-	2 813 125
VAT to be Claimed	1 625 198	2 005 630
Total Other Receivables	19 389 035	20 912 707

Reconciliation of the Impairment allowances of other receivables

	Gross balance	Impairments Allowance	Net Balance
Sundry	2 577	1 671	906
Rent	126 416	126 220	196
Health	2 012 693	1 836 442	176 251
Debtors - Arrears	233 595	233 595	-
Arrears (VAT)	2 612 742	2 612 742	-
	4 988 022	4 810 669	177 353

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
5 CURRENT ACCOUNT		
FNB - Business Cheque Account (Trompsburg)		
Account Number - 6202 195 027 6		
Cash book balance at beginning of year - (credit)	(5 662 038)	(3 042 517)
Cash book balance at end of year - (credit)	(10 272 547)	(5 662 038)
Bank statement balance at beginning of year - (overdrawn)	(4 270 560)	(2 817 476)
Bank statement balance at end of year - (overdrawn)	(8 609 184)	(4 270 559)
STANDARD BANK - Business Cheque Account (Jagersfontein)		
Account Number - 04 191 730 8		
Cash book balance at beginning of year	28 071	20 927
Cash book balance at end of year	44 601	28 071
Bank statement balance at beginning of year	28 071	28 071
Bank statement balance at end of year	44 601	28 071
ABSA - Business Cheque Account (Edinburg)		
Account Number - 246 014 2140		
Cash book balance at beginning of year	43 178	20 784
Cash book balance at end of year	31 550	43 178
Bank statement balance at beginning of year	43 178	20 784
Bank statement balance at end of year	61 686	43 178
Petty cash	16 084	15 084
Total Cash and Cash Equivalents	(10 180 312)	(5 575 705)
Balance per bank statement	(8 502 897)	(4 199 310)

6 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

30 June 2010

	Land and buildings	Infra-structure	Community	Heritage & Other	Total
Carrying values at 30 June 2009	20 051 745	263 100 962	7 737 810	4 694 315	295 584 832
Cost	20 051 745	263 100 962	7 737 810	4 694 315	295 584 832
Accumulated depreciation	-	-	-	-	-

Additions	-	-	85 668	1 099 200	1 184 868
Under construction 2010	-	29 710 948	-	-	29 710 948
Depreciation	-	-	-	-	-

Carrying values at 30 June 2010	20 051 745	292 811 910	7 823 478	5 793 515	326 480 649
Cost	20 051 745	292 811 910	7 823 478	5 793 515	326 480 649
Accumulated depreciation	-	-	-	-	-

	Land and Buildings	Infra-structure	Community	Heritage and other	Total
Carrying values at 01 July 2008	19 795 337	235 094 216	7 647 310	2 475 430	265 012 293
Cost	19 795 337	235 094 216	7 647 310	2 475 430	265 012 293
Accumulated depreciation	-	-	-	-	-

Additions	256 408	28 006 746	90 500	2 218 885	30 572 539
Under construction	-	-	-	-	-
Depreciation	-	-	-	-	-

Carrying values at 30 June 2009	20 051 745	263 100 962	7 737 810	4 694 315	295 584 832
Cost	20 051 745	263 100 962	7 737 810	4 694 315	295 584 832
Accumulated depreciation	-	-	-	-	-

Refer to Appendix B and C for detailed information on Property, Plant and Equipment .

Subsequent measurement of assets

The Municipality has applied the measurement of transitional provisions for Property, Plant and Equipment in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised on the financial statements. The municipality has adopted processes and procedures which will assist in the measurement of these amounts. No progress has been made by the municipality in this regard.

Initial measurement of assets

The municipality have applied the transitional provisions of directive 4 and consequently recognised the following assets at zero.

-Rehabilitation of landfill sites

-Servitudes

-Loose tools (included in the loose too register)

Number of assets	Estimated Value
3 471	1 138 711

-Assets with the value of zero and R1

Number of assets	485
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Management is in a process of appointing specialist to separate/recognise their infrastructure assets and other assets in term of GRAP 17, there has been no progress made to date.

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
7 SHORT TERM DEPOSITS		
Unlisted		
Short term Deposits		
Fixed Deposit: FNB	1 120 653	1 037 307
Call Account: FNB	821 405	815 840
Money Market: FNB	300 572	285 235
Saving	102 075	98 466
Super Saving	28 435	27 793
Total Short term Deposits	2 373 140	2 264 641
A total of R1 685 551.03 of investments have been pledged.		
8 CONSUMER DEPOSITS		
Electricity and water	712 853	664 026
Centlec Deposits	-	310 207
Total	712 853	974 233
9 PAYABLES		
Trade payables	13 851 555	18 689 769
Salary creditors	17 909 511	13 038 575
Total	31 761 066	31 728 344
10 OTHER PAYABLES		
PMU;	218 680	-
Unallocated Income	73 000	-
Sport Project	301 981	301 981
DBSA Grant Communa	26 171	26 171
LBS Councilors	164 056	248 312
DBSA	-	7 346
Sita Funds	26 227	(96 000)
SITA -LED Learners	-	96 000
Bethulie Housing Deposits	14 665	14 665
National Fund	202 001	-
Accruals	4 842 420	3 178 496
Total Other Payables	5 869 201	3 776 970
Reconciliation of accruals		
10.1 Provision for Bonuses		
Opening balance	1 075 984	759 840
Contribution for the year	2 248 069	-
Bonuses paid	(2 105 737)	-
Closing balance	1 218 316	759 840
10.2 Provision for Leave		
Opening balance	2 102 512	2 055 736
Contribution for the year	1 813 726	902 835
Leave paid	(292 135)	(856 079)
Closing balance	3 624 104	2 102 492
11 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
Conditional grants from other spheres of Government		
External Finance Fund	1 337 748	1 986 202
Department of Arts and Culture	500 000	500 000
Total Unspent Conditional Grants and Subsidies	1 837 748	2 486 202
12 LONG TERM DEBTORS		
Gariep Dam Housing Scheme	10 819	39 782
Less : Transferred to Short term	(5 747)	(14 508)
Total	5 072	25 274
13 VAT		
VAT Receivables	-	234 529
Vat Payable	8 757 740	-
	8 757 740	234 529
VAT is payable on the cash basis. Only when payment is received from receivables is VAT paid over to SARS. The balance accumulated on the VAT output as customers are invoiced is netted off against the VAT input. This will be reduced in the subsequent year as		
14 LONG TERM LIABILITIES		
External loans	2 849 554	3 148 125
Less: Current portion transferred to current liabilities	(258 657)	(298 570)
Long Term Liability	2 590 897	2 849 555
Refer to Appendix A for more details on long-term liabilities.		

