

MATATIELE

LOCAL MUNICIPALITY - UMASIPALA WASE –
MUNISIPALITEIT – MASEPALA WA



ANNUAL REPORT
2008/2009



Prepared By:

D NOLTE & ASSOCIATES

ETLONS
2 MANOR CLOSE
HILTON, 3245



T: 033-3432018
F: 0866 8955 16
E-M: danie@muntra.co.za



	<u>TABLE OF CONTENT</u>	<u>Page</u>
1.	<u>Chapter One – Introduction and Overview</u>	5
1.1.	Mayoral Foreword	5
1.2.	Accounting Officer's Report	6
1.3.	Overview of the Municipality	7
1.4.	Executive Summary and Management Profile	10
2.	<u>Chapter 2: Performance Highlights</u>	13
2.1.	Functions Performed	13
2.2.	Services Delivered	13
2.2.1.	Infrastructure	14
2.2.2.	Community Service	15
2.2.3.	Services Authorised	21
2.3.	Projects	22
2.4.	Backlogs in Service Delivery	25
2.4.1.	Water	25
2.4.2.	Roads	25
2.4.3.	Electricity	25
2.4.4.	Telecommunication	26
2.4.5.	Refuse Removal	26
3.	<u>Chapter 3: Human Resources and other Organisational Management</u>	27
3.1.	Number of Staff per Function	27
3.2.	Organisational Structure	27
3.3.	Trends on Expenditure of Salary	32
4.	<u>Chapter 4: Audited Financial Statements and Related Financial Information</u>	33
4.1.	Audited Annual Financial Statements	33
4.2.	Audit Report	94
4.3.	Strategy to address Report	94
4.4.	Budget Information	95
5.	<u>Chapter 5: Functional Area Service Delivery Reporting</u>	99
5.1.	General Information	99
5.2.	Governance and Administration	102
5.2.1.	Budget and Treasury	102
5.2.2.	Corporate Services	103
5.3.	Technical Services	106
5.3.1.	Roads / Transport	107
5.3.2.	Buildings	107
5.3.3.	Electricity	109
5.3.4.	Street Lighting	110
5.3.5.	Solid Waste Management	110
5.4.	Economic and Development Planning	113
5.4.1.	Planning and Development	113
5.4.2.	Local Economic Development	114
5.4.3.	Nature Reserves	116



GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY

Grade 5

AUDITORS

Auditor-General

BANKERS

First National Bank of South Africa, Matatiele

REGISTERED OFFICE

102 Main Street

P.O. Box 35

MATATIELE

4730

Telephone: 039-7373135

Fax No. 039-7373611

MAYOR

CLLR NTAI SELLO

MUNICIPAL MANAGER

VACANT

GENERAL MANAGER: COMMUNITY SERVICES

VACANT

GENERAL MANAGER: ECONOMIC DEVELOPMENT AND PLANNING

MS. K.E. KABI – NOMBUNGU

GENERAL MANAGER: CORPORATE SERVICES

MR. Z.J. MKHIZE

GENERAL MANAGER: TECHNICAL SERVICES

MR. T. NGOZWANA

CHIEF FINANCIAL OFFICER

MR D C VAN ZYL:

Registered Municipal Accountant (Associate) AIMFO



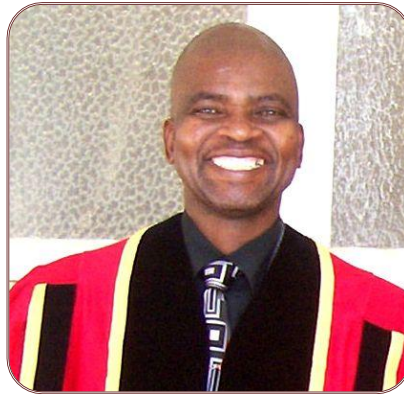
CHAPTER ONE

INTRODUCTION AND OVERVIEW

1.1. MAYORAL FOREWORD BY THE HONOURABLE MAYOR – CLLR NS SELLO

This annual report seeks to highlight the success and the challenges within the Matatiele Local Municipality for the year 2008/2009, in line with the priorities of Government to ensure clean audits by 2014. The Municipality will continuously assess and refine its performance to ensure that it leads the process.

One of challenges is to ensure Integrated Development Plan our monitoring and evaluation improvement. Service (SDBIP) needs to be improved critical posts within the



that our budget speaks to the (IDP). The planning ability and strategy still require Delivery Budget Implementation with the current filling of vacant Municipality.

Another most critical of reviewal, adoption of thereof, with particular prevention policy. The issue of as often raised by Auditor challenge.

challenge centres on the issue policies and the implementation reference to the fraud controls and asset management General (AG) remains a

On Governance, the Council, Executive Committee, and all other standing Committees need to be strengthened with the purpose of ensuring that an oversight function and the issue of compliance are attended to. It becomes a big challenge for the Municipality to coordinate all activities within its jurisdiction, when the intergovernmental relations are not strengthened. Intergovernmental framework need to be strengthened at local government level to address the issue of service delivery. IDP becomes a planning tool, and Community based plans (CBP) need to be taken seriously when considering IDP.

The issue of vulnerable groups within the society such as Youth, Women, Children and Elderly people represented through Special Programme Unit (SPU) need to be prioritised by all departments.

Our Vision and Mission captures the concept of Developmental Local Government and the Departments within the Municipality are structures in a manner that allows a potential for effective Coordination and implementation of all Municipal programmes, in line with the principle of Batho Pele. The concept of Customer Care and Strong Communication Systems is in the process of being developed.

I remain optimistic and convinced that your Municipality has got potential to grow and be in a position to deliver Services to our communities in line with our Vision, Mission and Government Priorities.

In conclusion I want to wish our team BAFANA BAFANA Good Luck in the FIFA Soccer World Cup. We believe that our communities will enjoy the games, and make use of the Public Viewing Area (PVA) that Matatiele Local Municipality has been awarded.

.....
CLLR NS SELLO



1.2. ACCOUNTING OFFICER'S REPORT

BY MR DC VAN ZYL – CHIEF FINANCIAL OFFICER AND ACTING MUNICIPAL MANAGER

The year ending 30th mixed fortunes for There are certain proud of while there are reach.

Matatiele Local a Medium Capacity Treasury. It converted its new GRAP accounting prior to the required date. investments in the amount assets amounted to R 146

However, its outstanding R 19.3 million are a cause of concern.



June 2009 was again a year of Matatiele Local Municipality. achievements that we can be certain goals that we did not

Municipality was classified municipality by National financial statements to the standards two (2) years At 30 June 2009 it held of R 54.4 million and its million.

Consumer debtors of

One of the goals that were not achieved was the appointment of critical staff in vacant positions. This placed a burden on existing staff and resulted in various Council approved programmes not being implemented. The Strategic manager resigned at the end of March 2009, and the post was not filled again.

The spending of Municipal Infrastructure Grant (MIG) funds was satisfactory to the effect that 90% of these funds were spent by 30 June 2009. Those not spent was due to technical problems experienced by contractors. However, an allocation of R20 million per annum from MIG to service all villages and our people, is not adequate. Alternative financing sources will have to be obtained.

The Matatiele Local Municipality consists of 3 towns, 238 villages and about 350 commercial farms. Matatiele Local Municipality has a population of over 350 000 people. To provide services for all these people at their place of abode is a huge challenge with the limited resources at our disposal.

We are proud to be one of few municipalities in the Eastern Cape Province that received an unqualified audit report from the Auditor General for the year ending 30 June 2008. This was the result of hard work from the Budget and Finance department that ensured our reporting complies with the new accounting standards, as well as other departments that responded to the request to ensure that things are done right the first time. Various control and compliance issues were raised by the Auditor General which was addressed during the 2008/2009 financial year. The municipality implemented a project to ensure full compliance to all GRAP standards, and this exercise, coupled with the disruption caused by the failure of the accounting system, partly due to the relocation thereof, made it impossible to submit the Annual Financial Statements prior to the end of August 2009. The statements were submitted during September 2009 to the Office of the Auditor-General, but an Audit Report had not been received as at the end of January 2010.

I do believe that limited resources are being used productively. Huge backlogs exist in our rural areas which will never be eradicated using the normal financing mechanisms. All government departments will have to be lobbied to assist with the implementation of our programmes.



1.3. OVERVIEW OF THE MUNICIPALITY

Key features

The name Matatiele is said to be derived from the Basuto words “Matata” meaning “wild Ducks” and “ile” meaning “gone” which taken together convey the message that the ducks have flown. In days gone by the Matatiele area was known for its pools and marshes teeming with various kinds of waterfowl.

Incorporated as a municipality by a Proclamation, No. 107, dated 31 March 1904, it was transferred from the Province of the Cape of Good Hope to the Province of Natal with effect from 1 April 1978. Matatiele Local Municipality (EC441) was established on 1 March 2006. The Municipal area has undergone a number of amendments in terms of provincial municipal and ward demarcation which have had a profound impact on planning in the area. Prior to 1 March 2006 a municipality known as Matatiele Local Municipality (KZ5a3) comprised the towns of Matatiele and Cedarville and fell within the Sisonke District of Kwazulu Natal. From 1 March 2006, a new Matatiele Local Municipality was established which was incorporated into the Alfred Nzo District of the Eastern Cape. The newly established Matatiele Local Municipality includes the towns of Matatiele, Cedarville and the magisterial district of Maluti which formerly fell under the Umzimvubu Municipality and a rural district management area which formerly fell under the jurisdiction of the Alfred Nzo District Municipality.

Matatiele Local Municipality (EC441) is situated in the Alfred Nzo District in the North Eastern corner of the Eastern Cape Province. It is bordered by Elundini Local Municipality to the South West, Greater Kokstad Municipality to the East, Umzimvubu Municipality to the South, and Lesotho to the North. The Matatiele Local Municipality covers an area of 4352km² and constitutes 58% of the Alfred Nzo District.

Today this thriving municipality, nestling in the foothills of the mighty Drakensberg, whose grandeur dominates the northern and western horizons, is the busy centre of a thriving farming and trading community and also serves a large part of the neighbouring Eastern Cape region as well as southern Lesotho. Matatiele is surrounded by much scenic splendour, is blessed with an abundance of country sunshine and there is about the mountains, plains and valleys a peaceful spaciousness most appealing.

Newcomers will find Matatiele a hospitable town enjoying a healthy climate with adequate provision for most forms of sport. Visitors are always welcome to the various clubs which include badminton, bowls, cricket, golf, hockey, polo, rugby, shooting, squash and tennis. A modern public library, forming part of the attractive civic centre, is run by the municipality under the free provincial scheme. The handsome town hall can seat 450 persons, and the public swimming bath of Olympic Size B is open for a six-month season from October to March.

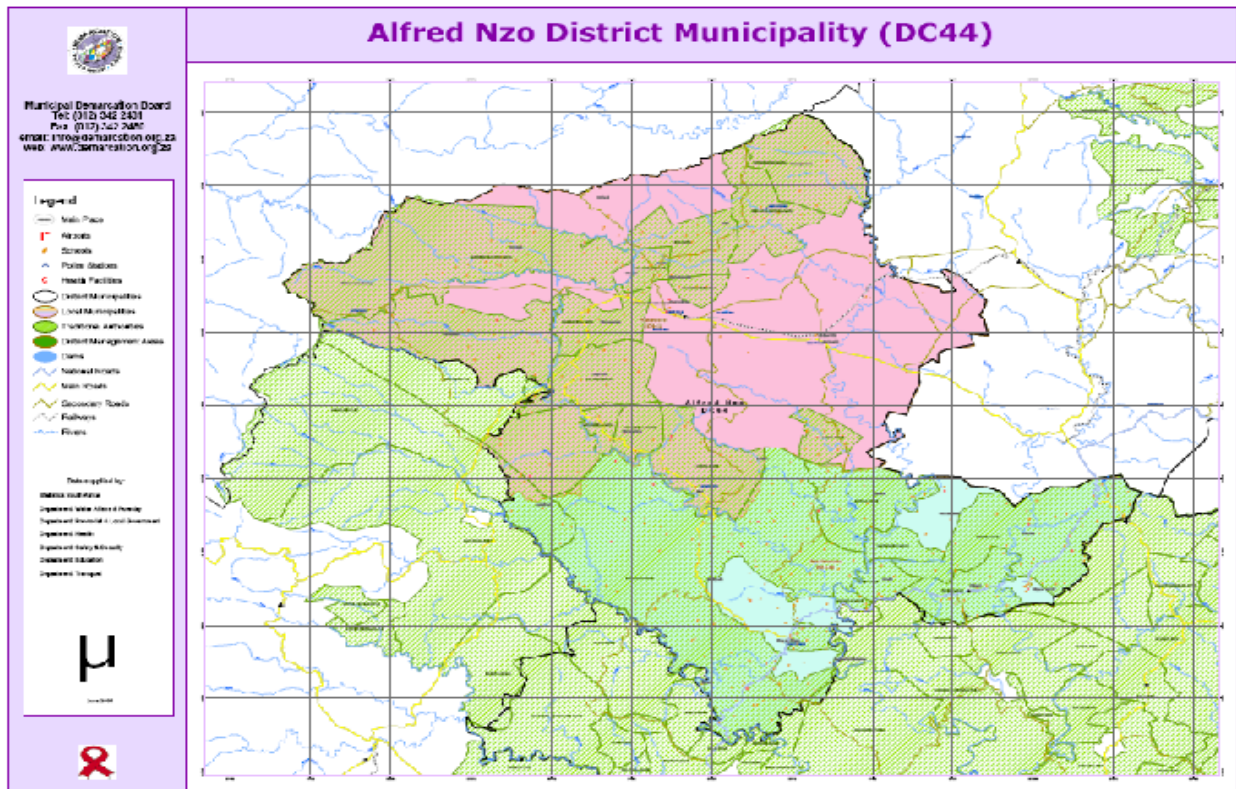
Two nature reserves were established on the Matatiele commonage by the municipality. The first is named Wilfried Bauer Nature Reserve and has an area of 218 ha. It is situated about 5km north of Matatiele and is a picturesque and popular picnic spot. Animals to be found there include blesbok, grey rhebuck, oribi, springbok, blue wildebeest and zebra. The second is known as the Mountain Lake Nature Reserve and is situated at the southern end of the commonage near the FM transmitter at an altitude of some 2 000m. The main feature here is the splendid lake which, when full, has a surface area of about 30 ha, a depth of over 6m and rainbow trout fishing.

The licensed municipal airfield has an ideal natural setting and can accommodate most types of aircraft. A commercial charter service operates light aircraft from Matatiele.

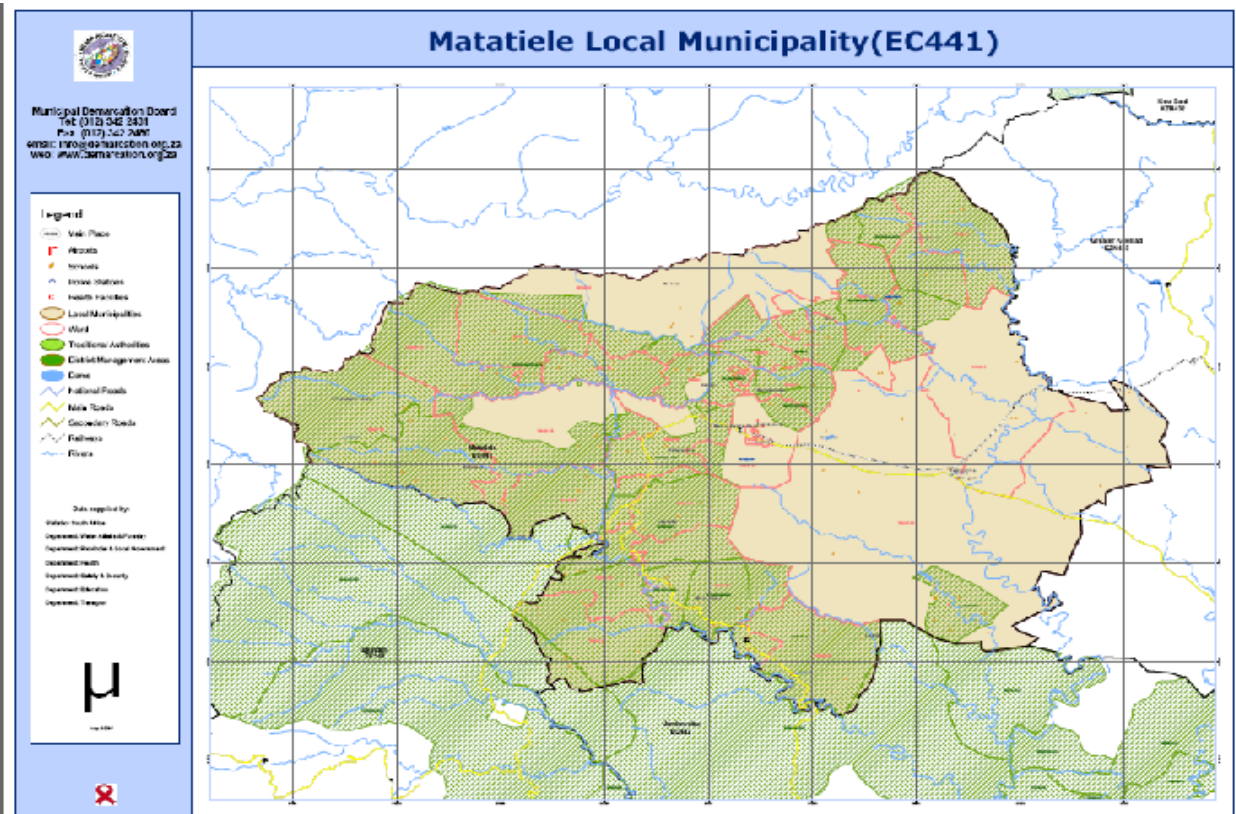
The Tayler Bequest hospital is well equipped and provides medical and surgical facilities to all. Known as Khotsong Santa Centre, there is a separate 250 bed TB hospital situated in Matatiele.



Geographical area/Maps



Alfred Nzo District Municipality Area



Matatiele Municipality Demographic Area



Demographic profile

The population of Matatiele is 258 758. The population density is generally low with an average population density of 69 people per Km². The population is predominantly female (54%) and predominantly African (98%). The population is predominantly young and under the age of 35 years, 42% are still dependent (1-14), 58% are potentially economically active (15-65) and 7% are elderly (65+). The high number of dependent children implies a higher burden on the economically active population and organs of state which are tasked with providing social assistance services.

Socio economic profile

- The area is characterised by poor socio economic conditions and low levels of development.
- Poverty levels are high with 82% of the population earning less than R800 per month and being technically under the poverty line. This is compounded by high levels of unemployment and a high number of potentially economically active people not being economically active (74%).
- Low income levels imply a high dependence on social grants and 80493 people or 31.3 % of the population are dependent on social grants. Old age pension and child support grants constitute the majority of grants.
- Agriculture is the dominant economic activity, yet formal employment is dominated by the community and public sector services and wholesale and retail trade. This is possibly due to the subsistence nature of agriculture in the area.
- The employment sector is dominated by elementary occupations and occupations requiring low qualification levels.
- The Municipal area is characterised by low education and literacy levels and 5.4 % of the population have no education while 39.7% have only some form of primary school education. There are approximately 235 schools in the Municipal area of which just over 10% are Senior Secondary Schools. There are no tertiary education facilities in the area.
- Health services are provided by the Department of Health who face many challenges. The Department has several programmes in place namely the Saving Mothers, Saving Babies Project and Integrated nutrition programmes. There is 1 District Hospital, 1 TB Hospital (Khotsong TB Hospital), 1 Community Health Centre, 17 Clinics and 2 Mobile clinics. Although the prevalence has stabilised, HIV/AIDS remains a challenge and the Department is concentrating on the management of antiretroviral treatment of infected people. There is also a high level of TB in the region which is commonly associated with HIV/AIDS and the Department is also focusing its attention on the management of TB.

Spatial profile

- The Municipal area is predominantly rural and dispersed with low density traditional settlements. There are estimated to be 67954 households in the Municipal area. There are three urban centres, the primary one being Matatiele. Maluti and Cedarville are secondary urban centres.
- According to the Community Survey 2007, 62% of the Matatiele population owns their homes, and 55% of the population resides in traditional dwellings.



1.4. **EXECUTIVE SUMMARY & MANAGEMENT PROFILE**

Vision

Matatiele Local Municipality has adopted the following vision:

“A unified municipality which is sustainable, result driven, service oriented and community centered”.

Mission

The mission of the Matatiele Local Municipality is to be:

“Committed to provide the Best Services that meet the needs of the community in an equitable and responsive manner in line with the Batho Pele Principles”

Objectives

The Municipality’s strategic objectives are:

- ⇒ *“To provide democratic and accountable government for our local communities*
- ⇒ *To ensure the provision of services to our communities in a sustainable manner*
- ⇒ *To promote Socio-Economic Development*
- ⇒ *To promote a Safe & Healthy Environment*
- ⇒ *To encourage the involvement of communities and community-organizations in the matters of our municipality”*





Municipal Financial & Administrative Conditions

The increased size of the municipality with the inclusion of a vast rural component has placed a considerable burden on the financial resources of the municipality, and it is therefore largely dependant on grant funding from the National and Provincial Governments for service delivery.

The implementation of the Municipal Property Rates Act will provide some enhancement to the revenue base of the municipality, but it will be negligible in relation to the large indigent component within the municipal area.

The municipality is currently in the process of finalising Organograms and Job descriptions to create the necessary administrative structure befitting the expansion of service delivery requirements.

Council Structures

The Matatiele Municipal Council has forty eight Councillors. Six councillors were declared full time, namely: the Mayor, the Speaker and the Chairpersons of the following Standing Committees, Budget & Finance, Corporate Services, Economic & Development Planning and Technical Services. The Municipality has a Collective Executive System, and the Executive Committee reports to the Council. The Executive Committee is comprised of eight Executive Committee Members and the Mayor, making up a total of nine members. The Executive Committee is chaired by the Mayor.

There are five standing committees that have been established in terms of Section 79 of the Local Government Municipal Structures Act, (Act 117 of 1998) to serve the following portfolios;

- ⇒ Budget & Finance;
- ⇒ Corporate Services;
- ⇒ Community Services;
- ⇒ Economic and Development Planning with a Tourism and Marketing subcommittee; and
- ⇒ Technical Services.

The mandate of the Standing Committees is to;

- ⇒ Develop and recommend strategy;
- ⇒ Develop and recommend by-laws;
- ⇒ Develop and recommend policies;
- ⇒ Ensure public participation in the development of policy, legislation, IDP and budget; and
- ⇒ Monitor the implementation of Councils policies.

The following Section 79 Committees have also been established;

- ⇒ Rules and Order Committee;
- ⇒ Special Programmes Unit Committee; and
- ⇒ Annual report oversight committee.

Matatiele Local Municipality has developed its website in-house. The site address is www.matatiele.co.za and the aspiration is to widen public participation and enhance legal compliance as prescribed by Section 21B (1) of the Municipal Systems Act.



Ward Committees

Ward committee members for all twenty four (24) wards were inaugurated on 16 October 2006 and is a competency of the Office of the Speaker. Each ward committee consists of ten (10) members. The lack of office accommodation and equipment is a challenge that is currently being addressed.

Members of the Council

Councillor/Alderman:

		SURNAME	NAMES	PARTY
1.	MAYOR	SELLO	NTAI, SAMUEL	ANC
2.	SPEAKER	MUNYU	JOSEPH, ZAMA	ANC
3.	EXCO CLLR	SELLO	SANDILE AUGUSTINUS	ANC
4.	EXCO CLLR	SIGALELANA	VUYANI, COLLIN	ANC
5.	EXCO CLLR	MDINGI	NOLUFEFE	ANC
6.	EXCO CLLR	MAKASHANE	MAJORIE, NONTOMBI	ANC
7.	EXCO CLLR	MOSO	PATIENCE, DOLLY	ANC
8.	EXCO CLLR	MAHEM	KOLEKA, LAETITIA	ANC
9.	EXCO CLLR	CANHAM	CEDRIC DANIEL CALLAWAY	ANC
10.	EXCO CLLR	LUGAYENI	DENTON	ANC
11.	ALF NZO REP	NOTSHELE	MARIA, MOLAENG	ANC
12.	ALF NZO REP	POPKHANE	MOSELE, MARIA	ANC
13.	ALF NZO REP	MFULANA	WILLIAM, BUNTUBUNZIMA	ANC
14.	ALF NZO REP	NYAMAKAZI	MOSES, MTHETHONZIMA	ANC
15.	ALF NZO REP	MTSHONISWA	LILLIAN, SEKIWA	ANC
16.	ALF NZO REP	MBUTO	PATRICK	ANC
17.	ALF NZO REP	MHLALA	VUYANI, VICTOR	ANC
18.	ALF NZO REP	MAOME	BENJAMIN, NDLALA	ANC
19.	COUNCILLOR	MCELELI	EDITH	ANC
20.	COUNCILLOR	GANYA	NOMBULELO, ALBERTINA	ANC
21.	COUNCILLOR	JAFTA	BERNARD	ANC
22.	COUNCILLOR	NOTSHELE	ROSEMARY, NOMTHETHO	ANC
23.	COUNCILLOR	TSOANYANE	YVONNE, NKELETSENG	ANC
24.	COUNCILLOR	MOKOATLE	MALEFU	ANC
25.	COUNCILLOR	TSHAKA	MADEDEMANE, ABEGAIL	ANC
26.	COUNCILLOR	GEBASHE	THOBANI, SAMSON	ANC
27.	COUNCILLOR	MACOBA	PRIMROSE, NOMONDE	ANC
28.	COUNCILLOR	NTSOLO	CUTBERT, PADI	ANC
29.	COUNCILLOR	LUPHALULE	KHAMBULAKAZI, EDITH	ANC
30.	COUNCILLOR	STUURMAN	PARTRICK, MOTLALEPULA	ANC
31.	COUNCILLOR	SIPIKA	CYPRIAN, XOLILE	ANC
32.	COUNCILLOR	MZIMKULU	BRITANIA, LIZWI	ANC
33.	COUNCILLOR	NONKEVU	RICHARD, VUSUMZI	ANC
34.	COUNCILLOR	GCABO	MSA	ANC
35.	COUNCILLOR	NGOMA	NTLAMENG, STELLA	ANC
36.	COUNCILLOR	BEJA	NOMHLE, ELIZABETH	ANC
37.	COUNCILLOR	TSOLOANE	MARAGRET, MASECHABA	ANC
38.	COUNCILLOR	NDIWA	ANGELINA, NOMPUCUKO	ANC
39.	COUNCILLOR	NKOPANE	NTOMBOVUYO, SILBEROSE	ANC
40.	COUNCILLOR	BOOI	SYLVIA, NONKULULEKO	ANC
41.	COUNCILLOR	MAKHOLWA	KENNETH, BONGANI	AIC
42.	COUNCILLOR	SAMBANE	CYNTHIA, NOKWANDA	ANC
43.	COUNCILLOR	BIGGS	KENNETH, CHARLES	DA
44.	COUNCILLOR	BONO	PATRICK, ZOLILE	ANC
45.	COUNCILLOR	MADUNA	JOYCE, DIMAKATSO	ANC
46.	COUNCILLOR	MUIR	PETER, GEORGE	DA
47.	COUNCILLOR	MAARTENS	MARINUS	DA
48.	COUNCILLOR	STUURMAN	LEBOHANG, EZEKIEL	UDM



CHAPTER 2

PERFORMANCE HIGHLIGHTS

The municipality faced huge challenges due to the enlargement of the area of jurisdiction, and had to spend enormous effort and resources to align the institution and all strategic plans to the increased demands for service delivery. The Council appointed a Municipal Manager and five Strategic Managers for the various functions, and embarked on a mission to formulate the correct organisational infrastructure to ensure improved service delivery.

The municipality managed to continue the supply of services within the urban areas, which included Electricity, Refuse removal, Roads, Stormwater management and Cleansing. The addition of Houses for the Indigent was also prioritised, with one scheme completed during the year, and another commenced with.

2.1. FUNCTIONS PERFORMED

Detailed reports regarding service delivery by each functional department is included in Chapter 5 of the report. Backlogs in service delivery is depicted in this Chapter, including Water and Sanitation which is no longer a function of the municipality, and Electricity, which is a service supplied by Escom for all rural areas.

2.2. SERVICE DELIVERY

Service delivery by Matatiele Local Municipality can be summarized as follows:

Roads & Stormwater	Public Amenities (Halls & Sporting facilities)
Solid Waste (Removal & Management)	Traffic Policing
Electricity Distribution (Matatiele town only)	Environmental Control (Nature Reserve & Cemeteries)
Town Planning	Human Resources Management
Local Economic Development	Financial Management
Marketing & Investments Promotion	Special Programs for designated groups

Services are divided into two groups; namely *infrastructural services*, and *community services and facilities*. Services and facilities fall within the functional area of a number of different entities, but all impact on the lives of the community and are hence mentioned here.





2.2.1. INFRASTRUCTURE

Water and Sanitation

The Alfred Nzo District Municipality is the Water Services Authority (WSA) for the Matatiele Local Municipality area of jurisdiction. The District Municipality has developed a WSDP that covers the 2008/2009 to 2012/2013 financial year which is updated annually.

Roads and Stormwater

The provision and maintenance of roads covers the functional areas of the Department of Roads and Transport, the District Municipality and the Matatiele Local Municipality

The Department of Roads and Transport establishes and maintains National and Provincial roads. It also contributes to economic upliftment of the area through EPWP Programmes.

The Department has allocated R 8, 00 million for roads in Matatiele on its 2009/10 budget. During the 2008/09 financial year it also provided funding for a number of EPWP Programmes which provided work opportunities for 892 people of Matatiele.

The District Municipality is responsible for the maintenance of about 130 Km of rural access roads throughout the District. The maintenance of other access roads is performed by Matatiele Local Municipality who are responsible for maintaining roads within the Municipal area and ensuring that storm water is effectively managed

The Municipality does not have a roads infrastructure, storm water or pavement management system and maintenance is carried out as and when required.

Electricity and Energy

ESCOM is the licensed distributor of electricity in the majority of the municipal area with the exception of the town of Matatiele where Matatiele Local Municipality is the licensed distributor. The electrification of housing by Matatiele Local Municipality is ongoing, but not at the desired pace, primarily because national demand for electricity has outstripped the available supply which is having a negative impact on meeting the set targets.

Consequently the Statistics South Africa Community Survey 2007 indicates that the community is heavily dependent on alternative energy sources with 62% of the community relying on an alternate source for lighting, 86% for heating and 75% for cooking.

NODE	PHYSICAL INFRASTRUCTURE									
	Roads		Water		Sanitation		Telephone		Electricity	
	Access	Quality	Access	Quality	Access	Quality	Access	Quality	Access	Quality
Matatiele	Full	Good	Full	Good	Full	Fair	Partial	Fair	Full	Fair
Maluti	Full	Poor	Partial	Poor	Partial	Poor	Partial	Fair	Full	Fair
Cedarville	Fully	Fair	Full	Good	Partial	Fair	Partial	Fair	Full	Fair
Rural Areas	Partial	Poor	Partial	Poor	None	N/A	Partial	Poor	Partial	Fair



2.2.2. COMMUNITY SERVICES

Solid Waste Management

The Matatiele Local Municipality is responsible for waste management in their area of jurisdiction. The Municipality collects household refuse from all three urban areas on a weekly basis, but provides no rural service.

A newly developed and licensed waste disposal site came into operation in Matatiele in 2008. This site has the capacity to accommodate all the waste from the urban areas for at least the next 15 years. There is also an unlicensed site in Cedarville which is not designed or operated according to DWAF's minimum requirements. Operation of the new site has been contracted out and the contract makes provision for the closure of old landfill sites. The Matatiele Local Municipality is also in process of introducing an integrated waste management system that includes a recycling component that will contribute to local economic development and cleaning of the environment.

Environmental Health Services

Environmental health services are a district function. Alfred Nzo District Municipality is therefore responsible for water quality monitoring; food control; waste management monitoring; health surveillance of premises; surveillance and prevention of communicable disease, excluding immunizations; vector control; environmental pollution control; disposal of the dead; chemical safety but excludes port health, malaria control and the control of substances.

Disaster Management

The District Municipality is responsible for the provision of Disaster Management and Fire Services in the District. The Municipality has a Disaster Management plan in place to effectively manage disasters which stem primarily from natural causes (tornadoes, storms and winds etc). Services are rendered from the central disaster management centre in Mount Ayliff and a satellite centre in Maluti which serves the Matatiele Local Municipality.

Health

The Eastern Cape Department of Health is responsible for the provision of health services in the Municipal area. Health services incorporate awareness, prevention, curative and rehabilitative services.

HIV & Aids

Although the primary health care facilities offer HIV/AIDS testing and counselling services, there is a shortage of ARV treatment sites with Mount Ayliff Hospital being the closest. The Municipality has established a Local AIDS Council

Telecommunications

According to the Statistics South Africa Community Survey 2007, only 30.1% of the population has a telephone or cellular phone, the latter being the most popular. The majority of the area has poor or no network coverage. Mountainous areas are particularly problematic. This lack of network was identified by the Department of Health as being a critical challenge which hampers the effective functioning off their clinics.



Public Transport

Despite some investments in new roads and maintenance there remain local communities who are isolated and disconnected due to poor road infrastructure. This has significant consequences in terms of local economic development as well as service delivery, especially accessibility to emergency ambulance services.

During the 2008/09 financial year, the Department of Roads and Transport did initiate some rural transport initiatives including

- ⇒ The Shova Kalula bicycle project which benefited a number of schools in the District
- ⇒ The AB 350 which established 16 busses on various routes in Matatiele
- ⇒ Scholar transport was operated by a number of schools in the Municipal area.

Airstrips

Despite funding earmarked for this purpose, the Airstrip at Matatiele was not upgraded as intended by the Department of Roads and Transport during the 2008/09 financial year, due to a problem around land usage.

Sport and Recreation Facilities

There are 3 formal sport stadiums with limited facilities in the urban areas which are in use by the community. All facilities are maintained as and when required, but require upgrading.

Sports Facilities

FACILITY	WARD	VILLAGE
Sigoga Sports Field	17	
Itsokolele Sports Field/Stadium	20	
North End Sports Field/Stadium	19	
Cedarville Sports Field/Stadium	21	
Maluti Sports Field (College)	1	
Matatiele Municipal Swimming Pool	19	



The municipal Soccer and Netball teams took part in a tournament with the eThekweni Municipality in Durban



North and South Stadiums





Community Halls

There are numerous Community halls and facilities within the Municipal area that are availed for use by the community. The condition of the majority of these facilities is fair.

The table below gives a reflection on the locations of the community facilities in each ward.

FACILITY	WARD
Lagrange Community Hall	8
Nchodu Community Hall	3
Mvenyane Community Hall (Rural)	21
Mzingisi Community Hall (Urban)	21
Khauwe Community Hall	11
Pontseng Community Hall	11
Cedarville Town Hall	21
Lunda Community Hall	10
Matatiele Town Hall	19
Mangolong Community Facility	23
Mapfontein Community Facility	11
Hillside Community Facility	22
Laphumilanga Community Facility	17
Nkau Community Facility	12
Dalibhunga Community Facility	21
Mgubo Pre-school	17
Lugada Pre-school	15
Belhesda Pre-school	23
Ditichereng Pre-school	14
Zwelitsha Pre-school	10
Mafube Pre-school	8
Sehlabeng Pre-school	9
Gudlintaba Pre-school	4
Lubaleko Pre-school	5
Mpontshongweni Pre-school	9
Sijoka Pre-school	16
Dengwana Pre-school	10
Dikamoreng Pre-school	13
Mapoliseni Pre-school	14
Kutwana Pre-school	6
Jabavu Pre-school	6
Mablawni Pre-school	7
Maluti Bus Rank and Public Toilets	1
Madimong Community Hall	2
Nokwezi Community Hall	20
Khubetsoana Community Hall	14
Koetliso Pre School	2
Outspan Pre School	6
Ntlola Pre School	3
Mnyamaneni Community Hall	6
Mbizeni Pre School	18
Prospect Pre School	17
Queens Mercy Pre School	12
Masakala Community Hall	20



Dengwane Multi-Purpose Centre





The Harry Gwala Hall



The Cedarville Hall



Libraries

Matatiele Municipality has three libraries; one each in Matatiele, Maluti and Cedarville. The library in Maluti is an institutional library and is owned by the Department of Education. The libraries in Matatiele and Cedarville are public libraries which are managed by the Municipality in terms of a service level agreement with the Province. There is no library service in rural areas.

Cemeteries



Municipal cemeteries satisfy the existing service demand.





2.2.3. SERVICES AUTHORISED

Functions of Matatiele Local Municipality

The MEC for Local Government adjusted the functions and powers between Alfred Nzo district municipality and Matatiele local municipality as published in the Provincial Gazette No. 1890 on 9 May 2008, to the extent reflected hereunder.