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
15 PROPERTY RATES		
Actual		
Residential & Commercial	6 271 806	5 099 528
State / Government	1 917 851	2 290 669
Total Assessment Rates	8 189 656	7 390 197

Property Valuations (Request from Management the Valuation Roll)

Residential	803 738 000	190 473 824
Commercial	135 901 300	33 565 675
State	299 856 500	80 608 150
Municipal	190 468 550	35 784 225
Total Property Valuations	1 429 964 350	340 431 874

Municipality still in a process to value land and buildings.

16 SERVICES CHARGES

Sale of electricity	27 401 225	26 119 702
Sale of water	5 389 589	7 016 615
Refuse removal	5 874 556	5 508 550
Sewerage and sanitation charges	8 146 979	7 608 404
Total Service Charges	46 812 349	46 253 270

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	62 268 500	46 496 000
Conditional Grants	40 541 259	31 110 734
MIG	14 283 286	12 480 228
Financial Budget Reform	547 999	500 000
Financial Help : COGTA	6 980 000	599 643
DBSA - GIS 60% Grant	-	925 811
Local Government & Housing	84 256	210 000
MSIG	735 000	735 000
COGTA (Draught relief (water) - Fauresmith)	398 198	-
DWARF (Bulk water supply Jagersfontein - Fauresmith)	14 945 327	14 495 732
Electricity grant	-	4 320
Water Operating Grant	-	1 064 000
SETA Learnership (LED)	87 754	96 000
VAT from Capital Grants	2 479 438	-
	102 809 759	77 606 734

Total Government Grant and Subsidies

As result of compliance with GAMAP 29-35;39-54;61(b)(iii),(v),(viii),(ix) and 62(a) and (b) Government Grants, amount of the grants recognised in the Income Statement is only those related to operating expenditure recognised as income.

17.1 Equitable Share

Current year receipts	62 268 500	46 496 000
Conditions met - transferred to revenue	(62 268 500)	(46 496 000)
	-	-

In terms of the Constitution of the Republic of South Africa, No. 108 of 1996, this grant is used to subsidize the provision of basic and administrative services to indigent community members and to subsidize income. No significant decrease is expected in the level of this grant.

17.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	4 097 662	3 479 890
Current year receipts	13 080 000	13 098 000
Conditions met - transferred to revenue	(14 283 286)	(12 480 228)
Conditions still to be met - transferred to current liabilities	2 894 376	4 097 662

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.

17.3 DWARF - Fauresmith - Jagersfontein water

Balance unspent at beginning of year	-	3 594 141
Current year receipts	18 466 201	14 495 732
Conditions met - transferred to revenue	(14 945 327)	(18 089 873)
Conditions still to be met - transferred to liabilities	3 520 874	-

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

17.4 MSIG

Balance unspent at beginning of year	-	170 000
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	(735 000)	(905 000)
Conditions still to be met - transferred to liabilities	-	-

The fund is used to assist the local municipalities to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

17 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2010 R	2009 R
17.5 DBSA GIS 60% GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	-	925 811
Conditions met - transferred to revenue	-	(925 811)
Conditions still to be met - transferred to liabilities (note 11)	-	-
17.6 Department of Arts and Culture		
Balance unspent at beginning of year	500 000	500 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	500 000	500 000
17.7 Financial Help from COGTA		
Balance unspent at beginning of year	-	-
Current year receipts	6 980 000	599 643
Conditions met - transferred to revenue	(6 980 000)	(599 643)
Conditions still to be met - transferred to liabilities	-	-
Provincial Grant for infrastructural improvements. To be used only after the Municipality Infrastructure Grant has been depleted, but before March 2008.		
17.8 COGTA (Erven survey grant)		
Balance unspent at beginning of year	248 312	248 312
Current year receipts	-	-
Conditions met - transferred to revenue	(84 256)	-
Conditions still to be met - transferred to liabilities	164 056	248 312
Provincial grant for site establishment.		
17.9 Financial Budget Reform		
Balance unspent at beginning of year	-	29 787
Current year receipts	750 000	500 000
Conditions met - transferred to revenue	(547 999)	(529 787)
Conditions still to be met - transferred to liabilities (Other payable)	202 001	-
17.10 Water Operating Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 064 000
Conditions met - transferred to revenue	-	(1 064 000)
Conditions still to be met - transferred to liabilities	-	-
17.11 Electricity Operating Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	4 320
Conditions met - transferred to revenue	-	(4 320)
Conditions still to be met - transferred to liabilities	-	-
17.12 COGTA (Draught relief (water) Fauresmith)		
Balance unspent at beginning of year	205 316	-
Current year receipts	671 636	-
Conditions met - transferred to revenue	(398 198)	-
Conditions still to be met - transferred to liabilities	478 753	205 316
17.13 DBSA GRANT		
Balance unspent at beginning of year	26 171	26 171
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met (Other Payables)	26 171	26 171
17.14 SETA Learnership (LED Learners)		
Balance unspent at beginning of year	(96 000)	-
Current year receipts	209 981	-
Conditions met - transferred to revenue	(87 754)	(96 000)
Conditions still to be met - transferred to liabilities (Amount not yet received)	26 227	(96 000)
17.15 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (2006), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.		

KOPANONG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
18 OTHER INCOME		
Photocopies	49	-
Building plans	5 911	4 817
Entrance fees	21 772	24 275
Sale: game	46 149	2 632
Sale: wood	206	970
Sale: soil & gravel	7 999	11 651
Sundry income	114 497	113 659
DBSA Transport Plan & Forum	53 274	-
Income DBSA Loan written off	47 259	-
Clearance certificates	14 954	31 377
Insurance Claims	1 224 634	-
Tax certificates	280	-
Health claims	-	605 752
Cemetery fees	49 721	40 572
Garden & building refuse	425	867
Workman's Compensation Act;	2 643	-
Cleaning of erven	-	270
Connection fees and Reconnection fees	675 567	20 928
Recoverable work	8 129	7 377
Total	2 273 470	865 146

19 EMPLOYEE RELATED COSTS

Salaries;	28 424 004	28 247 837
Traveling allowance;	2 494 086	1 799 064
Medical Aid;	1 314 798	1 264 628
Pension Fund Contribution;	4 129 443	3 477 788
Housing allowances;	157 894	204 174
Other allowances;	881 662	225 623
UIF;	298 345	301 841
Bonus Provision;	142 333	-
Temporary Workers;	52 960	-
Leave reserve;	2 093 906	-
Telephone allowance;	140 875	145 474
Overtime;	1 149 273	800 887
Bonus;	2 093 459	1 904 317
Total Employee Related Costs	43 373 038	38 371 632

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	415 499	447 987
Acting Allowance	25 055	-
Housing Allowance	2 447	-
Car Allowance	244 296	208 201
Cellphone Allowance	6 283	-
Bonus	30 166	53 141
Contributions to UIF, Medical and Provident Funds	46 624	29 842
Total	770 370	739 171

The current Municipal Manager was appointed during October 2009.

Remuneration of the Chief Finance Officer

Annual Remuneration	288 653	269 794
Back pay	2 100	-
Acting Allowances	33 224	-
Bonus	21 925	3 525
Car Allowance	69 974	145 726
Cellphone Allowance	3 300	-
House Allowance	7 386	-
Leave Payment	10 104.00	115 629.59
Contributions to UIF, Medical and Provident Funds	34 460.00	5 428.34
Total	471 126	540 103

The Acting Chief Financial Office was appointed for the full duration of the financial year.

Remuneration of the Head: Technical Services

Annual Remuneration	314 742	277 567
Back pay	2 100	-
Bonus	22 100	20 981
Acting Allowance	33 224	-
Car Allowance	82 917	97 726
Housing Allowance	6 011	-
Cellphone Allowance	3 300	-
Contributions to UIF, Medical and Provident Funds	75 102	29 178
Leave Payment	10 608	27 300
Total	550 104	452 750

The Acting Technical Services Director was appointed for the full duration of the financial year.

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

19 EMPLOYEE RELATED COSTS (CONTINUED)	2010 R	2009 R
Remuneration of the Head: Corporate Services		
Annual Remuneration	203 863	266 435
Back pay	2 100	-
Acting Allowance	136 144	-
Car Allowance	66 917	127 003
Leave Payment	12 357	-
Cell phone allowance	900	-
Housing Allowance	2 092	-
Bonuses	33 700	21 160
Contributions to UIF, Medical and Provident Funds	46 970	25 040
Total	505 043	439 639
The Acting Corporate Services Manager was appointed for the full duration of the financial year. No performance bonuses were paid or provided for, for the current and comparative year.		
Remuneration of the Head: Community Services		
Annual Remuneration	372 671	270 923
Back pay	2 100	-
Acting Allowance	9 015	-
Car Allowance	143 346	64 278
Leave Payment	7 956	5 267
Cell phone allowance	900	-
Housing Allowance	9 115	-
Bonuses	29 000	13 182
Contributions to UIF, Medical and Provident Funds	55 476	9 954
Total	629 579	363 605
20 REMUNERATION OF COUNCILLORS		
Mayor / Speaker	1 069 541	481 696
Councillors allowances	2 166 117	2 138 042
Total Councillors' Remuneration	3 235 658	2 619 738
In kind benefits		
The Speaker is a full-time employee of the entity. The Speaker is provided with an office and admin support at the cost of the Council.		
21 INTEREST PAID		
Long term liabilities	310 821	373 008
Bank overdraft	579 495	388 902
Finance leases Interest	84 137	-
Interest on non- payments	272 816	-
Total Interest on External Borrowings	1 247 269	761 910
22 BULK PURCHASES		
Electricity	16 543 565	12 749 372
Water	12 860 661	11 618 176
Total bulk purchases	29 404 226	24 367 548
23 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:		
Infrastructure	30 615 270	27 906 091
Community	-	-
Total	30 615 270	27 906 091

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

24 RETIREMENT BENEFIT INFORMATION

Kopanong Local Municipality and its employees contribute to the SALA Pension Fund and other employees of Kopanong Local Municipality contribute to the SAMWU, Free State Provident Funds, which provides retirement benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income. No actuarial information was available for the SALA Pension Fund when the financial statements were prepared.

25 GENERAL EXPENSES

General expenses include the following significant items:

Administration	413 180	377 370
Advertising;	181 384	170 173
Audit fees;	3 176 578	2 130 664
Bank charges;	262 953	191 933
Cleaning consumables;	35 974	42 527
Commission Vendors;	611 034	-
Discretionary fund: council;	64 235	112 102
Entertainment Mun Manager;	16 302	17 512
Functioning Ward Committees;	46 187	10 610
IDP Review;	224 201	433 329
Insurance general;	1 302 623	458 161
License Fees	64 164	63 636
Postage & stamps;	27 219	36 945
Software licenses;	296 100	4 576
Tools	21 254	28 228
Travelling & subs: officials	694 568	1 512 547
Valuation costs interim;	798 789	1 234 104
Membership fees;	105 614	250 842
Sport Tournament;	50 000	50 000
Bloem Water Electricity	3 215 770	3 015 825
Fuel	1 223 557	1 360 243
Legal fees	5 298 031	1 762 030
Rental expenses (Equipment and offices)	796 005	656 619
Training	405 836	1 943 867
Repayment of Arrear Creditor	1 024 697	892 865
General Expenses IAS 39	(2 722 527)	-
Telephone	2 013 607	1 546 908
SITA- LED Learners	-	96 000
Other expenses	13 569 406	15 077 193
Total	33 216 742	33 476 808

26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:

Contribution to SALGA

Opening balance	385 094	-
Current year's contribution	-	-
Current year's contribution	(300 000)	-
Amount paid - current year	(33 590)	-
Balance unpaid	51 504	-

Audit fees

Opening balance	409 459	(8 864)
Current year's Expenses	1 519 249	418 323
Amount paid	(409 459)	-
Balance unpaid	1 519 249	409 459