Function	Alfred Nzo DM	Matatiele LM
Air pollution		X
Building regulations		X
Child Care facilities		X
Electricity reticulation		X
Fire Fighting	X	X
Local Tourism	X	X
Municipal airports		X
Municipal Planning	X	X
Municipal Health Services	X	
Municipal Public Transport		X
Pontoons and Ferries		
Storm water		X
Trading regulations		X
Water (potable)	X	
Sanitation	X	
Schedule 5 part b		
Beaches and amusement facilities		X
Billboards and the display of adverts in public places		X
Cemeteries, Crematoria and funeral parlours		X
Cleansing		X
Control of public nuisances		X
Control of undertakings that sell liquor to the public		X
Facilities for the accommodation, care and burial of animals		X
Fencing and fences		X
Licensing of dogs		X
Licensing and control of undertakings that sell food to the public		X
Local amenities		X
Local sport facilities		X
Markets		X
Municipal abattoirs		X
Municipal parks and recreation		X
Municipal roads		X
Noise pollution		X
Pounds		X
Public places		X
Refuse removal, refuse dumps and solid waste disposal		X
Street trading		X
Street lighting		X
Traffic and parking		X



2.3 PROJECTS

Summary of Projects

Several projects were embarked upon during the year, and were financed from Equitable share, Municipal Infrastructure Grant and Housing funds.

Housing Development

There were two urban housing projects in the Matatiele Local Municipality over the past financial year.

- ⇒ The Itsokolele extension project was completed and closed in the 2008 financial year, and electrification was completed at a cost of R4,15 million during 2009.
- ⇒ The Harry Gwala project is in the process of completion and constitutes 583 housing units at various stages of completion. An amount of R11,8 million was spent during the year. This project will roll over into the 2009-10 financial year.

Three rural projects of 300 houses each are planned for the Matatiele rural areas in the 2009-10 financial year.



Harry Gwala Park

Community Facilities

Several community facilities were completed during the year, which includes 7 Pre-schools and 2 Community halls, at a cost of R422,768. A further R 11,7 Million was spent on new community facilities, which includes R3 Million on the Maluti Civic Centre, with an expected cost of over R11 million.

Roads and Bridges

Three access road projects were completed during the year, at a cost of R 1,4 million. There were 16 other roads projects embarked upon, including two Access Bridges, and a further R 18,8 million was spent on progress.

Environmental and Recreational

The swimming pool in Matatiele was upgraded for use by the community, and the Entrance to the Mountain Lake Resort was upgraded. Fencing of the latter facility is continuing.

Licensing facility

Additional space was created for the issue of licenses to the community by the addition of Parkhomes to the existing offices.



Community Programmes

Several community based programmes are under way as part of a broader upliftment process, which includes an ex offender reintegration project and a foster care project.

Plant and Equipment

The municipality upgraded the aged fleet of vehicles, at a cost of R3,8 million, to ensure attendance to service delivery, and also added *Fire fighting equipment for the combat of veldfires*. (*) The cooperation of the agricultural sector was also co-opted in the latter service.

(*)





Summary of Service Delivery Projects (table)

SUMMARY OF SERVICE DELIVERY PROJECTS DURING 2008/2009				
Department	Description	Estimate	Expenditure	Total
		R	R	R
Electricity	Electrification of Itsokolele	8,333,382	4,157,786	4,157,786
Environmental services	Entrance Building In Nature Reserve	50,000	44,092	44,092
Plant Hire (all departments)	Vehicles	4,500,000	3,871,342	3,871,342
Community Halls Completed	Khoubetswana Community Hall	529,062	57,670	
	Koetliso Pre-School	650,000	66,560	
	Mbizeni Pre-School	650,000	22,395	
	Mnyamaneni Community Hall	920,000	24,986	
	Nkosana Pre-School	441,750	110,784	
	Ntlole Pre-School	650,000	42,731	
	Outspan Pre-School	650,000	49,829	
	Prospect Pre-School	0	26,978	
	Queensmercy Pre-School	650,000	20,835	422,768
Community Facilities Work in Progress	Dalibhunga Community Facility	1,289,243	1,100,074	
	Dengwane Multi Purpose Centre	2,100,715	1,355,257	
	Hillside Community Facility	1,373,045	1,144,957	
	Laphumilanga Community Hall	1,396,480	1,193,990	
	Maluti Civic Centre	11,757,115	3,095,254	
	Mangolong Community Hall	1,427,450	1,038,368	
	Mapfontein Community Hall	1,559,275	1,333,239	
	Nkau Community Hall	1,368,717	1,170,336	
	Rolweni Community Facility	0	282,488	11,713,963
Work in progress	Housing Harry Gwala Park	18,347,375	11,817,154	11,817,154
Protection Services	Park homes Prot.services	280,000	114,610	114,610
Roads & Stormwater	Letlapeng Access Road	2,700,000	300,000	
	Mpotshongweni Access Road	1,461,713	399,981	
	Sithiyweni Access Road	3,750,000	705,236	1,405,217
Public Safety	Fire fighting equipment	0	154,020	154,020
Roads Work in Progress	Bhubesi Access Road	2,073,247	1,785,232	
	Chibini Access Road	66,364	100,803	
	Fubane Access Road	0	64,369	
	Hillside To Manzini Access Bridge	3,159,290	2,559,924	
	Khoala Access Road	1,453,394	1,221,609	
	Mafube To Nkosana Access Bridge	2,499,796	1,510,866	
	Maluti Roads-Phase 1	0	324,781	
	Mgubho Access Road	1,495,214	669,713	
	Ngcwengana Access Road	2,752,864	2,327,128	
	Outspan To Matshabeleng Access Road	460,199	223,586	
	Ramafole Access Road	0	202,753	
	T15 To Mbizweni Jss Access Road	30,000	346,981	
	T69 To Mampoti Access Road	4,303,328	3,900,546	
	T77 To Mapuleng Access Road	1,737,967	1,487,575	
	Tsenolo-Nkonoane Access Road	1,315,114	1,013,541	
	Tsitsong Access Road	1,300,808	1,101,655	18,841,062
	Swimming Pool Upgrade	0	422,584	422,584
		89,482,907	52,964,598	52,964,598



2.4 BACKLOGS IN SERVICE DELIVERY

Matatiele Local Municipality is facing huge challenges in trying to deliver services to its community. It is a rural municipality that consists of three (3) formal proclaimed towns, two hundred and thirty eight (238) villages and three hundred and fifty six (356) farms. Infrastructure in the villages are non-existent and access roads to the villages are generally poor. Services required by citizens as per the Community Based Planning workshops were quantified at R5,5 Billion. This includes mainly access road, water, sanitation and electricity. No revenue is generated in the rural villages and as such, services are funded by MIG. The MIG allocation for 2009/2010 is R22m, which will have minimal impact on backlogs. The disparity between funds required to eradicate backlogs and funds available requires careful prioritization of projects and innovative gearing of financial instruments.

3.1.1. Water

- The Alfred Nzo District Municipality is the Water Services Authority (WSA) for the entire area and has a WSDP in place.
- Water borne sanitation is only provided in urban areas. VIP sanitation is provided in rural areas. The bucket system has been eradicated but there remains a backlog in terms of RDP standard sanitation. The Backlog in RDP standard sanitation is estimated to be 15%.
- Although substantial progress has been made in addressing backlogs in terms of RDP standard water, there are still many rural communities dependent on undeveloped water sources. The backlog in RDP standard water is estimated to be 36%.

A recent survey by the District Municipality aimed to establish RDP standard water and sanitation backlogs and the following table provides an indication of existing backlogs together with the estimated costs of achieving the desired standard.

Description	Water Supply	Sanitation
Total number of households	67, 954	
Households served to RDP standard	24485	10292
Households to be served	43469	57662
Backlog (RDP standard)	63.9 %	84.8%
Cost per Household	R 6, 000	R3, 500
Total Capital required	R260 814 000	R201 817 000

Table: Water and Sanitation backlogs

2.4.2 Roads

- The provision and maintenance of roads covers the functional areas of the Department of Roads and Transport, the District Municipality and the Local Municipalities. The process of maintaining and upgrading roads is hampered by a lack of clarity on responsibilities between various role players.
- The primary access road is the R56 from Kokstad to Maclear which is in poor condition. The general condition of other roads within Matatiele is fair.

2.4.3 Electricity

- ESCOM is the licensed distributor of electricity in the majority of the municipal area except for Matatiele town. There are substantial backlogs and the ESCOM bulk infrastructure requires urgent upgrading to meet the demand.



2.4.4 Telecommunication

- Access to telecommunication services is poor with only 30% of the Matatiele population having access to telephones. The majority of the area has poor or no network coverage. This also hampers service delivery such as health services.

2.4.5 Refuse Removal

- Refuse removal services are limited to urban areas and 82% of households make use of their own refuse dumps. There is one licensed landfill site in the Municipal area. More detail of the landfill site operations is included in Chapter 5.



Technical and Other 'behind-the-scenes' Service Delivery



CHAPTER 3

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

3.1. NUMBER OF STAFF PER FUNCTION

The organisational structure has 328 positions of which 148 are vacant including 5 on senior management level (Levels 1-3). There are 55 critical positions which need to be filled. The position of Municipal Manager recently became vacant and was filled with an acting incumbent until November 2009.

The Municipality is short staffed due to a lack of funding and also faces challenges in recruiting and retaining staff due to its location, and the level of salaries it can afford.

3.2. ORGANISATIONAL STRUCTURE

The organizational structure of the municipality is indicated on the figure below



Summarised detail, per department, is indicated in the table below:-

Functional Area	Post Levels	Total Posts	Filled Posts	Vacant Posts	Frozen Posts
Corporate Services	Manager	1	1	0	0
	Seniors	7	1	4	2
	Juniors	51	33	18	0
Finance Services	Manager	1	1	0	0
	Seniors	4	0	3	1
	Juniors	34	13	21	0
Municipal Manager	Manager	1	1	0	0
	Seniors	1	0	1	0
	Juniors	5	1	4	0
Technical Administration	Manager	1	1	0	0
	Seniors	11	2	9	0
	Juniors	95	38	8	49
Strategic Manager	Manager	1	1	0	0
	Seniors	4	0	4	0
	Juniors	7	3	4	0
Economic Development and Planning	Manager	1	1	0	0
	Seniors	7	1	6	0
	Juniors	27	9	18	0
Community Services Department	Manager	1	0	0	1
	Seniors	4	2	2	0
	Juniors	64	18	46	0
Total		328	127	148	53



Two of the Municipalities section 57 positions were vacant. A critical vacancy was that of the Municipal Manager. The CFO was appointed acting Municipal Manager in the interim. The other section 57 position that is vacant is the Manager Community Services which is a newly created position.

There are at least 51 vacancies that are critical at this stage, which have not been filled due to lack of funds. It is planned to fill most posts over the medium term expenditure framework period. The Municipality is severely short staffed due to a lack of funding and also faces challenges in recruiting and retaining staff due to its location.

OFFICE OF THE MUNICIPAL MANAGER

The office of the Municipal Manager has the following duties assigned to it;

- ⇒ Strategic management
- ⇒ Internal auditing
- ⇒ Special Programmes Unit.

MUNICIPAL TREASURY

The Chief Financial Officer is responsible for the Municipal Treasury which includes the management of Municipal assets & risks, revenue, the budget, the treasury function, internal financial control and financial reporting.

Key performance areas include

- ⇒ Developing the financial viability of the Municipality
- ⇒ Maximize the amount of Capital Budget spent on IDP related projects

A critical limitation in this Department at this stage is the absence of a Supply Chain Unit.

CORPORATE SERVICES

The Key Performance areas of this Department are:

- ⇒ Municipal Transformation and Organisational Development
- ⇒ Good Governance

The General Manager Corporate Services is responsible for

- ⇒ Administration
- ⇒ Human Resource Management
- ⇒ Registry and Archives
- ⇒ Executive and Council Support
- ⇒ Labour Relations
- ⇒ Information Technology
- ⇒ Legal Services

LED AND ENVIRONMENTAL MANAGER

The General Manager Economic and Development Planning is responsible for;

- ⇒ Local economic development with specific emphasis on tourism, agriculture and SMME's.
- ⇒ Development planning which includes integrated development planning, environmental conservation, town planning and building control.



INFRASTRUCTURE AND DEVELOPMENT

The General Manager Infrastructural Development is responsible for the development and maintenance of;

- ⇒ Roads
- ⇒ Storm Water
- ⇒ Community facilities and amenities
- ⇒ Electricity
- ⇒ Solid Waste Management and refuse removal

The Project Management Unit (PMU) is also assigned to this Department

COMMUNITY SERVICES

The General Manager Community Services is responsible for;

- ⇒ Protection Services which includes licensing, vehicle testing and traffic control.
- ⇒ Community Development which includes libraries, sport co-ordination, museums, housing coordination and community halls.

INSTITUTIONAL (HR) POLICY DEVELOPMENT

A total of thirty-five administration and human resources policies have been developed and are being implemented and includes the following;

- ⇒ Bursary Scheme Policy
- ⇒ Training and Development Policy
- ⇒ Placement Policy
- ⇒ Code of conduct for staff
- ⇒ Acting Allowance policy.
- ⇒ Employee Assistance Policy
- ⇒ HIV/AIDS policy
- ⇒ Recruitment and selection policy
- ⇒ Human Resource Development Strategy
- ⇒ Records management policy
- ⇒ Language policy
- ⇒ Exit interview policy
- ⇒ Computer and emails policy

EMPLOYMENT EQUITY

The Municipalities employment equity plan is outdated and application has been made to the Province to provide funding for the revision thereof through the Turn-Around Plan (TAP).

SKILLS DEVELOPMENT AND TRAINING

The Municipality has developed a draft Workplace Skills Plan in accordance with the Skills Development Act. The plan aims to address the identified skills shortage within the municipality. A draft WSP was drawn up with the assistance of a service provider, and was submitted to the Department of Labour and Local Government Sector Education and Training Authority as required. The municipality has access to training funding from by the Department of Labour and LGSETA. A Skills Audit was also compiled to enable the Municipality to identify the skills gaps among employees. A training programme and an implementation plan were drafted and are being implemented.



Categorisation Of Training Per Department

Community Services Department

- Palse Computer System for Librarians – 3 staff
- First Aid Level 1 – 3 staff
- Customer Service Excellence – 3 staff
- Basic Customer Care Workshop – 8 staff
- E Natis motor vehicle licensing – 2 staff

Technical Service

- First Aid Level 1 – 8 staff
- Customer Service Excellence – 1 staff
- Waste Management workshop – 2 staff (management)

Budget & Finance

- First Aid Level 1 – 1 staff
- Customer Service Excellence – 2 staff
- Budget & reporting regulations workshop – 2 staff
- Free Basic Services workshop – 2 staff
- Vat 419 for municipalities workshop – 2 staff

Corporate Services Department

- CPMD (Certificate Programme in Management Development for Municipal Finance) – 1 manager
- First Aid Level 1 – 3 staff
- Customer Service Excellence – 2 staff
- Basic Customer Care Workshop – 19 staff

Economic Development and Planning Department

- First Aid Level 1 – 2 staff
- Customer Service Excellence – 1 staff
- Community Development & Nature Conservation – 4 staff
- Customer Service and Marketing – 5 staff

Municipal Manager's Office

Customer Service Excellence – 1 staff

Mayor's Office

- Customer Service Excellence – 1 staff
- First Aid Level 1 – 1 staff

Council

- CPMD (Certificate Programme in Management Development for Municipal Finance) – 3 Councillors



ABET

2008	:	13 learners
New entrances 2009	:	16 learners
Total current learners 2009	:	29 learners

Levels

Level 1	:	05 learners
Level 2	:	10 learners
Level 3	:	14 learners

Six learners wrote exams in February 2009.

PERFORMANCE MANAGEMENT

Matatiele is in process of developing a Performance Management System in terms of Section 38 of the Municipal Systems Act. The process includes the development and implementation of an organisational performance management system which will not only regulate the performance of Section 57 Managers but which will also be cascaded down to other managers and officials within the municipality.

As a basis for accountability, extensive use will be made of (Service Delivery Budget Implementation Plans) SDBIP's and Annual Performance Agreements for Senior Management to measure performance.

INTER-GOVERNMENTAL RELATIONS

The Municipality participates in District IGR structures, even though they are not fully operational at this stage. These structures are composed of the Technical Task Group and District Mayors Forum. Service level agreements are being entered into where services are to be provided collaboratively by different departments

The following forums function at the district level:

- ⇒ District Mayors Forum;
- ⇒ District IDP and Budget Steering Committee;
- ⇒ Alfred Nzo IDP Representative Forum;
- ⇒ District Municipal Managers' Forum; and
- ⇒ District CFO Forum.

PARTNERSHIPS AND STRATEGIC RELATIONSHIPS

Matatiele Local Municipality has recognised the potential of strategic partnerships to develop its capacity. The Municipality is in process of concluding a partnership agreement with Johannesburg Metro and Quachas Nek District Administration in the Kingdom of Lesotho. Matatiele Local Municipality also collaborates closely with the District Municipality and benefits from strategic Inter-governmental partnerships entered into by the Alfred Nzo District Municipality.

TRADITIONAL LEADERSHIP - PARTNERSHIPS

Regular discussions and workshops are held between the political and traditional leadership aimed at forging a co-operative relationship.