VAT

VAT Debtors	-	234 529
VAT payable	8 757 740	-
	8 757 740	234 529

UIF

Opening balance	663 917	-
Current year payroll deductions	600 446	-
Amount paid	(202 271)	-
Penalties and interest	78 866	-
Corrections made	(693 771)	-
Balance unpaid (included in payables)	447 187	-

PAYE

Opening balance	625 595	-
Current year payroll deductions	3 031 473	-
Amount paid - current year	(1 141 428)	-
Penalties and interest	376 546	-
Corrections made	(625 595)	-
Balance unpaid (included in payables)	2 266 592	-

KOPANONG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT:(CONTINUED)		
<u>Pension Fund Deductions and Provident fund</u>		
Opening balance	8 722 763	-
Current year payroll deductions and council contributions	5 862 871	-
Amount paid - current year	-	-
Amount paid - previous years	(2 722 404)	-
Balance unpaid (included in payables)	11 863 230	-
<u>Medical Aid Deductions</u>		
Opening balance	11 094	-
Current year payroll deductions and council contributions	2 027 033	-
Amount paid - current year	(1 813 557)	-
Amount paid - previous years	(18 093)	878
Balance unpaid (included in payables)	206 477	-

Additional disclosure in terms of the Municipal Finance Management Act were not disclosed in the prior year. Consequently, the comparative balances have not been disclosed.

Councilor's arrear consumer accounts

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

	Total	Outstanding less than 90 days	Outstanding More than 90 days
Councilor M Khwinani	1 094	233	860
Councilor MJ Ncokwana	5 572	307	5 265
Councilor MP Mqaliso	915	242	673
Councilor M Matseo	787	306	481
Councilor JT Koyana	11 748	401	11 347
Councilor MP Mqaliso	1 111	234	878
Total Councilor Arrear Consumer	21 227	1 723	19 504

27 CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT

Total revenue	164 202 371	-
Adjusted for items presented separately:		
Interest received on Debtors	(2 837 181)	-
Interest on Investment	(137 106)	-
Adjustments in respect of previous years' operating transactions		-
Adjusted for changes in working capital:		
(Increase)/decrease in consumer receivables	25 094 743	-
Decrease/(Increase) in other receivables	1 523 672	-
Decrease/(Increase) in VAT debtors	234 529	-
	188 081 029	157 198 662

28 CASH PAID TO SUPPLIERS AND EMPLOYEES

Total expenditure	(161 724 131)	-
Adjusted for non-cash items:		
Contribution to bad debt provision	51 559 847	-
Adjusted for items presented separately:		
Interest paid	1 247 269	-
Adjusted for changes in working capital:		
Increase/(decrease) in payables	32 722	-
Increase in provisions	(1 663 924)	-
Increase/(decrease) in other payables	(2 092 230)	-
(Decrease) in inventory	98 600	-
(Decrease)/Increase in unspent conditional grants	(648 454)	-
Decrease in VAT payable	8 757 740	-
	(104 432 563)	(99 892 970)

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29 CASH GENERATED BY OPERATIONS		
Reconciliation of net operating profit/(loss) to cash generated from operations		
Net operating profit/(loss)	2 478 240	33 741 989
Adjusted for:		
Gain on disposal of Property, Plant and Equipment	3 079	-
Contribution to bad debt provision	51 559 847	1 611 661
Interest on debtors	(2 837 181)	(3 892 869)
Interest on investments	(137 106)	-
Interest paid	1 247 269	984 300
Finance cost	1 760 017	-
Operating surplus before working capital changes	54 074 165	32 445 082
Working capital		
Decrease in inventory	98 600	(10 566 998)
(Increase)/decrease in consumer receivables from exchange transaction	20 225 065	(9 947 332)
(Increase)/decrease in consumer receivables from non exchange transaction	4 869 678	-
Decrease/(Increase) in other receivables	1 523 672	2 155 285
(Decrease)/increase in unspent conditional grants	(648 454)	(3 176 156)
Increase/(Decrease) in payables	32 722	4 065 875
Increase/(decrease) in other payables	(2 092 230)	46 755
Increase/(Decrease) in VAT	8 523 211	4 423 589
Short-term Portion on long term liabilities	39 913	-
	86 646 341	26 562 791

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Positive bank balances	76 151	71 249
Petty cash	16 084	15 084
Cash and cash equivalents	92 235	86 333
Bank overdraft	(10 272 547)	(5 662 038)
Total cash and cash equivalents	(10 180 312)	(5 575 705)

Refer to note 5 for a breakdown of cash book balances and balances per bank statements.

31 LEASES

31.1 OPERATING LEASES

The Municipality has entered into a 1 year contract for a lease of admin Building with the District Municipality. There is no escalation per year and the lease is a renewable one.

The future minimum lease payments under non-cancellable operating leases are as follows:

Payable within 1 year	279 140.40	222 600.00
Payable within 1 - 5 years and after 5 years	-	-
	279 140.40	222 600.00

31.2 FINANCE LEASE LIABILITY

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	550 532	489 775	60 757
Within two to five years	1 159 434	524 297	635 137
	1 709 967	1 014 073	695 894
Less: Current portion of finance lease			(60 757)
Long term portion of finance lease			635 137

The inception date of the lease was 4 April 2010 and it continues until 30 March 2012. The lease payments increases annually with 15%. The finance leases are secured by the leased assets (copiers and printers).
The finance lease term is 36 months and the borrowing rate is approximately 72%, however the contract includes maintenance.
The Municipality has entered into a 1 year contract for a lease of admin Building with the Xhariep District Municipality.
There is no escalation per year and the lease is a renewable one.
The future minimum lease payments under non-cancellable operating leases are as follows:

32 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with the budget is set out in Annexure E.

33 EVENTS AFTER THE REPORTING DATE

There were no events after the balance sheet date identified.