3.3 TRENDS ON EXPENDITURE OF SALARY

Employee related costs can be summarised as follows:

	2009	2008
Employee related costs - Salaries and Wages	16,370,574	11,952,687
Employee related costs - Contributions for UIF, pensions and medical aids	2,691,329	2,345,680
Travel, motor car, accommodation, subsistence and other allowances	1,243,586	937,971
Housing benefits and allowances	378,738	340,909
Overtime Payments	678,013	446,017
Bonus	619,022	641,359
Staff Leave	589,620	509,435
Contribution to provision - Bonus		36,978
Defined Benefit Plan Expense	1,496,171	0
Contribution to provision -Long Service Awards		74,723
Contribution to provision - Post Retirement Medical		121,604
Total Employee Related Costs	24,067,054	17,407,363



The new Budget and Treasury Offices



CHAPTER 4

AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION



Matatiele Local Municipality ANNUAL FINANCIAL STATEMENTS 30 JUNE 2009

SUBMITTED 24 February 2010



MATATIELE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2009

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 91, 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 Councillor's as disclosed in note 32 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MR. D.C. VAN ZYL
CHIEF FINANCIAL OFFICER

24 February 2010



MATATIELE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS 30 JUNE 2009

INDEX

	<u>Page</u>
1 Approval of Financial Statements	1
2 Chief Financial Officers Report	2 - 9
3 Statement of Financial Position	10
4 Statement of Financial Performance	11
5 Statement of Changes in Net Assets	12
6 Cashflow Statement	13
7 Accounting Policies	14-42
8 Notes to the Annual Financial Statements	43-83
9 Appendix A	84-85
10 Appendixes B	86
11 Appendix C	87
12 Appendix D	88
13 Appendixes E	89-90
14 Appendix F	91



MATATIELE LOCAL MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	MATATIELE LOCAL MUNICIPALITY
Financial Year-end	30 JUNE 2009
End of Next Year	30 June 2010
End of Current Year	30 June 2009
End of Previous Year	30 June 2008
End of Base Year	30 June 2007
Current Year	2009
Previous Year	2008
Base Year	2007
Next Financial Year	2009/2010
Current Financial Year	2008/2009
Previous Financial Year	2007/2008
Comparative Financial Year	2008/09 / 2007/08
Start of Current Year	01 July 2008
Start of Previous Year	01 July 2007



MATATIELE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Annual Financial Statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance. Certain of the prescribed standards have been exempted in terms of General Notice 522 of 2007. However, the municipality has elected to early adopt some of the exempted standards as disclosed in Accounting Policy number 1.

Despite having instituted various control measures in order to improve the overall financial results of the municipality, the collection of arrear debt remains a challenge. The increase in the debtors book together with the increased number of indigent customers is indicative of the poverty that exists within the municipal area. However, the ongoing reviewing and monitoring of debt collection performance is expected to result in an improvement in the collection of arrears.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review. No figures are provided for the previous year because of the change in format of the Annual Financial Statements presented.

Financial Statement Ratios:

INDICATOR	2009	2008
Surplus / (Deficit) before Appropriations	48,906,384	39,690,399
Surplus / (Deficit) at the end of the Year	153,206,263	107,916,121
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	25.40%	29.38%
Remuneration of Councillors	10.30%	15.10%
Depreciation and Amortisation	7.83%	9.17%
Impairment Losses	7.59%	4.73%
Repairs and Maintenance	10.42%	5.49%
Interest Paid	0.16%	0.44%
Bulk Purchases	9.39%	10.62%
Contracted Services	6.37%	9.08%
Grants and Subsidies Paid	12.34%	3.97%
General Expenses	10.16%	12.01%
Current Ratio:		
Creditors Days	34	49
Debtors Days	35	66

The improvement in the ratio for Debtors Days, calculated on net Debtors, is because of an increase in the impairment losses of R6,8 million recognised in the year (2006/2007: R1,9 million million) and a substantial increase in the Provision for Impairment, which renders a favourable ratio for the year.



Matatiele Local Municipality Annual Report 2008/2009

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	30,785,776	14,140,935	117.71%	-	-
Operating income for the year	143,658,626	98,934,326	45.21%	181,981,238	(21.06)%
Appropriations for the year	(31,492,368)	(22,165,718)	42.08%	-	-
	142,952,034	90,909,543	57.25%	181,981,238	(21.45)%
Expenditure:					
Operating expenditure for the year	94,752,242	59,243,927	59.94%	113,860,999	(16.78)%
Sundry transfers	4,208,123	879,840	378.28%	-	-
Closing surplus / (deficit)	43,991,669	30,785,776	42.90%	68,120,239	-
	142,952,034	90,909,543	57.25%	181,981,238	(21.45)%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	153,336,871	108,511,201	41.31%	169,656,530	(9.62)%
Expenditure	84,698,736	54,430,146	55.61%	100,875,331	(16.04)%
Surplus / (Deficit)	68,638,135	54,081,055	26.92%	68,781,199	-
Surplus / (Deficit) as % of total income	44.76%	49.84%		40.54%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	11,837,366	5,294,108	123.60%	22,002,000	(46.20)%
Expenditure	284,366	-	-	-	-
Surplus / (Deficit)	11,553,000	5,294,108	118.22%	22,002,000	-
Surplus / (Deficit) as % of total income	97.60%	100.00%		100.00%	



Matatiele Local Municipality Annual Report 2008/2009

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	7,745,037	2,691,152	187.80%	7,277,522	6.42%
Expenditure	5,555,207	3,540,984	56.88%	10,017,578	(44.55)%
Surplus / (Deficit)	2,189,830	(849,832)	(357.68)%	(2,740,056)	-
Surplus / (Deficit) as % of total income	28.27%	(31.58)%		(37.65)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R8 889 732 (2007/2008: R6 293 431). Tariffs levied for electricity are subject to administered adjustments.

The envisaged introduction of REDS (Regional Electricity Distribution Suppliers), where electricity will be distributed a regional supplier, will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	23,704,185	18,115,224	30.85%	24,892,948	(4.78)%
Expenditure	16,764,409	10,227,062	63.92%	14,832,049	13.03%
Surplus / (Deficit)	6,939,776	7,888,162	(12.02)%	10,060,899	-
Surplus / (Deficit) as % of total income	29.28%	43.54%		40.42%	

3.5 Water Services:

Water is supplied directly to the residents by Alfred Nzo District Municipality.



4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R53 559 799 (2007/2008: R21 479 048). Full details of Property, Plant and Equipment are disclosed in Note 7 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R25 566 859 was financed as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Capital Replacement Reserve	6,491,006	9,141,468	(28.99)%	10,351,200	(37.29)%
Grants and Subsidies	19,075,853	61,474,473	(68.97)%	70,013,800	(72.75)%
Public Contributions	-	90,198	(100.00)%	1,190,000	(100.00)%
	25,566,859	70,706,139	(63.84)%	81,555,000	(68.65)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2009	2008
Capital Replacement Reserve	25.39%	12.93%
Grants and Subsidies	74.61%	86.94%
Public Contributions	-	0.13%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.



5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	68,120,239	64,077,429
Revenue variances	(38,322,612)	(47,158,893)
Expenditure variances:		
Employee Related Costs	4,586,667	5,607,651
Remuneration of Councillors	2,375,576	107,310
Depreciation and Amortisation	(4,014,134)	(1,704,967)
Impairment Losses	(6,193,272)	(1,701,420)
Repairs and Maintenance	685,886	858,442
Interest Paid	67,511	26,543
Bulk Purchases	850,268	1,206,569
Contracted Services	2,699,209	683,665
Grants and Subsidies Paid	14,413,715	12,115,181
General Expenses	3,669,432	5,579,341
Loss on disposal of Property, Plant and Equipment	(32,100)	(6,452)
Actual surplus before appropriations	48,906,384	39,690,399

DETAILS	2009	2008
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	68,120,239	64,077,429
Executive and Council	3,769,852	1,138,747
Finance and Administration	(4,109,663)	(3,867,758)
Planning and Development	746,154	772,801
Health	(100,571)	(3,071)
Community and Social Services	(8,024,966)	(5,388,815)
Housing	(10,801,616)	(15,504,217)
Public Safety	(220,700)	(667,534)
Sport and Recreation	120,564	(70,178)
Waste Management	4,929,886	(1,366,288)
Roads and Transport	(2,401,672)	(3,463,419)
Electrical services	(3,121,123)	4,032,702
Actual surplus before appropriations	48,906,384	39,690,399

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".



5.2 Capital Budget:

DETAILS	Actual 2008/2009 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Community Services	24,831,108	38,510,406	(13,679,298)
Corporate Services	19,687	1,430,000	(1,410,313)
Economic Development & Planning	327,205	5,273,599	(4,946,394)
Executive & Council	1,540,410	3,364,100	(1,823,690)
Finance & Administration	550,251	1,562,699	(1,012,448)
Infrastructure	26,335,582	54,853,065	(28,517,483)
	53,604,243	104,993,869	(51,389,626)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2009 amounted to R153 058 174 (30 June 2008: R107 916 121) and is made up as follows:

Capital Replacement Reserve	7,773,163
Capitalisation Reserve	3,317,701
Government Grants Reserve	98,123,730
Accumulated Surplus	43,991,669
	<u>153,206,263</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Government Grants Reserve is utilised to offset the cost of depreciation of assets funded from government grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from the grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 2 and the Statement of Change in Net Assets for more detail.



Matatiele Local Municipality Annual Report 2008/2009

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R728 913 (30 June 2008: R1 167 330).

Finance leases to the value of R209 870 were entered into during the year to acquire office machines.

Refer to Note 4 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2009 was R2 965 361 (30 June 2008: R1 944 806).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R899 412 as at 30 June 2009 (30 June 2008: R575 264) and is made up as follows:

Provision for Long-term Service	899,412
	<u>899,412</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R153 162 826 as at 30 June 2008 (30 June 2007: R108 885 703) and is made up as follows:

Consumer Deposits	Note 11	299,919
Provisions	Note 12	706,402
Creditors	Note 13	8,953,558
Unspent Conditional Grants and Receipts	Note 14	34,200,138
VAT Payable	Note 15	895,493
Operating Lease Liability	Note 16	21,411
Bank Overdraft	Note 6	1,356,596
Current Portion of Long-term Liabilities	Note 17	<u>264,973</u>
		<u>46,698,489</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R146 835 147 as at 30 June 2009 (30 June 2008: R99 362 784).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 562 447 as at 30 June 2009 (30 June 2008: R1 164 993).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 for more detail.



13. INVESTMENTS

The municipality held Investments to the value of R4 014 509 as at 30 June 2009 (30 June 2008: R3 495 296).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 10 for more detail.

14. CURRENT ASSETS

Current Assets amounted R68 716 894 as at 30 June 2009 (30 June 2008: R81 840 470) and is made up as follows:

Inventory	Note 2	346,777
Consumer Debtors	Note 3	3,406,412
Other Debtors	Note 4	10,221,143
VAT Receivable	Note 5	6,019,609
Bank, Cash & Cash Equivalents	Note 6	50,452,206
		<u>70,446,146</u>

The substantial decrease is due to a decrease in bank, cash and cash equivalents. Council's Credit Control Policy will have to be applied strictly and adhered to in all circumstances in order to recover monies due to the municipality. The non-collection of debt also has a negative impact on the municipality's cashflow.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 14, 28 and 37, and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

17. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format and is now presented as such on continuous basis.

18. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

26-Feb-10



MATATIELE LOCAL MUNICIPALITY **STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009 R	2008 R
ASSETS			
Current Assets		70,446,146	81,840,470
Inventory	2	346,777	547,617
Consumer Debtors	3	3,406,412	5,839,046
Other Debtors	4	10,221,143	6,968,317
VAT Receivable	5	6,019,609	240,409
Bank, Cash and Cash Equivalents	6	50,452,206	68,245,080
Non-Current Assets		150,582,605	105,312,091
Property, Plant and Equipment	7	144,990,709	99,362,784
Intangible Assets	8	1,562,447	1,164,993
Investment Property	9	14,940	1,289,018
Non-current Investments	10	4,014,509	3,495,296
Total Assets		221,028,751	187,152,561
LIABILITIES			
Current Liabilities		46,698,489	58,761,880
Consumer Deposits	11	299,919	310,689
Provisions	12	706,402	442,801
Creditors	13	8,953,558	7,949,140
Unspent Conditional Grants and Receipts	14	34,200,138	48,856,279
VAT Payable	15	895,493	-
Operating Lease Liabilities	16	21,411	-
Bank Overdraft	6	1,356,596	617,333
Current Portion of Long-term Liabilities	17	264,973	585,638
Non-Current Liabilities		4,054,613	2,939,795
Long-term Liabilities	17	463,940	581,692
Retirement Benefit Liabilities	18	2,805,075	1,836,871
Non-current Provisions	19	785,598	521,232
Total Liabilities		50,753,102	61,701,675
Total Assets and Liabilities		170,275,649	125,450,886
NET ASSETS			
Statutory Funds	20	755,348	735,761
Reserves	21	16,314,039	16,799,004
Accumulated Surplus / (Deficit)	23	153,206,263	107,916,121
Total Net Assets		170,275,650	125,450,886



Matatiele Local Municipality Annual Report 2008/2009

MATATIELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget			Actual		
2008	2009		2009	2008	Note
R	R		R	R	
REVENUE					
13,296,170	14,244,804	Property Rates	15,267,695	12,779,302	24
450,000	500,000	Property Rates - Penalties imposed and collection charges	567,324	437,916	25
16,830,291	22,034,682	Service Charges	20,526,634	19,671,722	26
314,144	399,924	Rental of Facilities and Equipment	386,578	360,149	27
2,544,795	5,000,000	Interest Earned - External Investments	4,468,970	3,497,936	25
1,100,528	1,242,736	Interest Earned - Outstanding Debtors	2,037,479	1,260,385	25
431,000	663,500	Fines	613,056	432,756	
760,000	830,000	Licences and Permits	859,090	797,038	
109,399,301	135,805,587	Government Grants and Subsidies Received	97,395,591	58,867,784	28
-	-	Public Contributions and Donations	50,000	113,722	29
946,990	1,157,300	Other Income	1,450,208	680,781	30
20,000	-	Gains on Disposal of Property, Plant and Equipment	-	34,835	
-	102,705	Profit on Sale of Land:-	36,000	-	
	102,705	Sale of Land	36,000	-	
146,093,219	181,981,238	Total Revenue	143,658,626	98,934,326	
EXPENDITURE					
23,015,015	28,653,721	Employee Related Costs	24,067,054	17,407,364	31
9,053,381	12,138,344	Remuneration of Councillors	9,762,768	8,946,071	32
3,725,386	3,405,332	Depreciation and Amortisation	7,419,466	5,430,353	33
1,100,000	1,000,000	Impairment Losses	7,193,272	2,801,420	34
4,109,435	10,559,475	Repairs and Maintenance	9,873,589	3,250,993	
286,770	222,900	Finance Costs	155,389	260,227	35
7,500,000	9,750,000	Bulk Purchases	8,899,732	6,293,431	36
6,061,147	8,734,670	Contracted Services	6,035,461	5,377,482	
14,469,876	26,103,525	Grants and Subsidies Paid	11,689,810	2,354,695	37
12,694,780	13,293,032	General Expenses	9,623,600	7,115,439	38
-	-	Loss on Disposal of Property, Plant and Equipment	32,100	6,452	
82,015,790	113,860,999	Total Expenditure	94,752,242	59,243,927	
OTHER REVENUE / EXPENDITURE INCURRED					
64,077,429	68,120,239	SURPLUS / (DEFICIT) FOR THE YEAR	48,906,384	39,690,399	

Refer to Appendix E(1) for explanation of budget variances



MATATIELE LOCAL MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009				
Description	Housing Development Fund	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2008				
Balance at 30 June 2007	734,044	17,330,976	68,590,841	86,655,861
Change in Accounting Policy (Note 40)			-	-
Correction of Error (Note 41)			(879,840)	(879,840)
Restated Balance	734,044	17,330,976	67,711,001	85,776,021
Surplus / (Deficit) for the year			39,690,399	39,690,399
Net gains / (losses) not recognised in the Statement of Financial Performance	-		-	-
Transfer to Housing Development Fund	1,716		(1,716)	0
Funds utilised to finance PPE	-		-	-
Surplus on revaluation of Property, Plant & Equipment		-	-	-
Deficit on revaluation of Property, Plant & Equipment		-	-	-
Transfer to CRR			-	-
Property, Plant and Equipment purchased			-	-
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Contribution to Insurance Reserve			-	-
Insurance claims processed			-	-
Interest received	-		-	-
Asset disposals accumulated depreciation		39,419		39,419
Asset disposals		(54,955)	-	(54,955)
Offsetting of Depreciation		(516,436)	516,436	-
Balance at 30 June 2008	735,761	16,799,004	107,916,120	125,450,885
				(0.60)
2009				
Change in Accounting Policy (Note 40)			-	-
Correction of Error (Note 41)			(4,081,619)	(4,081,619)
Restated Balance	735,761	16,799,004	103,834,501	121,369,265
Surplus / (Deficit) for the year			48,906,384	48,906,384
Net gains / (losses) not recognised in the Statement of Financial Performance	-		-	-
Transfer to Housing Development Fund	1,378		(1,378)	-
Funds utilised to finance PPE	-		-	-
Surplus on revaluation of Property, Plant & Equipment		-	-	-
Deficit on revaluation of Property, Plant & Equipment		-	-	-
Transfer to/from CRR			-	-
Property, Plant and Equipment purchased			-	-
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Contribution to Insurance Reserve			-	-
Insurance claims processed			-	-
Interest received/(paid)	18,209		(18,209)	-
Asset disposals			-	-
Offsetting of Depreciation		(484,965)	484,965	-
Balance at 30 June 2009	755,348	16,314,039	153,206,263	170,275,649

Details on the movement of the Funds and Reserves are set out in Note 20, 21 and 23.



MATATIELE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		128,182,293	106,452,633
Cash paid to Suppliers and Employees		(99,562,129)	(54,868,179)
Cash generated from / (utilised in) Operations	42	28,620,164	51,584,454
Interest received	25	6,506,449	4,758,321
Interest paid	35	(155,389)	(260,227)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		34,971,225	56,082,548
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(52,359,799)	(21,479,048)
Purchase of Intangible Assets	8	(44,450)	(713,832)
Purchase of Investment Property	11	-	-
Proceeds on Disposal of Property, Plant and Equipment		(177,482)	63,387
Proceeds on Disposal of Intangible Assets		-	-
Proceeds on Disposal of Investment Property		36,000	-
(Increase) / decrease in Non-current Investments	10	(519,213)	(453,210)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(53,064,945)	(22,582,703)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	17	209,870	234,147
Loans repaid	17	(648,287)	(828,176)
(Decrease) / Increase in consumer deposits	11		
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(438,417)	(594,029)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	(18,532,138)	32,905,816
Cash and Cash Equivalents at the beginning of the year		67,627,747	34,721,931
Cash and Cash Equivalents at the end of the year		49,095,609	67,627,747



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
1. GENERAL INFORMATION		
<p>Matatiele Local Municipality (the municipality) is a local government institution in Matatiele, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.</p>		
2. INVENTORY		
Consumable Stores - at cost	344,108	544,948
Medallions - at cost	2,669	2,669
Total Inventory	346,777	547,617

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R209 573 (2008: R79 596).

Inventories of R2 669 (2008: R2 669) are expected to be utilised only after more than twelve months.