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure at the beginning of the year	7 897 645	-
Penalties and interest on SARS (PAYE, UIF, SDL)	499 129	-
Interest	-	1 745 538
Legal Fees	-	1 201 473
VAT: Incorrect invoices	-	49 876
Centlec Expenditure/ Interest	142 359	31 158
Employee Cost: Overpayment of Salary	-	343 488
Employee Cost: Funeral Benefits	-	47 438
Employee Cost: Pension Fund	-	335 800
Duplicate payments made with regards to goods and services	-	748 591
Inappropriate processes followed for appointment and promotions	-	3 394 284
Approved or condoned by the council	-	-
	8 539 134	7 897 645

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)		
34.2 Irregular expenditure		
Irregular expenditure at the beginning of the year	855 027	-
Non-compliance with Regulation 12 of the Municipal supply chain management policy regarding tenders and quotations	-	215 781
Non-compliance with Regulation 43 of the Municipal supply chain management policy regarding tax clearance certificates	-	506 797
Centlec expenditure:		
Non-compliance with section 104 of the MFMA regarding delegations	-	128 987
Non-compliance with Regulation 16 of the Supply chain management policy regarding tenders and quotations	-	3 463
Irregular expenditure incurred during the year	17 996 839	-
Approved or condoned by the council	-	-
	18 851 866	855 027
34.3 Unauthorised expenditure		
Opening balance	12 222 637	-
Budget overspending	58 414 061	11 876 852
Centlec Budget Overspending	-	345 785
	70 636 698	12 222 637
35 INVENTORY		
Inventory	35 000	133 600
	35 000	133 600
36 CONTINGENT LIABILITY		
Claim by SAMWU	6 284 514	-
The South African Municipal Workers Union(SAMWU) National Fund has taken the Municipality to court as its claim that the municipality has not been paying the employer-employee contributions as per rules of the fund since October 2007.		
There is a pending case no 389/09 by Goodlet investigation of R70 000 and R116 724, respectively regarding the suppliers who took the municipality to court		
The estimated value is as follows:	186 724	-
	6 471 238	-
37 RELATED PARTIES		
No related party transactions occurred during the year.		
38 SUPPLY CHAIN MANAGEMENT		
Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Kopanong Local Municipality did comply with		
39 PRIOR YEAR ERROR		
During the 30 June 2009/2010 the following errors were corrected and the comparative amounts have been restated as follows:		
Depreciations was reversed as management decided to apply the transitional provisions included in Directive 4.		
Statement of financial performance		(7 270 368)
Depreciation 2008/09		
Statement of financial position		(65 528 439)
Backlog depreciations/ Accumulated surplus		
Accumulated depreciations 2008/09		72 798 803
Government Grant Reserve		
Management decided not to maintain a government grant reserve, as the asset register does not contain sufficient details with regards to assets financed f grants. Various audit errors of the 2008/09 financial year were also corrected as incorrect journals were posted to the government grant reserve.		
Government Grant Reserve		
Statement of financial performance		1 064 000
Income from government grants	-	
Employee cost	-	189 850
General expenditure	-	1 120 345
Interest on investments	-	(173 017)
Interest paid	-	28 863
Statement of Position		105 422 756
Government grant reserve	-	
Payables	-	(748 312)
PPE	-	(20 980)
Finance liability	-	10 485
Unspent conditional grants	-	(2 901 383)
VAT	-	22 881
Accumulated surplus	-	(104 015 487)
Water inventory:		
Water inventory was written off as management decided to apply the transitional provisions included in Directive 4.		
Statement of performance		10 965 208
Bulk Purchases	-	
Statement of Position		(13 066 988)
Inventory	-	
Accumulated surplus	-	2 101 780
Correction of prior year error incorrectly disclosed		
Prior year adjustments were disclosed separately on the face of the statement of changes in net assets and not as part of the accumulated surplus		
Statement of Position		(49 064 973)
Prior year adjustment	-	
Accumulated surplus	-	49 064 973

KOPANONG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2 009
	R	R
39 PRIOR YEAR ERROR (CONTINUED)		
Provisions inaccurately calculated		
Correction of audit finding pertaining to incorrect provisions calcul:		
Statement of performance		
General expenditure	-	316 145
Statement of Position		
Provision for audit fees	-	1 384 968
Provision for bonus	-	(316 145)
Accumulated surplus	-	(1 384 968)
Property, Plant and Equipment		
Correction of Valuation cost incorrectly capitalised against property, plant and equipment		
Statement of financial position		
Property, plant and equipment	-	(1 159 551)
Accumulated surplus	-	1 159 551
During 2008/2009 financial period: Equitable shares income was not recognised on a time-proportion basis, as per GAMAP 9:		
Statement of financial position		
Increase Debtors (Equitable shares)	-	12 979 650
Increase Accumulated surplus	-	(10 740 500)
Statement of financial performance		
Increase Government Grants and Receipts	-	(2 239 150)
VAT on grants		
Correction of an erroneous journal passed in previous year		
Decrease in Unspent conditional grants opening balance	-	5 761 158
Increase in accumulated surplus opening balance	-	(5 761 158)
Expenditure and payables not accounted for:		
Expenditure transactions were not appropriately accounted for:		
Increase in general expenditure	-	241 335
Increase in payables	-	241 335
VAT Reconciliations		
Difference noted on VAT balance, due to VAT reconciliations performed in the current financial year		
Decrease in VAT receivables	-	(13 999 124)
Decrease in accumulated surplus	-	13 999 124
SARS Reconciliations		
Difference noted on balances confirmed payables, according to SARS, and amount recorded on the system:		
Decrease in payables	-	621 213
Increase in accumulated surplus	-	(621 213)
Auction Debtor		
Overstatement of the auction debtor, as expense payable to the auctioneer were not taken into account:		
Decrease in sundry debtors (Receivables)	-	(49 082)
Decrease in accumulated surplus	-	49 082

40 FINANCIAL RISK MANAGEMENT

40.1 Equity risk management

The Municipality manages its capital to ensure that it will be able to continue as a going concern through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2006.

The equity structure of the Municipality consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and accumulated funds.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirement from the previous year.

40.2 Gearing ratio

The Municipality manages its risk by ensuring that risky borrowings are maintained at a minimum. The gearing ratio

Debt	2 849 554	3 148 125
Cash and cash equivalents	2 465 375	2 350 974
Equity	289 889 614	300 840 585
	295 204 543	306 339 693
Debt is defined as long- and short-term borrowings, as detailed in note 14.		
Equity includes all accumulated surplus/deficit of the Municipality.		
Debt to net asset ratio %	0.98%	1.05%
Debt to net asset ratio	0.98:1	1.05:1

Debt is defined as long-term liabilities and short-term liabilities as disclosed in note 14. Net asset includes all funds and reserves of the municipality disclosed as net asset in the statement of net asset.