3. CONSUMER DEBTORS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	19,325,775	(15,919,363)	3,406,412
Assessment Rates	13,617,955	(12,600,587)	1,017,368
Electricity	2,512,150	(550,378)	1,961,772
Refuse	3,195,670	(2,768,398)	427,272
Total Consumer Debtors	19,325,775	(15,919,363)	3,406,412
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2008			
Service Debtors:	17,145,680	(11,306,634)	5,839,046
Assessment Rates	8,883,168	(8,696,365)	186,803
Electricity	5,419,741	(249,984)	5,169,757
Refuse	2,842,771	(2,360,285)	482,486
Total Consumer Debtors	17,145,680	(11,306,634)	5,839,046

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

3.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 - 150 Days

+ 150 Days

Total

2009 R	2008 R
524,462	-
316,740	37,314
174,473	149,488
132,069	124,434
12,470,210	94,931
	8,477,001
13,617,955	8,883,168

Electricity: Ageing

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 - 150 Days

+ 150 Days

Total

1,030,620	735,529
621,614	4,399,742
309,438	69,707
102,898	34,587
447,581	27,961
	152,215
2,512,150	5,419,741

Refuse: Ageing

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 - 150 Days

+ 150 Days

Total

136,535	194,295
162,377	159,076
129,306	129,115
111,579	120,146
2,655,873	113,985
	2,126,154
3,195,670	2,842,771

3.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2009				
<u>Current:</u>				
0 - 30 days	666,325	983,420	44,437	-
<u>Past Due:</u>				
31 - 60 Days	602,432	558,322	11,533	-
61 - 90 Days	377,204	812,321	5,591	-
91 - 120 Days	274,296	78,081	5,393	-
+ 120 Days	15,131,332	5,913,781	300,996	-
Sub-total	17,051,588	8,345,926	367,950	-
Less: Provision for Impairment	(14,881,736)	(736,878)	(300,749)	-
Total Debtors by Customer Classification	2,169,852	7,609,048	67,201	-
As at 30 June 2008				
<u>Current:</u>				
0 - 30 days	95,655	934,595	704,131	-
<u>Past Due:</u>				
31 - 60 Days	2,373,451	2,322,452	15,138	-
61 - 90 Days	280,774	181,614	1,321	-
91 - 120 Days	253,840	245,331	791	-
+120 Days	11,023,903	4,631,597	717,138	-
Sub-total	14,027,624	8,315,589	1,438,519	-
Less: Provision for Impairment	(7,183,251)	(4,068,615)	(54,769)	-
Total Debtors by Customer Classification	6,844,373	4,246,974	1,383,750	-



Matatiele Local Municipality Annual Report 2008/2009

	2009 R	2008 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	11,306,634	6,529,337
Impairment Losses recognised		1,975,877
Contribution during year	6,902,459	2,801,420
Amounts written off as uncollectable	(2,289,730)	-
Amounts recovered	-	-
Balance at end of year	15,919,363	11,306,634

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding for periods exceeding 90 days based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

3.4 Ageing of impaired Consumer Debtors

0 - 30 Days		-
31 - 60 Days		-
61 - 90 Days		-
91 - 120 Days	346,546	499,962
+ 120 Days	15,572,817	10,806,672
Long-term Loan Debtors		
Total	15,919,363	11,306,634

4. OTHER DEBTORS

Health Subsidy control	782,884	684,072
Sundry Debtors Control	-	95
Housing debtors	35,467	35,681
Insurance Debtors	3,997	5,271
Miscellaneous Debtors	111,392	109,820
Sisonke District Mun	524,619	524,619
Councillors Salaries Overpayment	1,249,312	-
Debtors Interest	141,584	313,405
Lu Framework DBSA	211,405	-
DME Electricity	872,302	-
Pre-paid expenses	105,309	-
Debtors Sundry	6,404,222	5,427,267
	10,442,494	7,100,229
Less: Provision for Impairment	(221,351)	(131,912)
Total Other Debtors	10,221,143	6,968,317

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

**4.1 Reconciliation of Provision for Impairment**

Balance at beginning of year	131,912	2,107,789
Impairment Losses recognised	89,440	
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(1,975,877)
Amounts recovered	-	-
Balance at end of year	221,351	131,912

The Provision for Bad Debts was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

5. VAT RECEIVABLE

Vat Receivable	6,019,609	240,409
----------------	------------------	----------------

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

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. BANK, CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	142,446	90,641
Investment Deposits	50,309,760	68,154,439
Total Bank, Cash and Cash Equivalents	50,452,206	68,245,080

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Short-term Portion of Investments	50,309,760	68,154,439
Total Current Investment Deposits	50,309,760	68,154,439

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 7,75 % to 9,75 % per annum.

Deposits of R14 786 438 (2008: R34 230 334) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R7 770 000 (2008: RNIL) are ring-fenced and attributable to the Capital Replacement Reserve.



The Municipality has the following bank accounts:

6.2 Bank Accounts

Transmission Account

Standard Bank - Matatiele - Account number 060435224

Cash book balance at beginning of year	89,391	483,452
Cash book balance at end of year	<u>141,196</u>	<u>89,391</u>
Bank statement balance at beginning of year	89,775	561,589
Bank statement balance at end of year	<u>-</u>	<u>89,775</u>

Primary Bank Account

First National Bank - Matatiele - Account number 62108495187

Cash book balance at beginning of year	(617,333)	(302,516)
Cash book balance at end of year	<u>(1,356,596)</u>	<u>(617,333)</u>
Bank statement balance at beginning of year	174,043	898,778
Bank statement balance at end of year	<u>4,038,945</u>	<u>174,043</u>

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash equivalents

Cash Floats and Advances	1,250	1,250
Other Cash Equivalents	-	-
Cash on hand in Cash Floats, Advances and Equivalents	<u>1,250</u>	<u>1,250</u>

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.



Matatiele Local Municipality Annual Report 2008/2009

MATATIELE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in ASB Directive 4. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 August 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2008	26,569,040	34,879,554	20,063,323	-	17,850,867	-	-	99,362,784
Cost	26,575,903	51,948,269	26,474,833	-	25,259,483	-	-	130,258,488
- Completed Assets	26,575,903	51,948,269	26,474,833	-	25,259,483	-	-	130,258,488
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(6,863)	(17,068,715)	(6,411,510)	-	(7,408,616)	-	-	(30,895,704)
- Cost	(6,863)	(17,068,715)	(6,411,510)	-	(7,408,616)	-	-	(30,895,704)
- Revaluation	-	-	-	-	-	-	-	-
Re-classification								
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	(13,732,072)	7,324,082	(1,593,250)	-	8,712,156	-	-	710,916
- Cost	(10,787,518)	8,674,290	(4,434,872)	-	7,404,844	-	-	856,744
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	(2,944,554)	(1,350,208)	2,841,622	-	1,307,312	-	-	(145,828)
- Based on Cost	(2,944,554)	(1,350,208)	2,841,622	-	1,307,312	-	-	(145,828)
- Based on Revaluation	-	-	-	-	-	-	-	-
Acquisitions	44,092	34,274,367	11,359,507	-	6,681,833	-	-	52,359,799
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(269,747)	(4,014,794)	(1,137,654)	-	(1,787,122)	-	-	(7,209,316)
- Based on Cost	(269,747)	(4,014,794)	(1,137,654)	-	(1,787,122)	-	-	(7,209,316)
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	(22,100)	-	-	-	(10,000)	-	-	(32,100)
- Cost	(22,100)	-	-	-	(10,000)	-	-	(32,100)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	(3,252)	-	-	(198,122)	-	-	(201,374)
Carrying values at 30 June 2009	12,589,213	72,459,957	28,691,926	-	31,249,612	-	-	144,990,709
Cost	15,810,377	94,896,926	33,399,468	-	39,336,160	-	-	183,442,931
- Completed Assets	15,810,377	94,896,926	33,399,468	-	39,336,160	-	-	183,442,931
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(3,252)	-	-	(198,122)	-	-	(201,374)
Accumulated Depreciation:	(3,221,164)	(22,433,717)	(4,707,542)	-	(7,888,426)	-	-	(38,250,848)
- Cost	(3,221,164)	(22,433,717)	(4,707,542)	-	(7,888,426)	-	-	(38,250,848)
- Revaluation	-	-	-	-	-	-	-	-



Matatiele Local Municipality Annual Report 2008/2009

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2007	26,601,311	24,988,471	17,518,863	-	13,944,071	-	-	83,052,716
Cost	26,607,238	39,093,284	23,029,903	-	20,043,550	-	-	108,773,975
- Completed Assets	26,607,238	39,093,284	23,029,903	-	20,043,550	-	-	108,773,975
- Under Construction	-	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(5,927)	(14,104,813)	(5,511,040)	-	(6,099,479)	-	-	(25,721,259)
- Cost	(5,927)	(14,104,813)	(5,511,040)	-	(6,099,479)	-	-	(25,721,259)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	12,854,985	3,444,930	-	5,179,133	-	-	21,479,048
Donated vehicles and equipment	-	-	-	-	111,965	-	-	111,965
Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Capital under Construction - Additions	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-
Depreciation:	(936)	(2,963,902)	(900,470)	-	(1,371,549)	-	-	(5,236,857)
- Based on Cost	(936)	(2,963,902)	(900,470)	-	(1,371,549)	-	-	(5,236,857)
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Disposals:	(31,335)	-	-	-	(12,753)	-	-	(44,088)
- Cost	(31,335)	-	-	-	(75,165)	-	-	(106,500)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	62,412	-	-	62,412
- Based on Cost	-	-	-	-	62,412	-	-	62,412
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2008	26,569,040	34,879,554	20,063,323	-	17,850,867	-	-	99,362,784
Cost	26,575,903	51,948,269	26,474,833	-	25,259,483	-	-	130,258,488
- Completed Assets	26,575,903	51,948,269	26,474,833	-	25,259,483	-	-	130,258,488
- Under Construction	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation:	(6,863)	(17,068,715)	(6,411,510)	-	(7,408,616)	-	-	(30,895,704)
- Cost	(6,863)	(17,068,715)	(6,411,510)	-	(7,408,616)	-	-	(30,895,704)
- Revaluation	-	-	-	-	-	-	-	-

99,362,794.00

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(10)

Other movements of Property, Plant and Equipment to the amount of R809 708 (2008: R639 022) were in respect of assets transferred from Intangible Assets and Investment Properties (see Note 10 and 11).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.



MATATIELE LOCAL MUNICIPALITY		
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009		
	2009 R	2008 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
At Original Cost:	28,162,244	72,882,276
Land and Buildings	4,139,830.45	4,031,922.56
Infrastructure	9,778,318	38,245,937
Community	9,840,125	23,598,970
Other	3,824,276	6,934,456
Intangible assets	579,695	70,990
7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
All PPE retired from active use and held for disposal is carried at a NIL balance as the assets are fully depreciated.		
7.3 Assets pledged as security:		
No assets are pledged as security.		
7.4 Impairment of Property, Plant and Equipment:		
Impairment of Property, Plant and Equipment was taken into consideration by the Municipality, at 30 June 2009.		
The total amount of R201 374 disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:		
Infrastructure: Solid Waste Sites	3,252	-
Other: Computer Equipment	158	-
Other: Furniture and Fittings	9,332	-
Other: Motor vehicles	63,756	-
Other: Office Equipment	5,532	-
Other: Plant & Equipment	117,204	-
Other: Traffic Equipment	2,140	-
Total Impairment of Property, Plant and Equipment	201,374	-
Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.		
7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:		
The municipality did not review the estimated useful life of various assets of the municipality for the mentioned departments for the financial year 2008/2009.		
7.6 Land and Buildings carried at Fair Value:		
An independent valuation of the municipality's Land and Buildings was performed by HCB Property Valuations, registered and independent valuers, to determine the fair value thereof. The valuation, which conforms to International Valuation Standards, was made on the basis of recent market transactions on arm's length terms. The effective date of the valuation is 1 July 2009.		
7.8 Compensation received for Losses:		
No compensation was received from the municipality's insurers for Property, Plant and Equipment lost during the year as no PPE was lost.		



8. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

1,562,447

1,164,993

The movement in Intangible Assets is reconciled as follows:

	Total	
Carrying values at 01 July	1,164,993	638,922
Cost	2,128,193	1,412,604
Accumulated Revaluation	-	-
Accumulated Amortisation	(963,200)	(773,682)
Accumulated Impairment Losses	-	-
Re-classified during the Year:	562,569	-
At Cost	511,282	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	51,287	-
At Accumulated Impairment	-	-
Acquisitions during the Year:	44,450	715,589
Purchased	44,450	713,832
Donated	-	1,757
Work-in-Progress at Year-end	-	-
Increases in Revaluations during the Year	-	-
Amortisation during the Year:	(209,565)	(189,518)
Purchased	(209,565)	(189,518)
Internally Developed	-	-
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Decreases in Revaluations during the Year	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Revaluation	-	-
At Accumulated Amortisation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	1,562,447	1,164,993
Cost	2,683,925	2,128,193
Accumulated Revaluation	-	-
Accumulated Amortisation	(1,121,478)	(963,200)
Accumulated Impairment Losses	-	-

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets:

The municipality's intangible assets only comprise of computer related software.

**9. INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation	<u>14,940</u>	<u>1,289,018</u>
---------------------------------------	---------------	------------------

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	1,289,018	1,293,011
Cost	1,386,740	1,386,740
Accumulated Depreciation	(97,722)	(93,729)
Accumulated Impairment Losses	-	-
Re-classified during the Year:	(1,273,453)	-
At Cost	(1,368,000)	-
At Accumulated Depreciation	94,547	-
At Accumulated Impairment	-	-
Acquisitions during the Year	-	-
Depreciation during the Year	(625)	(3,993)
Impairment Losses during the Year	-	-
Disposals during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Reversal of Impairment Losses during the Year	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Depreciation	-	-
At Accumulated Impairment	-	-
Carrying values at 30 June	14,940	1,289,018
Cost	18,740	1,386,740
Accumulated Depreciation	(3,800)	(97,722)
Accumulated Impairment	-	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	27,368
--	---	--------

The large reduction in investment property is due to land previously identified as Investment Property, been re-classified as PPE as Council no longer intends selling the land.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10. NON-CURRENT INVESTMENTS**Financial Instruments**

Fixed Deposits	<u>54,324,269</u>	<u>71,649,735</u>
----------------	-------------------	-------------------

Total Investments

All Investments	54,324,269	71,649,735
Less: Short-term Portion transferred to Current Investments	(50,309,760)	(68,154,439)
	<u>4,014,509</u>	<u>3,495,296</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 9,42 % to 15,27 % per annum.

Deposits of R753 970 (2008: RNil) are ring-fenced and attributable to the cash-portion of the Housing Development Fund.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.



11. CONSUMER DEPOSITS

Electricity	299,919	310,689
Total Consumer Deposits	299,919	310,689
Guarantees held in lieu of Electricity Deposits	75,651	75,651

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

12. PROVISIONS

Bonus	432,302	280,834
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	160,286	107,935
Current Portion of Non-Current Provisions (See Note 6 above):	113,814	54,032
Long-term Service	113,814	54,032
Total Provisions	706,402	442,801

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Performance Bonuses	Bonus
	R	R
30 June 2009		
Balance at beginning of year	-	280,834
Contributions to provision	-	151,468
Expenditure incurred	-	-
Balance at end of year	-	432,302
30 June 2008		
Balance at beginning of year	66,300	329,312
Contributions to provision	-	36,979
Expenditure incurred	(66,300)	(85,457)
Balance at end of year	-	280,834
	2009	2008
	R	R

13. CREDITORS

Trade Creditors	4,008,013	3,626,740
Payments received in Advance	565,160	583,356
Alfred Nzo District Mun	1,896,883	1,949,669
Leave provision	1,607,118	1,092,549
Income received in advance	302,460	-
Sundry Deposits	104,701	315,686
Other Creditors	469,223	365,812
Insurance credit	-	15,329
Total Creditors	8,953,558	7,949,140

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

**14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS****14.1 Conditional Grants from Government**

	34,200,138	48,856,279
National Government Grants	9,662,765	5,132,145
Provincial Government Grants	19,337,793	34,479,086
Local Government Grants	3,481,839	7,000,054
Other Spheres of Government	1,717,741	2,244,994

14.2 Other Conditional Receipts

Developers Contributions	-	-
Public Contributions	-	-

Total Conditional Grants and Receipts	34,200,138	48,856,279
--	-------------------	-------------------

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

15. VAT PAYABLE

Vat Payable	895,493	-
-------------	----------------	---

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

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	-	-
Operating Lease expenses recorded	228,611	-
Operating Lease payments effected	(207,200)	-
Total Operating Lease Liabilities	21,411	-

16.1 Leasing Arrangements**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 3 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:	968,512	-
Up to 1 year	375,920	-
2 to 5 years	592,592	-
More than 5 years	-	-
Total Operating Lease Arrangements	968,512	-

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	228,611	-
Total Operating Lease Expenses	228,611	-

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Buildings

No restrictions have been imposed on the municipality in terms of the operating lease agreements.



Matatiele Local Municipality Annual Report 2008/2009

17. LONG TERM LIABILITIES

Annuity Loans	277,038	550,102
Finance Lease Liabilities	196,683	77,807
Other Loans	255,192	539,421
Sub-total	728,913	1,167,330
Less: Current Portion transferred to Current Liabilities:-	(264,973)	(585,638)
Annuity Loans	(176,931)	(267,821)
Finance Lease Liabilities	(88,042)	(317,817)
Other Loans	(255,192)	-
Total Long-term Liabilities (Neither past due, nor impaired)	463,940	581,692

Finance Lease Liabilities have been restated to correctly reflect a Installment Sale Agreement incorrectly reflected as a Finance Lease Liability as Other Loans.

Refer to Appendix A for more detail.

17.1 Summary of Arrangements

Annuity Loans are repaid over periods of 20 (2008: 20) years and at interest rates varying from 16.72% to 17.55% (2008: 16.72% to 17.55%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles and Equipment with lease terms of 3 to 5 (2008: 5) years. The effective interest rate on Finance Leases is 11,5% (2008: 11,5%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 5 (2008: 5) years and at an interest rate of 10,5% (2008: 10,5%) per annum.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2008: 5 years). The effective interest rate on Finance Leases is 11,5% (2008: 11,5%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2009 R	2008 R	2009 R	2008 R
Amounts payable under finance leases:				
Within one year	88,042	50,460	88,042	50,460
In the second to fifth years, inclusive	108,641	27,347	108,641	27,347
	196,683	77,807	196,683	77,807
Present Value of Minimum Lease Obligations	196,683	77,807	196,683	77,807
Less: Amounts due for settlement within 12 months (Current Portion)			(88,042)	(50,460)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			108,641	27,347

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Included in these classes are the

(i) Photocopiers and telephone equipment		
- Installments are payable quarterly in advance	Yes	Yes
- Average period outstanding (months)	12	12
- Average effective interest rate	11.50%	11.50%
- Average quarterly installment	R 7,220	R 102,360
(ii) Vehicles		
- Installments are payable monthly in arrears	Yes	Yes
- Average period outstanding (months)	17	29
- Average effective interest rate, based on prime	11.50%	11.50%
- Average monthly installment	R 1,565	R 21,077



Matatiele Local Municipality Annual Report 2008/2009

	2009 R	2008 R
18. RETIREMENT BENEFIT LIABILITIES		
18.1 Post-retirement Health Care Benefits Liability		
Post-Employment Health Care Benefit Liability	2,965,361	1,944,806
	2,965,361	1,944,806
Transfer to Current Provisions	(160,286)	(107,935)
Total Post-retirement Health Care Benefits Liability	2,805,075	1,836,871
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by ARCH Actuarial Consulting, Fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	26	26
Continuation Members (Retirees, widowers and orphans)	10	10
Total Members	36	36
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	1,501,670	856,423
Continuation Members	1,463,691	1,088,383
Total Liability	2,965,361	1,944,806
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Keyhealth - Samwumed <p>The future service cost for the year ending 30 June 2010 is estimated to be R149 151, whereas the cost for the year ending 30 June 2011 is estimated to be R162 875 (2008: R83 683 and R145 856 respectively).</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
Discount Rate	9.20%	8.00%
Health Care Cost Inflation Rate	7.73%	6.00%
Net Effective Discount Rate	1.36%	1.90%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1,944,806	1,823,202
	240,109	229,539
Current service costs	89,122	83,683
Interest cost	150,987	145,856
Actuarial losses / (gains)	895,397	-
Liabilities extinguished on settlements	(114,951)	(107,935)
Present Value of Fund Obligation at the end of the Year	2,965,361	1,944,806
Total Recognised Benefit Liability	2,965,361	1,944,806
Plan assets		
The plan is wholly unfunded and as such there are no plan assets.		
Total employer contributions during the year amounted to:	114,951	107,935
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,965,361	1,944,806
	2,965,361	1,944,806
Total Benefit Liability	2,965,361	1,944,806



Matatiele Local Municipality Annual Report 2008/2009

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	89,122	83,683
Interest cost	150,987	145,856
Actuarial losses / (gains)	895,397	-

Total Post-retirement Benefit included in Employee Related Costs

1,135,506	229,539
------------------	----------------

The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Obligation	2,965,361	1,944,806	1,823,202	-	-
Experience adjustments on plan liabilities	877,379	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined. The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost in the ensuing year	487,300	-
Effect on the defined benefit obligation	3,399,000	-

Decrease:

Effect on the aggregate of the current service cost and the interest cost in the ensuing year	356,600	-
Effect on the defined benefit obligation	2,611,000	-

The municipality expects to make a contribution of R107 935 (2008: R160 286) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

19. NON-CURRENT PROVISIONS

Long Service Bonuses	899,412	575,264
	899,412	575,264
Transfer to Current Provisions	(113,814)	(54,032)
Total Long Service Bonus Liability	785,598	521,232

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5 years and every 5 years thereafter of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by ARCH Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The employees eligible for Long Service Bonuses, are made up as follows:

In-service Members (Employees)	154	303
Total	154	303

The liability in respect of past service has been estimated as follows:

In-service Members	899,412	575,264
Total Liability	899,412	575,264

The future service cost for the year ending 30 June 2010 is estimated to be R259 264, whereas the cost for the



Matatiele Local Municipality Annual Report 2008/2009

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.22%	8.00%
General Salary Inflation	6.70%	6.00%
Net Effective Discount Rate	2.36%	1.90%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	575,264	500,541
	140,647	128,755
Current service costs	95,809	88,712
Interest cost	44,838	40,043
Actuarial losses / (gains)	213,074	-
Liabilities extinguished on settlements	(29,573)	(54,032)
Present Value of Fund Obligation at the end of the Year	899,412	575,264
Total Recognised Benefit Liability	899,412	575,264

Plan assets

The plan is wholly unfunded and as such there are no plan assets.

Total employer contributions during the year amounted to:	29,573	54,032
---	--------	--------

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	899,412	575,264
	899,412	575,264
Total Benefit Liability	899,412	575,264

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	95,809	88,712
Interest cost	44,838	40,043
Actuarial losses / (gains)	213,074	-
Total Long Service Bonus included in Employee Related Costs	353,721	128,755

The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Obligation	899,412	575,264	500,541	-	-
Experience adjustments on plan liabilities	232,724	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The municipality expects to make a benefit payment of R113 814 (2008: R29 573) to the Defined Benefit Plans during the next financial year.

20. STATUTORY FUNDS

Statutory Fund No 1	-	-
Housing Development Fund:	755,348	735,761
Unappropriated Surplus	755,348	735,761
Total Statutory Funds	755,348	735,761

20.1 Housing Development Fund

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Reconciliation of the Housing Development Fund:

Balance at beginning of year	735,761	734,045
Revenue:	19,588	1,716
Interest	18,209	-
Housing Rental Debtors	1,378	1,716
Less; Expenditure:	-	-
Balance at end of year	755,348	735,761

The Housing Development Fund is represented by the following Assets and Liabilities:

Consumer Debtors (See note 13)	1,378	1,716
Cash and Cash Equivalents	753,970	734,045
Total Housing Development Fund Assets and Liabilities	755,348	735,761

**21. RESERVES**

Revaluation Reserve	16,314,039	16,799,004
Total Reserves	16,314,039	16,799,004

21.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

The following restrictions are placed on the distribution of the balance of the reserve:

Reconciliation of the Revaluation Reserve:

Balance at beginning of year	16,799,004	17,330,976
Depreciation transferred to surplus	(484,965)	(516,436)
Transfer due to disposal of revalued assets	-	(15,536)
Balance at end of year	16,314,039	16,799,004

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

22. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GRAP 23, *Revenue from Non-exchange Transactions*, in accounting for assets acquired from Government Grants. Refer to Note 40 on "Change in Accounting Policy" for details of the restatement.

23. ACCUMULATED SURPLUS**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	7,773,163	7,760,012
Capitalisation Reserve	3,196,544	3,606,049
Government Grants Reserve	98,123,730	65,764,284
Accumulated Surplus / (Deficit) due to the results of Operations	42,863,514	30,785,776
Total Accumulated Surplus	151,956,951	107,916,121

Accumulated Surplus has been restated to adhere to the provisions of GRAP 23, *Revenue from Non-exchange Transactions*. Refer to Note 38.1 on "Change in Accounting Policy" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.



Matatiele Local Municipality Annual Report 2008/2009

24. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2009 R000's	July 2008 R000's		
Residential	224,266	224,266	8,798,144	7,998,268
Commercial	116,958	116,958	5,471,756	4,974,301
Agricultural	15,289	15,289	628,362	571,236
State	30,269	30,269	1,206,290	1,096,621
Municipal	32	32	3,889	3,536
Exempted Properties	20,567	20,567	-	-
Total Assessment Rates	407,381	407,381	16,108,441	14,643,961
(Plus)/less corrections			(945,658.28)	1,864,659.40
			17,054,098.86	12,779,302.00
Attributable to:				
Continuing Operations			17,054,099	12,779,302
			17,054,099	12,779,302

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 1997. A general valuation has been performed during the financial year but will only come into effect on 1 July 2009.

	2009 c/R	2008 c/R
The following rates and charged and rebates given:		
Yearly Matatiele Building Rates	0.0242638	0.022058
Building 35% Rebate	0.0084909	0.007719
Yearly Matatiele Land Rates	0.0951808	0.086528
Land 35% Rebate	0.0333135	0.030285
Cedarville & Maluti Land Rates	0.1196899	0.108809
Cedarville & Maluti Building Rates	0.0350977	0.031907
Monthly Matatiele Building Rates	0.0242638	0.022058
Building 35% Rebate	0.0084909	0.007719
Monthly Matatiele Land Rates	0.0951808	0.086528
Land 35% Rebate	0.0333135	0.030285

MATATIELE

Rebate of 35% is applicable to all properties in all zoning used as domestic dwellings.

A 60% rebate is applicable to properties zoned agricultural.

CEDARVILLE & MALUTI

A 95% rebate is applicable to properties zoned agricultural.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

25. INTEREST EARNED

Property Rates:

Penalties imposed and Collection Charges	567,324	437,916
	567,324	437,916

External Investments:

Investments	4,468,970	3,497,936
	4,468,970	3,497,936

Outstanding Debtors:

Outstanding Billing Debtors	2,037,479	1,260,385
	2,037,479	1,260,385
		0.48
Total Interest Earned	7,073,773	5,196,237

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	4,468,970	3,497,936
Loans and Receivables	2,604,803	1,698,301
	7,073,773	5,196,237
Interest Earned on Non-financial Assets	-	-
	7,073,773	5,196,237

Revenue recognised in respect of Financial Assets designated as at "fair value through profit or loss" is disclosed in Note 45.2.



Matatiele Local Municipality Annual Report 2008/2009

26. SERVICE CHARGES

Sale of Electricity	17,461,548	17,372,854
Refuse Removal	3,065,087	2,298,868
Total Service Charges	20,526,634	19,671,722
Attributable to:		
Continuing Operations	20,526,634	19,671,722
	20,526,634	19,671,722

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

27. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Other Rental Revenue	256,877	280,206
Rental Revenue from Amenities	16,349	10,568
Rental Revenue from Buildings	6,572	6,910
Rental Revenue from Halls	77,684	32,475
Rental Revenue from Land	25,522	27,369
Rental Revenue from Other Facilities	3,574	2,621
Total Rental of Facilities and Equipment	386,578	360,149
Attributable to:		
Continuing Operations	386,578	360,149
	386,578	360,149

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

28. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	(46,917,051)	(33,075,652)
Provincial Health Subsidies	(1,883,412)	(2,153,613)
Provincial Museum Subsidies	-	(51,121)
Provincial Road Subsidies	(10,050)	(10,050)
Operational Grants	(48,810,513)	(35,290,436)
	-	-
Conditional Grants	(48,585,078)	(23,577,348)
National: FMG Grant	(399,677)	(493,958)
National: MIG Funds	(14,062,799)	(12,320,051)
National: MSIG Funds	(1,135,729)	(420,000)
National: Department of Mineral and Energy	(4,157,785)	-
National: National Treasury	(2,382,759)	-
Provincial: Treasury	(10,405,605)	(542,720)
Provincial: Department Economic Affairs and Trade (DEAT)	(44,092)	-
Provincial: Dept Housing, Local Government and Traditional Affairs (DHLGTA)	(11,817,153)	(5,292,391)
Local Government - Local Municipalities	(3,518,214)	(3,320,254)
Other Government	(661,265)	(1,187,974)

Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)

	-	-
Total Government Grants and Subsidies	(97,395,591)	(58,867,784)
Attributable to:		
Continuing Operations	(97,395,591)	(58,867,784)
	(97,395,591)	(58,867,784)



Matatiele Local Municipality Annual Report 2008/2009

Operational Grants:

28.1 National: Equitable Share

Balance unspent at beginning of year	(2,476,812)	(845,990)
Current year receipts	(44,440,239)	(34,706,474)
Conditions met - transferred to Revenue: Operating Expenses	46,917,051	33,075,652
Conditions still to be met - transferred to Liabilities (see Note 14)	-	(2,476,812)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month.

28.2 Provincial: Health Subsidies

Balance unspent at beginning of year	684,072	446,685
Current year receipts - included in Public Health vote	(1,784,600)	(1,916,226)
- Primary Health	(1,784,600)	(1,916,226)
Conditions met - transferred to Revenue	1,883,412	2,153,613
Conditions still to be met - transferred to Current Assets (see Note 4)	782,884	684,072

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

28.3 Provincial: Museum Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	-	(51,121)
Conditions met - transferred to Revenue: Operating Expenses	-	51,121
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

This grant was allocated towards the running costs of the Museum.

28.4 Provincial: Road Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	(10,050)	(10,050)
Conditions met - transferred to Revenue: Operating Expenses	10,050	10,050
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

Conditional Grants:

28.5 National: FMG Grant

Balance unspent at beginning of year	(6,042)	-
Current year receipts	(500,000)	(500,000)
Conditions met - transferred to Revenue: Operating Expenses	399,677	493,958
Conditions still to be met - transferred to Liabilities (see Note 14)	(106,365)	(6,042)

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

28.6 National: MIG Funds

Balance unspent at beginning of year	(2,100,935)	(1,053,912)
Current year receipts	(16,070,000)	(13,300,000)
Interest allocated	(4,638,214)	(67,074)
Conditions met - transferred to Revenue: Capital Expenses	14,062,799	12,320,051
Conditions still to be met - transferred to Liabilities (see Note 14)	(8,746,350)	(2,100,935)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.



Matatiele Local Municipality Annual Report 2008/2009

28.7 National: MSIG Fund

Balance unspent at beginning of year	(548,355)	(234,355)
Current year receipts	(800,000)	(734,000)
Conditions met - transferred to Revenue: Operating Expenses	1,135,729	420,000
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(212,626)</u>	<u>(548,355)</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

28.8 National - Department of Mineral and Energy

Balance unspent at beginning of year	-	-
Current year receipts	(3,224,000)	-
Interest allocated	(61,483)	-
Conditions met - transferred to Revenue: Capital Expenses	4,157,785	-
Conditions still to be met - transferred to Current Assets (see Note 4)	<u>872,302</u>	<u>-</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

28.9 National - National Treasury

Balance unspent at beginning of year	-	-
Current year receipts	(2,980,183)	-
Conditions met - transferred to Revenue: Operating Expenses	2,382,759	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(597,424)</u>	<u>-</u>

Expenses were incurred to connect houses to the electricity network of the municipality. No funds have been transferred to the municipality.

28.10 Provincial: Treasury

Balance unspent at beginning of year	(22,697,842)	(1,236,482)
Current year receipts	-	(21,912,844)
Interest allocated	(1,929,313)	(91,236)
Conditions met - transferred to Revenue: Operating Expenses	4,853,606	68,080
Conditions met - transferred to Revenue: Capital Expenses	5,551,999	474,640
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(14,221,550)</u>	<u>(22,697,842)</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan. No funds have been withheld.

28.11 Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	-	-
Current year receipts	(4,500,000)	-
Conditions met - transferred to Revenue: Capital Expenses	44,092	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(4,455,908)</u>	<u>-</u>

The municipality received plant and equipment for the Nature Reserve

28.13 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

Balance unspent at beginning of year	(11,781,249)	(15,797,562)
Interest allocated	(696,239)	(1,276,078)
Conditions met - transferred to Revenue: Capital Expenses	11,817,153	5,292,391
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(660,335)</u>	<u>(11,781,249)</u>

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.



Matatiele Local Municipality Annual Report 2008/2009

28.14 Local Government - Local Municipality

Balance unspent at beginning of year	(7,000,053)	(10,320,307)
Conditions met - transferred to Revenue: Capital Expenses	3,518,214	3,320,254
Conditions still to be met - transferred to Liabilities (see Note 14)	(3,481,839)	(7,000,053)

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

28.15 Other Government

Balance unspent at beginning of year	(2,244,992)	(3,133,973)
Current year receipts	(133,919)	(233,603)
Interest allocated	(95)	(65,390)
Conditions met - transferred to Revenue: Operating Expenses	203,912	891,095
Conditions met - transferred to Revenue: Capital Expenses	457,353	296,879
Conditions still to be met - transferred to Liabilities (see Note 14)	(1,717,741)	(2,244,992)

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

28.16 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.

29. PUBLIC CONTRIBUTIONS AND

Other Donations	50,000	113,722
Total Public Contributions and	50,000	113,722

36.1 Reconciliation of Conditional

Balance unspent at beginning of year	-	-
Current year receipts	(50,000)	(113,722)
Conditions met - transferred to Revenue:	50,000	-
Other Transfers	-	113,722
Conditions still to be met - transferred to	-	-

A public donation was received to help the victims of the bus accident (R50 000)

In 2008, the municipality received plant and equipment for the Nature Reserve.

30. OTHER INCOME

Pool fees	21,005	564
Building plans	108,064	38,131
Building exemption certificates	5,622	2,588
Rates certificates	5,368	3,043
Driveway hardening	1,977	3,961
Tender documents	154,701	0
Cemetery fees	56,818	65,848
Pound fees	159,611	83,468
Lost books	-	111
Photo copies	437	124
Cattle sales	2,019	232
SARS - VAT Refund	490,212	-
Housing Income	626	-
Nature Reserve income	-	40,000
Nature Reserve camping	123	-
Nature Reserve chalets	14,553	-
Nature Reserve Annuallic	13,816	-
Nature Reserve Daily fishing	6,623	-
Sundry services	33,544	76,921
Wood sales	461	-
Service connections	131,836	38,417
Electricity connections	242,795	327,376
Total Other Income	1,450,208	680,781
Attributable to:		
Continuing Operations	1,450,208	680,781
	1,450,208	680,781

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.



Matatiele Local Municipality Annual Report 2008/2009

31. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and	16,370,574	11,952,687
Employee Related Costs - Contributions for	2,691,329	2,345,680
Travel, Motor Car, Accommodation,	1,243,586	937,971
Housing Benefits and Allowances	378,738	340,909
Overtime Payments	678,013	446,017
Performance Bonuses	619,022	641,359
Staff leave	589,620	509,436
Defined Benefit Plan Expense:	1,496,171	233,305
Current Service Cost	1,496,171	233,305

Total Employee Related Costs

24,067,054	17,407,364
	(0.20)

Attributable to:

Continuing Operations

24,067,054	17,407,364
24,067,054	17,407,364

Remuneration of the Municipal Manager

Annual Remuneration	569,118	559,614
Car Allowance	120,000	120,000
Company Contributions to UIF, Medical	102,954	41,714
Total	792,072	721,328

The Municipal Manager was placed on precautionary suspension with effect from 1 September 2008, and his position was vacated on 31 December 2008. The Chief Financial Officer was appointed Acting Municipal Manager as well as Acting General Manager: Community Services with effect from 1 September 2008.