40.3 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the note on accounting policy to the financial statements.

KOPANONG LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
40 FINANCIAL RISK MANAGEMENT (CONTINUED)		
40.4 Categories of financial instruments		
Financial assets		
Fair value through profit or loss (FVTPL)	2 373 140	2 264 641
Loans and receivables (including cash and cash equivalents)	97 307	111 607
Trade Receivable	4 441 019	29 535 762
Other receivable	19 389 035	20 912 707
	26 300 500	52 824 717
Financial liabilities: At amortised cost		
Loans and borrowings	2 849 554	3 148 125
Trade payables	31 761 066	31 728 344
Current portion of loans and borrowings	258 657	298 570
	34 869 277	35 175 039

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying value of cumulative shares was estimated by obtaining investee's quotes for the shares at the reporting date

40.5 Financial risk management objectives

The Municipality through its finance committee assesses and monitors the financial risks relating to its operations by analysing the degree and magnitude of exposure to risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Municipality seeks to minimise the effects of these risks by making short term investments which are used to withdrawn when there are indicators of fragility in the market factors and as when cash is required to fund the Municipality's operations. The Municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The finance committee monitors risks and policies implemented to mitigate risk exposures.

The municipality reports to Treasury on monthly and quarterly basis and council that monitors risk and policies implemented to mitigate risk exposure.

40.6 Market risk

The Municipality's activities expose it primarily to the financial risks of changes in interest rates. The Municipality enters into a variety of derivative financial instruments to manage its exposure to interest rate. There is no exposure to foreign currency risk as all the investments are made with South Africa's local financial institution. Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis. There has been no change to the Municipality's exposure to market risks or the manner in which it

40.7 Interest rate risk management

The Municipality is exposed to interest rate risk as it make investment in interest yielding investments with fixed interest rates. The risk is managed by the Municipality maintaining a balanced portfolio of investments with different financial institutions. Hedging activities are not implemented as most of the investments are short term and with limited exposure to interest rate risk
No foreign currency risk exposure

40.8 Other price risks

The Municipality is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Municipality does not actively trade these investments.

There has been no change, since the previous financial year, to the municipality's exposure to market risk or the manner in which it

40.9 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Municipality has adopted a policy of only dealing with creditworthy counterparties where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality only invests with entities that are rated the equivalent of investment grade and above. This information is supplied by requesting for quotations prior to entering an investment deals well as using other publicly available financial

Potential concentrations of credit rate risk mainly consist of investments, loans and receivables, trade receivables, other receivables, short-term investments deposits and cash and cash equivalent.

The municipality limits its counterparty exposures from its money market investments operations by dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which

Non current Receivables and Other receivables are collectively evaluated annually at reporting date for impairment of discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment/ Discount where applicable.

Municipality is in a process to assess the debt management policy, the collection rate is less than 10% and these will be addressed in the next financial period. Municipality have appointed consultants to address this matter.

The maximum credit and interest exposure in respect of the relevant financial instruments is as follows

Loans and Receivable	5 072	25 274
Trade Receivable	4 441 019	29 535 762
Other receivable	19 389 035	20 912 707
Cash and cash equivalent	2 465 375	2 350 974
	26 300 500	52 824 717

KOPANONG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
40 FINANCIAL RISK MANAGEMENT (CONTINUED)		
40.10 Liquidity risk management		
Ultimate responsibility for liquidity risk management rests with the Council and the finance committee which has built an appropriate		
Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new		
41 Going Concern		
Municipality depends on Government grants for its operations and as per Division of Revenue Act(DORA), municipality is allocated equitable shares and other conditional grants for the next three financial years.		
Kopanong is situated in a previously disadvantaged background, the community is not able to pay for the services as a high percentage of the population is in		
The collection rate is very low hence government grants are the only source of income to the municipality. Kopanong also has an overdraft facility approved by council.		
which it manages through ceded or pledged investments accounts with First National Bank.		
The municipality will therefore be able to operate as a going concern on the basis of grants allocations.		
42 Transitional Provisions		
GRAP 12 Inventory		
Water and Electricity		
Municipality has taken advantage of directive 4 and consequently have measured water and electricity at zero rands.		
Municipality does not have capacity to measure water and electricity inventory in terms of GRAP 12, however management is still in a process of appointing specialised personnel to perform the procedure.		
The nature of amount cannot be measured reliably as there is no capacity to make the estimates		
Management have not yet made progress in terms of appointing the specialist, however this is still in discussion.		

KOPANONG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and government	27	188 081 029	157 198 662
Cash paid to suppliers and employees	28	(104 432 563)	(99 892 970)
Cash generated by operations	29	86 646 341	26 562 791
Interest received		2 974 287	3 892 869
Interest paid		(1 247 269)	(984 300)
Finance cost		(1 760 017)	-
NET CASH FLOW FROM OPERATING ACTIVITIES		86 613 343	29 471 360
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(30 895 816)	(31 749 909)
Proceeds on disposal of property, plant and equipment		3 079	-
Decrease/(Increase) in non current receivables		20 202	9 173
Increase in Short term deposits		(108 499)	-
NET CASH FLOW FROM INVESTING ACTIVITIES		(30 981 034)	(31 740 736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		(298 570)	(437 271)
Decrease in consumer deposits		(261 380)	188 932
Decrease in short term loans		8 761	-
NET CASH FLOW FROM FINANCING ACTIVITIES		(551 189)	(248 339)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		(5 575 705)	(793 341)
Cash and cash equivalents at the end of the year		(10 180 312)	(5 575 705)

KOPANONG LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS
AS AT 30 JUNE 2010