Remuneration of the Chief Financial

Annual Remuneration	435,234	526,875
Performance Bonus	-	34,183
Car Allowance	120,698	100,879
Company Contributions to UIF, Medical	126,130	55,124
Total	682,062	717,061

Remuneration of the Director:

Annual Remuneration	494,045	359,040
Car Allowance	165,010	137,920
Company Contributions to UIF, Medical	-	51,562
Total	659,055	548,522

Remuneration of the Strategic Manager

Annual Remuneration	449,206	469,465
Car Allowance	152,000	120,000
Company Contributions to UIF, Medical	80,857	31,864
Total	682,063	621,329

Remuneration of the EDP Manager

Annual Remuneration	437,339	272,204
Car Allowance	144,000	60,000
Company Contributions to UIF, Medical	78,721	17,796
Total	660,060	350,000

Remuneration of the Infrastructure

Annual Remuneration	510,060	262,500
Car Allowance	150,000	87,500
Total	660,060	350,000

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	-	50,808
Chief Financial Officer	63,341	26,052
Director: Corporate Services	81,632	35,955
Strategic Manager	-	31,855
EDP Manager	5,850	-
Infrastructure Manager	81,778	41,055
Total	232,601	185,725



Matatiele Local Municipality Annual Report 2008/2009

32. REMUNERATION OF COUNCILLORS

Executive Mayor	518,700	467,300
Councillors	9,026,765	7,403,498
Allowances allocated to Employee Related	1,466,615	1,075,273
Total Councillors' Remuneration	11,012,080	8,946,071

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

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

The Executive Mayor has two full-time bodyguards.

33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and	7,209,316	5,236,857
Amortisation: Intangible Assets	209,565	189,518
Depreciation: Investment Property	625	3,993
Total Depreciation and Amortisation	7,419,506	5,430,368

Attributable to:

Continuing Operations	7,419,506	5,430,368
Discontinued Operations	-	-
	7,419,506	5,430,368

34. IMPAIRMENT LOSSES

34.1 Impairment Losses on Fixed

Impairment Losses Recognised:

Property, Plant and Equipment	201,374	-
Intangible Assets	-	-
Investment Property	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
	201,374	-

34.2 Impairment Losses on Financial

Impairment Losses Recognised:

Long-term Receivables	6,991,898	2,801,420
Consumer Debtors	-	-
Other Debtors	6,902,459	2,801,420
Investments	89,440	-
Loans carried at Amortised Cost	-	-

Impairment Losses Reversed:

Long-term Receivables	-	-
Consumer Debtors	-	-
Other Debtors	-	-
Investments	-	-
Loans carried at Amortised Cost	-	-
	6,991,898	2,801,420

Total Impairment Losses

	7,193,272	2,801,420
--	------------------	------------------

Attributable to:

Continuing Operations	7,193,272	2,801,420
	7,193,272	2,801,420



Matatiele Local Municipality Annual Report 2008/2009

35. FINANCE COSTS

Loans and Payables at amortised cost	84,397	126,300
Finance Leases	24,666	52,314
Bank Overdrafts	102	-
Other	46,224	81,612
Total Interest Expense	155,389	260,227
Less: Amounts included in the Cost of	-	-
Total Interest Paid on External	155,389	260,227
Attributable to:		
Continuing Operations	155,389	260,227
	155,389	260,227

The weighted average capitalisation rate on funds borrowed generally is 15,29% per annum (2008: 15,24% per annum).

36. BULK PURCHASES

Electricity	8,899,732	6,293,431
Total Bulk Purchases	8,899,732	6,293,431

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. Water is supplied directly to residents and businesses by the District Municipality.

37. GRANTS AND SUBSIDIES PAID

FBS Electricity	231,083	154,293
FBS Electricity prev YR	1,085,003	85,871
FBS Refuse	38,458	194,056
FBS Refuse prev YR	196,296	133,214
Landfill Site management	1,421,121	-
New IDP 2007-10	177,427	-
Office Rental	339,992	35,979
Valuation	83,708	-
MDF 06/07 Performance management	21,446	31,051
MDF 06/07 by laws	17,703	-
MDF 06/07 ASSET REGISTER	119,351	1,050
MDF 06/07 Policies	117,285	-
MFMA Grant 06/07	-	100,000
Transformation Fund 06/07	-	49,628
CDW Grant 06/07	3,028	13,851
Capacity building 06/07	2,000	234,707
IDP Fund 06/07	10,300	116,038
Master Lease Programme	-	291,000
Est Plan: Cederville	180,100	-
Write off Maluti arrears	2,000,000	-
Organisational structure	103,950	-
MSIG Prev yrs	548,354	-
FMG Prev yrs	6,041	-
Bus accident fund	50,000	-
Lotto sportsfield	34,768	-
Nat & Prov elections	1,079,294	-
Roads upgrade elec	1,149,446	-
Est plan:maint bldgs	1,692,644	-
FMG 07/08	393,636	493,958
Asset register 07/08	10,200	250,000
Revenue enhancement	311,300	170,000
MSIG Ward com 07/08	265,875	-
Total Grants and Subsidies	11,689,810	2,354,695



Matatiele Local Municipality Annual Report 2008/2009

38. GENERAL EXPENSES

Advertising	278,287	229,063
Audit fees	1,557,413	1,152,113
Bank charges	111,174	89,696
Cartage and railage	8,580	5,056
Chemicals	27,376	32,006
Conferences	68,791	121,383
Consulting fees	568,975	243,647
Contingencies	1,346	15,992
Delegates expenses	1,416,229	1,849,517
Electricity and water	83,311	84,994
Feed	17,347	17,594
Fruitless and Wasteful Expenditure	1,200,000	-
Fuel and oil	489,618	225,208
Public entertainment	648,679	385,673
Mayoral Assitance Fund	3,894	241,368
Insurance	380,359	232,595
Legal fees	79,096	181,952
Photo copies	29,321	52,806
Plant hire	12,526	24,530
Postage	46,781	53,584
Printing, stationary & publications	345,905	438,701
Rentals	38,846	48,314
Resealing	102,652	82,347
Skills development	347,522	373,070
Stores and material	209,573	79,596
Subscriptions	163,088	8,888
Motor vehicle registration fees	10,443	4,702
Service connections	269,987	161,732
Income forgone	1,786,404	-
Telephones	760,492	504,523
Uniforms	175,705	80,952
Town planning	67,500	-
Valuations	102,782	93,837
Total General Expenses	11,410,004	7,115,438

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

38.1 Material Losses

	294,250	-
Vehicle Damages	49,198	
Transformer blew up	245,052	

All the above cases were claimed against the insurance company of the municipality.

39. OTHER GAINS AND LOSSES

There were no other gains and losses



Matatiele Local Municipality Annual Report 2008/2009

40. CHANGE IN ACCOUNTING POLICY

The municipality reclassified its Capital Replacement Reserve, Government Grant Reserve, Donations and Public Contribution Reserve, Capitalisation Reserve and Self Insurance Reserve to its Accumulated Surplus as these reserves are not allowed in terms of GRAP or specific legislation. Prior year figures were adjusted accordingly.

	Previously reported 2008	Amount of correction	Restated 2008
Net Assets			
Capital Replacement Reserve	7,760,012	-7,760,012	-
Capitalisation Reserve	3,606,049	-3,606,049	-
Government Grant Reserve	65,764,284	-65,764,284	-
Accumulated Surplus	30,785,776	77,130,345	107,916,121

41. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Stock	(28,879)	-
Corrections to Income	(4,052,740)	-
Unbundling of Funds and Reserves in	-	(879,840)
Increase / (Decrease) in	(4,081,619)	(879,840)

Government Grants Reserve:

Interest reversed from Government	-	-
Increase / (Decrease) in Government		
Increase / (Decrease) in Accumulated	(4,081,619)	(879,840)

Reclassification of Statement of

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is

	2007/2008 Fin Position	2008/2009 Fin Position	Restated Amount
Long-term receivables	35,467	-	35,467
Other Debtors	6,932,637	6,968,104	(35,467)
	6,968,104	#REF!	#REF!

42. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	47,657,072	39,690,399
Adjustment for:		
Correction of prior year Error	(4,081,619)	
Depreciation and Amortisation	7,419,466	5,430,353
Impairment Losses on Property, Plant	(201,374)	-
Gains on Disposal of Property, Plant	(32,100)	-
Gains on Disposal of Investment	(36,000)	-
Other Movement on Property, Plant and	644,438	(133,006)
Other Movement on Intangible Assets	-	-
Other Movement on Revaluation Fund	-	(15,536)
Contribution to Retirement Benefit	968,204	115,016
Contribution to Provisions - Current	263,601	-
Contribution to Housing Fund		
Contribution to Non Current Provisions	264,366	74,723
Expenditure incurred from Provisions	-	(41,891)
Contribution to Impairment Provision		
Bad Debts Written-off		
Investment Income	(6,506,449)	(4,758,321)
Finance Costs	155,389	260,227
Operating surplus before working	46,514,994	40,621,964



Matatiele Local Municipality Annual Report 2008/2009

(Increase)/Decrease in Inventories	200,840	(204,023)
(Increase)/Decrease in Consumer Debtors	2,432,634	(3,714,982)
(Increase)/Decrease in Other Debtors	(2,003,514)	(4,840,000)
(Increase)/Decrease in VAT Receivable	(5,779,200)	2,614,882
Increase/(Decrease) in Consumer	(10,771)	(35,331)
Increase/(Decrease) in Creditors	1,004,418	1,621,909
Increase/(Decrease) in Conditional Grants	(14,656,141)	16,073,289
Increase/(Decrease) in VAT Payable	895,493	(553,254)
Increase/(Decrease) in Operating Lease	21,411	-
Cash generated by / (utilised in)	28,620,164	51,584,454

43. NON-CASH INVESTING AND

During the 2008/2009 financial year, the municipality acquired R209 870 of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.

44. UTILISATION OF LONG-TERM

Long-term Liabilities (See Note 4)	728,913	1,167,330
Used to finance Property, Plant and	(728,913)	(1,167,330)
Sub-total	-	-
Cash set aside for the Repayment of Long-	-	-
Cash invested for Repayment of Long-	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Loan repayments are financed through the operating account.

45. UNAUTHORISED, IRREGULAR,

45.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

45.2 Fruitless and Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-
Fruitless and wasteful expenditure - current	1,200,000
Fruitless and wasteful expenditure -	1,200,000
Closing balance	-

45.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.



Matatiele Local Municipality Annual Report 2008/2009

46. ADDITIONAL DISCLOSURES IN TERMS FINANCE MANAGEMENT ACT

46.1 Contributions to organised local

Opening Balance	-	-
Council Subscriptions	168,914	158,485
Amount Paid - current year	(168,914)	(158,485)

Balance Unpaid (included in Creditors)

-	-
---	---

46.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1,435,511	1,152,113
Amount Paid - current year	(1,435,511)	(1,152,113)

Balance Unpaid (included in Creditors)

-	-
---	---

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Notes 5 and 15. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	5,411,334	2,167,610
Amount Paid - current year	(5,411,334)	(2,167,610)

Balance Unpaid (included in Creditors)

-	-
---	---

46.5 Pension and Medical Aid

Opening Balance	-	-
Current year Payroll Deductions and	5,793,659	3,997,296
Amount Paid - current year	(5,793,659)	(3,997,296)

Balance Unpaid (included in Creditors)

-	-
---	---

46.6 Councillor's arrear Consumer

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

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2009			
GEBASHE	2,020	339	1,681
MCELELI	4,474	165	4,309
MZIMKULU	317	125	192
GCABO	238	185	53
MAARTENS	522	522	-
MAHEM	327	327	-
MAKASHANE	334	44	289
MTSHONISWA	44	44	-
NKOPANE	911	570	341
Total Councillor Arrear Consumer	9,187	2,322	6,866

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2008			
GEBASHE	-	-	-
MCELELI	2,020	241	1,779
MZIMKULU	4,474	125	4,349
GCABO	317	125	192
MAARTENS	239	186	53
MAHEM	522	522	-
MAKASHANE	327	327	-
MTSHONISWA	334	44	289
NKOPANE	20	20	-
	911	408	503
Total Councillor Arrear Consumer	9,164	1,998	7,166



Matatiele Local Municipality Annual Report 2008/2009

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

	Highest amount outstanding	Ageing
30 June 2009		
MCELELI	4,309	> 90 Days
GEBASHE	1,681	> 90 Days
NKOPANE	341	> 90 Days
NKOPANE	289	> 90 Days
MAKASHANE	192	> 90 Days
GCABO	53	> 90 Days

46.7 Non-Compliance with the

The municipality in the following cases

Section 62(1)(c)(i)	Section 62(1)(c)(i) states that "the municipality has and maintain effective, efficient and transparent systems of financial and risk management control ": The municipality did not have the following: 1. A risk management policy for the entire year as it was only approved on 26 June 2009. 2. A risk committee 3. Formal risk assessments were not performed on a regular basis.
Section 62(1)(c)	The accounting officer has a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities. The assessment of these are as follows: 1. The municipality had a shared audit committee which was not effectively operational throughout the year. 2. The audit committee did not operate in accordance with written terms of reference as these were only approved on 9 June 2009. 3. The municipality had an outsourced internal audit function which was not operational throughout the year. 4. The internal audit function did not operate in terms of an internal audit plan as it was only approved on 19 June 2009.
Section 65(2)(e)	The municipality did not in all instances pay suppliers within 30 days of receiving the relevant invoice of statement.

46.8 Deviation from, and ratification of

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

No deviations were noted.

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital

- Approved and Contracted for:-

Infrastructure

Community

Other

52,217,949

59,400,475

45,973,639

21,586,075

420,710

27,443,300

5,823,600

10,371,100

- Approved but Not Yet Contracted for:-

Infrastructure

20,000,000

20,000,000

20,000,000

20,000,000

Total Capital Commitments

72,217,949

79,400,475

This expenditure will be financed from:

External Loans

20,000,000

20,000,000

Capital Replacement Reserve

4,350,078

2,087,298

Government Grants

47,867,871

57,313,177

72,217,949

79,400,475

47.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 17 and 21.



Matatiele Local Municipality Annual Report 2008/2009

48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Fixed Deposits	Held to maturity	4,014,509	3,495,296
Consumer Debtors			
Assessment Rates	Loans and	1,017,368	186,803
Electricity	Loans and	1,961,772	5,169,757
Refuse	Loans and	427,272	482,486
Other Debtors			
Health Subsidy control	Loans and	782,884	684,072
Sundry Debtors Control	Loans and	-	95
Housing debtors	Loans and	35,467	35,681
Insurance Debtors	Loans and	3,997	5,271
Suspense Acc	Loans and	111,392	109,820
Sisonke District Mun	Loans and	524,619	524,619
Debtors Interest	Loans and	141,584	313,405
Lu Framework DBSA	Loans and	211,405	-
DME Electricity	Loans and	872,302	-
Pre-paid expenses	Loans and	105,309	-
VAT Receivable			
VAT Control Accounts	Loans and	6,019,609	240,409
Bank,Cash and Cash Equivalents			
Short-term Portion of Investments	Held to maturity	50,309,760	68,154,439
Bank Balances	Available for sale	142,446	90,641
		<u>66,681,696</u>	<u>79,492,793</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	4,014,509	3,495,296
Short-term Investment Deposits	Short-term Portion	50,309,760	68,154,439
		<u>54,324,269</u>	<u>71,649,735</u>
Loans and Receivables			
Consumer Debtors	Assessment Rates	1,017,368	186,803
Consumer Debtors	Electricity	1,961,772	5,169,757
Consumer Debtors	Refuse	427,272	482,486
Other Debtors	Health Subsidy	782,884	684,072
Other Debtors	Sundry Debtors	-	95
Other Debtors	Housing debtors	35,467	35,681
Other Debtors	Insurance Debtors	3,997	5,271
Other Debtors	Suspense Acc	111,392	109,820
Other Debtors	Sisonke District	524,619	524,619
Other Debtors	Debtors Interest	141,584	313,405
Other Debtors	Lu Framework	211,405	-
Other Debtors	DME Electricity	872,302	-
Other Debtors	Pre-paid expenses	105,309	-
VAT Receivable	VAT Control	6,019,609	240,409
		<u>12,214,981</u>	<u>7,752,417</u>
Available for Sale:			
Bank Balances and Cash	Bank Balances	142,446	90,641
		<u>142,446</u>	<u>90,641</u>
Total Financial Assets		<u>66,681,696</u>	<u>79,492,793</u>



Matatiele Local Municipality Annual Report 2008/2009

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities	453,969	817,923
Other Loans	Financial liabilities	510,384	539,421
Consumer Deposits			
Electricity	Financial liabilities	299,919	310,689
Creditors			
Trade Creditors	Financial liabilities	4,008,013	3,626,740
Payments received in Advance	Financial liabilities	565,160	583,356
Retentions	Financial liabilities	1,896,883	1,949,669
Staff Bonuses	Financial liabilities	1,607,118	1,092,549
Sundry Deposits	Financial liabilities	104,701	315,686
Other Creditors	Financial liabilities	469,223	365,812
Unspent Conditional Grants and			
National Government Grants	Financial liabilities	9,662,765	5,132,145
Provincial Government Grants	Financial liabilities	19,337,793	34,479,086
Local Government Grants	Financial liabilities	3,481,839	7,000,054
Other Spheres of Government	Financial liabilities	1,717,741	2,244,994
VAT Payable			
VAT Control Accounts	Financial liabilities	895,493	-
Operating Lease Liabilities			
Operating Lease Liabilities / Payables	Financial liabilities	21,411	-
Bank Overdraft			
Bank Overdraft	Financial liabilities	(1,356,596)	(617,333)
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities	(176,931)	(267,821)
Other Loans	Financial liabilities	(255,192)	-
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	453,969	817,923
Long-term Liabilities	Other Loans	510,384	539,421
Consumer Deposits	Electricity and	299,919	310,689
Creditors	Trade Creditors	4,008,013	3,626,740
Creditors	Payments received	565,160	583,356
Creditors	Retentions	1,896,883	1,949,669
Creditors	Staff Bonuses	1,607,118	1,092,549
Creditors	Sundry Deposits	104,701	315,686
Creditors	Other Creditors	469,223	365,812
Unspent Conditional Grants and Receipts	National	9,662,765	5,132,145
Unspent Conditional Grants and Receipts	Provincial	19,337,793	34,479,086
Unspent Conditional Grants and Receipts	Local Government	3,481,839	7,000,054
Unspent Conditional Grants and Receipts	Other Spheres of	1,717,741	2,244,994
VAT Payable	VAT Control	895,493	-
Operating Lease Liability	Operating Lease	21,411	-
Bank Overdraft	Bank Overdraft	(1,356,596)	(617,333)
Current Portion of Long-term Liabilities	Annuity Loans	(176,931)	(267,821)
Current Portion of Long-term Liabilities	Other Loans	(255,192)	-
		<u>43,243,691</u>	<u>57,572,969</u>
Total Financial Liabilities		43,243,691	57,572,969



Matatiele Local Municipality Annual Report 2008/2009

48.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

	30 June 2009		30 June 2008	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	54,324,269	54,324,269	71,649,735	71,649,735
Fixed Deposits	4,014,509	4,014,509	3,495,296	3,495,296
Short-term Portion of Investments	50,309,760	50,309,760	68,154,439	68,154,439
Loans and Receivables	12,214,981	12,214,981	7,752,417	7,752,417
Consumer Debtors	3,406,412	3,406,412	5,839,046	5,839,046
Other Debtors	2,788,960	2,788,960	1,672,962	1,672,962
VAT Receivable	6,019,609	6,019,609	240,409	240,409
Available for Sale	142,446	142,446	90,641	90,641
Bank Balances and Cash	142,446	142,446	90,641	90,641
Total Financial Assets	66,681,696	66,681,696	79,492,793	79,492,793
FINANCIAL LIABILITIES				
Designated as FVTPL:	43,243,691	43,243,691	57,572,969	57,572,969
Unsecured Bank Facilities:	(392,243)	(392,243)	740,011	740,011
- Annuity Loans	453,969	453,969	817,923	817,923
- Other Loans	510,384	510,384	539,421	539,421
- Bank Overdraft	(1,356,596)	(1,356,596)	(617,333)	(617,333)
Trade and Other Payables:	43,635,935	43,635,935	56,832,959	56,832,959
- Consumer Deposits	299,919	299,919	310,689	310,689
- Creditors	8,651,097	8,651,097	7,933,812	7,933,812
- Unspent Conditional Grants	34,200,138	34,200,138	48,856,279	48,856,279
- VAT Payable	895,493	895,493	-	-
- Operating Lease Liabilities	21,411	21,411	-	-
- Current Portion of Long-term	(432,123)	(432,123)	(267,821)	(267,821)
Total Financial Liabilities	43,243,691	43,243,691	57,572,969	57,572,969
Total Financial Instruments	23,438,004	23,438,004	21,919,824	21,919,824

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 6 and 10, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

Gearing Ratio

	2009 R	2008 R
The gearing ratio at the year-end was as follows:		
Debt	(824,366)	472,190
Bank, Cash and Cash Equivalents	142,446	90,641
Net Debt	(681,921)	562,831
Equity	169,026,338	125,450,886
Net debt to equity ratio	-0.40%	0.45%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.