LONG-TERM LOANS	Interest rate	Redeemable	Balance at 1 July 2009	Received during the period	Redeemed/ written off during the period	Balance at 30 June 2010
			R	R	R	R
DBSA	13%	2010	39 913	-	39 913	-
Mangaung 8	10%	2022	162 874	-	11 634	151 240
Mangaung 10	10%	2012	52 911	-	13 228	39 683
Mangaung 11	10%	2012	52 911	-	13 228	39 683
Mangaung 5	10%	2022	625 643	-	44 689	580 954
Mangaung 9	10%	2023	360 243	-	24 016	336 227
Mangaung 2	10%	2013	100 171	-	20 034	80 137
Mangaung 7	10%	2023	271 508	-	18 101	253 407
Mangaung 6	10%	2023	229 559	-	15 304	214 255
Mangaung 12	10%	2024	934 703	-	58 419	876 284
Mangaung 3	10%	2024	124 259	-	7 766	116 493
Mangaung 4	10%	2014	193 431	-	32 238.42	161 192
TOTAL EXTERNAL LOANS			3 148 125	-	298 570	2 849 556

KOPANONG LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX B									
KOPANONG LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010									
	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
Land and Buildings									
Land	9 778 673	-	-	-	9 778 673	-	-	-	9 778 673
Buildings	12 693 505	-	-	-	12 693 505	-	-	-	12 693 505
	22 472 178	-	-	-	22 472 178	-	-	-	22 472 178
Infrastructure									
Storm water Drains	5 638 436	-	-	-	5 638 436	-	-	-	5 638 436
Bridges& Culverts	342 549	-	-	-	342 549	-	-	-	342 549
Roads	13 512 767	-	5 827 207	-	19 339 974	-	-	-	19 339 974
Traffic & Street lights	327 301	-	-	-	327 301	-	-	-	327 301
Electricity Meters/ Mains	79 057	-	-	-	79 057	-	-	-	79 057
Electricity Peak Load Equip	26 690	-	-	-	26 690	-	-	-	26 690
Electricity Transformer Kios	66 611	-	-	-	66 611	-	-	-	66 611
Electricity Supply Reticulat	8 527 369	-	-	-	8 527 369	-	-	-	8 527 369
Electricity Security & Fencing	8 918 343	-	-	-	8 918 343	-	-	-	8 918 343
Sewerage Sewer	108 103 956	-	8 540 216	-	116 644 172	-	-	-	116 644 172
Sewerage Security Fencing	2 306	-	-	-	2 306	-	-	-	2 306
Reservoirs – Water	9 150 922	-	-	-	9 150 922	-	-	-	9 150 922
Water Mains	551 046	-	-	-	551 046	-	-	-	551 046
Water Meters	2 729 971	-	-	-	2 729 971	-	-	-	2 729 971
Water Supply, purification&	85 622 977	-	15 343 525	-	100 966 503	-	-	-	100 966 503
Water Distribution: Comput	15 702 013	-	-	-	15 702 013	-	-	-	15 702 013
Water; Plant&Equip: Irrigati	321 945	-	-	-	321 945	-	-	-	321 945
Refuse Buildings,Tip sites&	101 397	-	-	-	101 397	-	-	-	101 397
Security Measures	-	-	-	-	-	-	-	-	-
	259 725 655	-	29 710 948	-	289 436 604	-	-	-	289 436 604
Community Assets									
Recreation Building, Parks,	4 756 806	1 412	-	-	4 758 219	-	-	-	4 758 219
Libraries	84 769	-	-	-	84 769	-	-	-	84 769
Recreation Grounds& Fenc	878 838	-	-	-	878 838	-	-	-	878 838
Civic Buildings/ Town Halls	-	84 256	-	-	84 256	-	-	-	84 256
	5 720 414	85 668	-	-	5 806 082	-	-	-	5 806 082
Heritage Assets									
Historical Buildings	16 681	-	-	-	16 681	-	-	-	16 681
Painting & Art Galleries	-	-	-	-	-	-	-	-	-
	16 681	-	-	-	16 681	-	-	-	16 681
Balance brought forward	-	-	-	-	-	-	-	-	-
Housing Rental Stock									
Housing Rental 1	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Other Assets									
Landfill sites	-	-	-	-	-	-	-	-	-
Office Equipment	285 067	1 066	-	-	286 133	-	-	-	286 133
Furniture & Fittings	430 012	-	-	-	430 012	-	-	-	430 012
Bins and Containers	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-
Motor vehicles- Trucks& LD	2 789 131	354 128	-	-	3 143 259	-	-	-	3 143 259
Fire engines	-	-	-	-	-	-	-	-	-
Refuse tankers, Graders& T	586 169	-	-	-	586 169	-	-	-	586 169
Cemetery& Fencing	-	-	-	-	-	-	-	-	-
Computer equipment	1 613 487	744 006	-	-	2 357 493	-	-	-	2 357 493
Computer software	1 578 734	-	-	-	1 578 734	-	-	-	1 578 734
Councillors Regalia	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-
Plant and Machinery	367 305	-	-	-	367 305	-	-	-	367 305
	7 649 905	1 099 200	-	-	8 749 104	-	-	-	8 749 104
GRAND TOTAL	295 584 832	1 184 868	29 710 948	-	326 480 649	-	-	-	326 480 649

KOPANONG LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2010

DETAILS	COST					Accumulated Depreciation				
	OPENING BALANCE	ADDITIONS	CONSTRUCTIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	DEPRECIATION	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
Planning and Development	-				-	-	-	-	-	-
Executive & Council	-				-	-	-	-	-	-
Finance and Administration	4 274 603	745 072			5 019 674	-	-	-	-	5 019 674
Health	1 907 699				1 907 699	-	-	-	-	1 907 699
Community & Social Services	20 665 928	84 256			20 750 184	-	-	-	-	20 750 184
Sports & Recreation	5 635 645	1 412			5 637 057	-	-	-	-	5 637 057
Waste Management	101 397		8 540 216		8 641 613	-	-	-	-	8 641 613
Waste Water Management	108 106 262	-	15 343 525		123 449 787	-	-	-	-	123 449 787
Road Transport	23 196 355	354 128	5 827 207		29 377 690	-	-	-	-	29 377 690
Water	114 078 874				114 078 874	-	-	-	-	114 078 874
Electricity	17 618 069				17 618 069	-	-	-	-	17 618 069
	295 584 833	1 184 868	29 710 948	-	326 480 649	-	-	-	-	326 480 649

KOPANONG LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R	Segment	2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
7 947 997	18 408 695	(10 460 698)	Executive & Council	16 346 638	25 713 416	(9 366 777)
-	-	-	Human Resources	-	-	-
41 643 322	19 915 776	21 727 546	Finance & Admin	45 627 466	64 196 538	(18 569 073)
4 817	612 761	(607 944)	Planning & Development	5 911	441 784	(435 873)
80 769	162 172	(81 403)	Fire Fighting	72 626	272 879	(200 253)
-	512 933	(512 933)	Storm water	-	664 030	(664 030)
605 752	-	605 752	Health	-	(0)	0
1 589 718	1 541 459	48 258	Library	2 064 012	1 543 023	520 988
119 835	195 053	(75 218)	Community & Social Services	81 507	53 000	28 507
29 347	10 725	18 621	Halls	30 415	939 061	(908 646)
41 359	48 028	(6 669)	Housing	3 770	294 796	(291 027)
-	-	-	Public Safety	-	-	-
32 222	1 339 281	(1 307 058)	Sport & Recreation	91 974	1 425 929	(1 333 955)
967 132	4 190 044	(3 222 912)	Property Services	1 000 519	1 497 728	(497 209)
-	-	-	Environmental Protection	-	-	-
10 595 857	4 518 495	6 077 361	Waste Management	12 877 288	4 035 776	8 841 512
52 408	5 391 625	(5 339 217)	Road Transport	49 288	6 034 671	(5 985 383)
28 874 258	15 524 930	13 349 329	Water	34 621 849	23 386 915	11 234 934
29 405 673	23 132 446	6 273 227	Electricity	32 520 545	25 040 434	7 480 111
15 351 766	7 196 050	8 155 716	Waste Water Management	18 806 682	6 184 151	12 622 532
-	-	-	Cemeteries	-	-	-
1 590	-	1 590	Civil Defence	1 881	-	1 881
137 343 823	102 700 472	34 643 350	Total	164 202 371	161 724 131	2 478 240

KOPANONG LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u> Actual (R)	<u>2010</u> Budget (R)	<u>2010</u> Variance (R)	<u>2010</u> Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	8 189 656	9 352 008	-1 162 352	-12.43%	
Service charges	46 812 349	44 047 856	2 764 493	6.28%	
Rental Income	1 055 816	1 305 782	-249 966	-19.14%	
Interest on debtors	2 837 181	3 453 946	-616 765	-17.86%	Income dependable on uncontrollable circumstances
Interest on Investment	137 106	46 229	90 877	196.58%	Good collection
Government grants and subsidies	102 809 758	70 795 000	32 014 758	45.22%	Income dependable on Government controls.
Other income	2 273 470	3 883 568	-1 610 098	-41.46%	Good collection
Bad debts recovered	3 079	-	3 079	100.00%	
Fines	83 955	0	83 955	100.00%	
Total Revenue	164 202 371	132 884 389	31 317 982	23.57%	
EXPENDITURE					
Employee related costs	43 373 039	45 709 690	-2 336 651	-5.11%	Saving
Remuneration of Councillors	3 235 658	5 991 537	-2 755 878	-46.00%	Saving
Bad debts	46 749 178	-	46 749 178	100.00%	Not budgeted for
Repairs and maintenance	2 738 001	13 101 484	-10 363 484	-79.10%	Saving
Interest paid	1 247 269	338 814	908 455	268.13%	Municipality experienced better cashflow
Bulk purchases	29 404 226	34 582 680	-5 178 454	-14.97%	Saving
General expenses	33 216 743	33 160 183	56 560	0.17%	Expense dependable on uncontrollable circumstances
Finance cost	1 760 017	-	1 760 017	100.00%	
Total Expenditure	161 724 131	132 884 388	28 839 743	21.70%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	2 478 240	0	2 478 240		

The Budget was prepared on IMFO basis while Financial Statement were prepared on Accrual/ GRAP basis.

KOPANONG LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u> Actual	<u>2010</u> Budget	<u>2010</u> Variance	
	R	R	R	
Planning and Development	-	300 000.00	0.00%	
Executive & Council	-	950 000.00	0.00%	
Finance and Administration	745 071.73	-	0.00%	The projects have been recurring from the previous years
Health	-	-	0.00%	The projects have been recurring from the previous years
Community & Social Services	84 256.00	1 015 000.00	4.89%	The projects have been recurring from the previous years
Sports & Recreation	1 412.28	-	0.00%	The projects have been recurring from the previous years
Waste Management	8 540 216.00	-	0.00%	The projects have been recurring from the previous years
Waste Water Management	15 343 525.32	10 684 476.72	8.65%	The projects have been recurring from the previous years
Road Transport	6 181 335.00	-	0.00%	The projects have been recurring from the previous years
Water	-	18 700 000.00	16.39%	The projects have been recurring from the previous years
Electricity	-	129 000.00	0.72%	The projects have been recurring from the previous years
TOTAL	30 895 816	31 778 477	0	

KOPANONG LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2010

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
		R	R	R	R	R	R	R	R							
<i>Erven Survey Grant</i>	COGTA	-	-	6 980 000	-	-	-	-	(6 980 000.0)	none	none	none	none	n/a	Y	n/a
<i>Municipality Infrastructure Grant</i>	National Treasury	60 000	1 912 000	7 992 000	3 116 000	(1 799 694)	(4 736 915)	(5 484 782)	(5 156 266)	none	none	none	none	n/a	Y	n/a
<i>DBSA Grant</i>	DBSA	-	-	-	-	-	-	-	(26 171)	none	none	none	none	n/a	Y	n/a
<i>Bulk Water: Jagersfontein-Fauresmith</i>	Dept. Water Affairs and Forestry	4 797 896	7 901 148	3 707 929	2 046 934	(3 688 840)	(6 553 398)	(3 079 716)	(1 700 134)	none	none	none	none	n/a	Y	n/a
<i>Fauresmith- Boreholes</i>	COGTA	116 636	555 000			(235 800)	(239 486)			none	none	none	none	n/a	Y	n/a
<i>Equitable shares</i>	<i>National Treasury</i>	15 567 125	15 567 125	15 567 125	15 567 125	(15 567 125)	(15 567 125)	(15 567 125)	(15 567 125)	none	none	none	none	n/a	Y	n/a

There is no anticipated significant decrease in the level of government grants.