48.4 Financial Risk Management

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

48.5 Significant Accounting

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 Accounting Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 52.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.



Matatiele Local Municipality Annual Report 2008/2009

MATATIELE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		54,324,269	-	-	-	-	-
Fixed Deposits			54,324,269	-	-	-	-	-
Unsecured Bank Facilities	4		(277,038)	(109,072)	(109,072)	(100,273)	-	-
DBSA		16,72%	-	-	-	-	-	-
DBSA		17,55%	(277,038)	(109,072)	(109,072)	(100,273)	-	-
Total Fixed Rate Instruments			54,047,231	(109,072)	(109,072)	(100,273)	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	21		50,309,760		20,000,000	-	-	-
Bank Balances and Cash	22		142,446	142,446	-	-	-	-
Total Fixed Rate Instruments			50,452,206	142,446	20,000,000	-	-	-

30 June 2008

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		71,649,735	-	-	-	-	-
Fixed Deposits			71,649,735	-	-	-	-	-
Unsecured Bank Facilities	4		(550,102)	(109,072)	(232,671)	(218,144)	-	-
DBSA		16,72%	(123,599)	-	(123,599)	-	-	-
DBSA		17,55%	(426,503)	(109,072)	(109,072)	(218,144)	-	-
Total Fixed Rate Instruments			71,099,633	(109,072)	(232,671)	(218,144)	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	21		68,154,439	-	20,000,000	-	-	-
Bank Balances and Cash	22		90,641	180,032	-	-	-	-
Total Fixed Rate Instruments			68,245,080	180,032	20,000,000	-	-	-

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



MATATIELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
--	-----------	-----------

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only 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 are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location	30 June 2008		30 June 2007	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Alfred Nzo District Municipality	-	5,792,080	-	-
Taylor Bequest Hospoital	-	637,922	-	-
Ingwe FET College	-	412,149	-	-
Dept. of Welfare	-	114,375	-	-
Khotsong TB Hospital	-	103,705	-	-

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2009 R	2008 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	4,014,509	3,495,296
Consumer Debtors	3,406,412	5,839,046
Other Debtors	8,971,831	6,968,317
Bank, Cash and Cash Equivalents	50,452,206	68,245,080
Maximum Credit and Interest Risk Exposure	66,844,958	84,547,740

**Credit quality of Financial Assets:**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer Debtors

Counterparties with external credit rating:-

None

-	-
-	-

Counterparties without external credit rating:-

All consumer debtors

12,158,902	5,839,046
12,158,902	5,839,046

Total Consumer Debtors

12,158,902	5,839,046
------------	-----------

Other Debtors

Investments

4,014,509	3,495,296
-----------	-----------

Total Other Debtors

4,014,509	3,495,296
-----------	-----------

Bank Balances

Standard Bank Matatiele

143,934	89,775
---------	--------

First National Bank

4,038,945	174,043
-----------	---------

Total Bank Balances

4,182,879	263,818
-----------	---------

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2 981 532 (2008: R2 446 646) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 522 of 2007 and had not been applied for the previous or current financial year.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2006 and reported a funding ratio of 106,5%.

No further details could be provided for after the last valuation, being 30 June 2005.



Matatiele Local Municipality Annual Report 2008/2009

Natal Joint Municipal Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007 and has been valued by making use of the Discounted Cash Flow method of valuation..

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rates paid by the members and municipality are as follows:.

Fund options	Member	Municipality	Surcharge
Super	9.25%	25.00%	7.00%
Retirement A	8.65%	29.00%	
Surcharge	,65	15,35%	
Retirement B	7.00%	13,65%	
Provident	5.00%	9,75%	
Provident	7.00%	13,65%	
Provident	9,25%	18.00%	

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

Municipal Employees Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

SALA Pension Fund:

The 1 July 2007 actuarial valuation of the SALA Pension Fund indicated a funding percentage of 110%. The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate.

A contribution rate is paid by the members (8,60%) and municipalities (20,78%).

South African Municipal Workers Union National Provident Fund:

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the fund was performed at 30 June 2005, and certified as being in a financially sound position. The next statutory valuation was due on 30 June 2008, but is still in process.

A contribution rate is paid by the members (7,50%) and municipalities (18,00%).

None of the above mentioned plans are State Plans.

50. RELATED PARTY TRANSACTIONS

50.1 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2009				
Councillors	21,963	4,355	-	9,188
Municipal Manager and Section 57 Personnel	6,971	484	-	53
Municipal Entities	-	-	-	-
Total Services	28,934	4,838	-	9,241
For the Year ended 30 June 2008				
Councillors	18,458	3,107	-	9,164
Municipal Manager and Section 57 Personnel	6,337	444	-	53
Municipal Entities	-	-	-	-
Total Services	24,795	3,551	-	9,217

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.



50.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 10 to the Annual Financial Statements.

50.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

50.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
None declared by Councillors / Managers				-	-
Total Purchases				-	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

50.5 Other Related Party Transactions

None

51. CONTINGENT LIABILITIES

Former Speaker

Council at its meeting held on 18 December 2008 resolved to remove the Speaker from office and elect a new Speaker. The former Speaker became a part-time Councillor and was remunerated as such and the new Speaker remunerated as a full time Speaker.

The former Speaker is of the opinion that she was removed unprocedurally and has instituted legal action against Council and is claiming the difference between the two salaries amounting to R140 000.

Forensic Audit

A forensic audit firm was appointed to conduct a forensic audit of 3 contracts awarded where the final product delivered by the contractors allegedly differs substantially from that which the contracts required and where the payments made are significantly higher than the tender amount.

Strategic Manager

The strategic manager resigned with effect from 31 March 2009. Subsequent to her resignation, she is claiming that her resignation was not voluntary, but as a result of her job description being amended without proper consultation. She is claiming that she be compensated for the remaining period of her contract amounting to R2 064 600.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

54. 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)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2008/2009.

56. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2009.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 38) and Prior Period Errors (Note 39).

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.



Matatiele Local Municipality Annual Report 2008/2009

APPENDIX A MATATIELE LOCAL MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
	R				R	R	R	R
ANNUITY LOANS								
DBSA	800,000	16,72%		06/2009	123,599	-	123,599	-
DBSA	1,200,000	17,55%		12/2010	426,503	-	149,465	277,038
Total Annuity Loans	2,000,000				550,102	-	273,064	277,038
CAPITAL LEASE LIABILITIES								
Nashua (7.5% escalation p.a.)	266,692	11,5%			13,515	-	13,515	-
Imperial (10.5% escalation p.a.)	58,698	11,5%			44,198	-	16,685	27,514
Siemens Switchboard	119,188	11,5%			20,094	-	20,094	-
Minolta	170,100	11,5%			-	170,100	39,896	130,204
Telkom	39,770	11,5%			-	39,770	804	38,966
Total Capital Lease Liabilities	654,448				77,807	209,870	90,995	196,683
OTHER LOANS								
Bankfin/ABSA	1,201,200	10,5%			539,421	-	284,229	255,192
	1,201,200				539,421	-	284,229	255,192
TOTAL EXTERNAL LOANS	3,855,648				1,167,330	209,870	648,287	728,913

ANNUITY LOANS:

DBSA:

Structured unsecured 20 year loan for provision of electricity upgrade. Original loan capital of R800,000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of electricity upgrade. Original loan capital of R1,200,000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

LEASES:

Nashua:

The lease is for the rental of a Nashua photocopier for a period of 5 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Minolta:

The lease is for the rental of a Minolta photocopier for a period of 3 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Imperial:

The lease is full maintenance lease for a Opel Corsa Utility vehicle for a period of 5 years.

Siemens:

The lease is for the rental of Siemens switchboard for a period of 5 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

Telkom:

The lease is for a PBX Rental term Service Agreement for a period of 3 years. At the expiry of the lease the municipality has the option to continue with the lease for an indefinite period of time.

OTHER LOANS

ABSA/Bankfin:

The ABSA Installment sale agreement was for the purchase of pre-paid water and electricity meters and the loan is repayable over a period of 5 years at a original linked rate of 11%.



Matatiele Local Municipality Annual Report 2008/2009

APPENDIX B MATATIELE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost / Revaluation				Accumulated Depreciation				Impairment	Carrying Value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance		
Community Assets										
Care Centres	3,862,244	340,304	-	4,202,548	128,451	144,466	-	272,917	-	3,929,631
Community Assets	3,590,003	-	-	3,590,003	623,769	116,983	-	740,752	-	2,849,251
Community Centres	2,150,206	11,796,619	-	13,946,825	233,372	445,519	-	678,891	-	13,267,934
Other Facilities	11,411,116	422,584	-	11,833,700	2,556,883	427,369	-	2,984,252	-	8,849,448
Stadiums	1,026,392	-	-	1,026,392	27,413	3,317	-	30,730	-	995,662
	22,039,961	12,559,507	-	34,599,468	3,569,888	1,137,654	-	4,707,542	-	29,891,926
Infrastructure										
Bridges , subways	646,914	2,758,523	-	3,405,437	26,996	21,564	-	48,560	-	3,356,877
Bus terminals , taxiways	3,606,614	-	-	3,606,614	76,841	14,933	-	91,774	-	3,514,840
Fencing	691,969	-	-	691,969	680,115	936	-	681,051	-	10,918
Mains electrical	6,294,179	4,167,354	-	10,461,533	2,235,458	366,831	-	2,602,289	-	7,859,244
Roads	28,320,726	18,606,080	-	46,926,806	5,578,178	2,623,998	-	8,202,176	-	38,724,630
Runways	572,547	-	-	572,547	-	-	-	-	-	572,547
Solid Waste Sites	2,964,250	-	-	2,964,250	359,898	166,349	-	526,247	(3,252)	2,434,751
Stormwater	9,551,929	8,742,410	-	18,294,339	5,844,723	478,902	-	6,323,625	-	11,970,714
Street lighting	4,143,053	-	-	4,143,053	2,724,285	165,722	-	2,890,007	-	1,253,046
Substations	2,679,378	-	-	2,679,378	661,996	130,227	-	792,223	-	1,887,155
Transformers - electrical	1,151,000	-	-	1,151,000	230,444	45,332	-	275,776	-	875,224
	60,622,559	34,274,367	-	94,896,926	18,418,934	4,014,794	-	22,433,728	(3,252)	72,459,946
Land & Buildings										
Land & Buildings	15,788,385	44,092	(22,100)	15,810,377	2,951,417	269,747	-	3,221,164	-	12,589,213
	15,788,385	44,092	(22,100)	15,810,377	2,951,417	269,747	-	3,221,164	-	12,589,213
Other										
Clinic Equipment	125,095	-	-	125,095	107,861	9,294	-	117,155	-	7,940
Computer Equipment	1,024,152	146,722	-	1,170,874	702,013	192,913	-	894,926	(158)	275,790
Emergency Equipment	535,146	8,000	-	543,146	397,134	96,248	-	493,382	-	49,764
Furniture and Fittings	1,336,173	26,652	-	1,362,825	548,643	129,603	-	678,246	(9,332)	675,247
Housing	25,169,584	1,956,420	(10,000)	27,116,004	1,715,878	408,082	-	2,123,960	-	24,992,044
Motor vehicles	1,480,050	4,025,362	-	5,505,412	600,460	581,402	-	1,181,862	(63,756)	4,259,794
Office Equipment	1,551,950	343,227	-	1,895,177	1,120,335	213,659	-	1,333,994	(5,532)	555,651
Plant & Equipment	890,896	17,418	-	908,314	440,757	115,577	-	556,334	(117,204)	234,776
Traffic Equipment	551,281	158,032	-	709,313	468,223	40,344	-	508,567	(2,140)	198,606
	32,664,327	6,681,833	(10,000)	39,336,160	6,101,304	1,787,122	-	7,888,426	(198,122)	31,249,612
	131,115,232	53,559,799	(32,100)	184,642,931	31,041,543	7,209,316	-	38,250,859	(201,374)	146,190,698
Investment Property										
Houses	18,740	-	-	18,740	3,175	625	-	3,800	-	14,940
	18,740	-	-	18,740	3,175	625	-	3,800	-	14,940
Intangible assets										
Computer Software	2,639,475	44,450	-	2,683,925	911,913	209,565	-	1,121,478	-	1,562,447
	2,639,475	44,450	-	2,683,925	911,913	209,565	-	1,121,478	-	1,562,447
	133,773,447	53,604,249	(32,100)	187,345,596	31,956,631	7,419,506	-	39,376,137	(201,374)	147,768,085



Matatiele Local Municipality Annual Report 2008/2009

APPENDIX C										
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009										
	Cost / Revaluation				Accumulated Depreciation				Impairment	Carrying Value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance		
Community Services										
Clinic	3,993,217	-	-	3,993,217	904,169	158,725	-	1,062,894	(1,257)	2,929,066
Housing	19,811,527	-	-	19,811,527	264,998	284,365	-	549,363	-	19,262,164
Housing Work in Progress	-	10,617,154	-	10,617,154	-	-	-	-	-	10,617,154
Library	3,373,087	-	-	3,373,087	697,475	123,088	-	820,563	(3,413)	2,549,111
Museum	245,280	367	-	245,647	92,695	11,327	-	104,022	(2,280)	139,345
Protection Services	1,138,860	183,457	-	1,322,317	666,715	71,329	-	738,044	(3,261)	581,012
Sport & Recreation	1,090,997	-	-	1,090,997	58,130	7,066	-	65,196	-	1,025,801
Swimming Pool	434,811	422,584	-	857,395	43,138	70,921	-	114,059	-	743,336
	30,087,779	11,223,562	-	41,311,341	2,727,320	726,821	-	3,454,141	(10,211)	37,846,989
Corporate Services										
Corporate Services	1,686,226	191,613	-	1,877,839	634,092	181,606	-	815,698	(1,973)	1,060,168
	1,686,226	191,613	-	1,877,839	634,092	181,606	-	815,698	(1,973)	1,060,168
Economic Development & Planning										
Community Halls	5,194,631	422,960	-	5,617,591	154,404	554,054	-	708,458	-	4,909,133
Community Halls Work in Progress	-	11,713,963	-	11,713,963	-	-	-	-	-	11,713,963
Local Economic Development	941,704	719	-	942,423	238,256	61,872	-	300,128	(3,794)	638,501
Nature Reserve	112,799	44,092	-	156,891	19,335	25,423	-	44,758	-	112,133
Town Estates	76,468	-	-	76,468	64,290	4,078	-	68,368	(7,166)	934
	6,325,602	12,181,734	-	18,507,336	476,285	645,427	-	1,121,712	(10,960)	17,374,664
Executive & Council										
Council	389,547	173,830	-	563,377	263,707	74,201	-	337,908	-	225,469
Municipal Manager	307,767	26,284	-	334,051	156,340	58,259	-	214,599	(562)	118,890
	697,314	200,114	-	897,428	420,047	132,460	-	552,507	(562)	344,359
Finance & Administration										
Finance	1,330,477	108,343	-	1,438,820	769,414	211,033	-	980,447	-	458,373
Intangible	1,643,788	34,470	-	1,678,258	683,491	71,918	-	755,409	-	922,849
Investment Properties	18,740	-	-	18,740	3,175	625	-	3,800	-	14,940
Land & Building	27,497,504	-	(32,100)	27,465,404	5,610,081	506,101	-	6,116,182	-	21,349,222
Plant Hire	1,788,278	3,871,342	-	5,659,620	803,943	590,351	-	1,394,294	(176,626)	4,088,700
Stores	765,996	-	-	765,996	198,931	25,869	-	224,800	(1,042)	540,154
	33,044,783	4,014,155	(32,100)	37,026,838	8,069,035	1,405,897	-	9,474,932	(177,668)	27,374,238
Infrastructure										
Electricity	14,191,542	4,192,772	-	18,384,314	5,769,992	768,926	-	6,538,918	-	11,845,396
Infrastructure	215,737	-	-	215,737	10,146	70,348	-	80,494	-	135,243
Roads & Stormwater	42,917,644	1,405,217	-	44,322,861	13,175,537	3,186,455	-	16,361,992	-	27,960,869
Roads Work in Progress	-	18,841,062	-	18,841,062	-	-	-	-	-	18,841,062
Solid Waste Site	2,336,695	-	-	2,336,695	315,323	135,156	-	450,479	-	1,886,216
Technical	1,042,179	154,020	-	1,196,199	180,440	80,770	-	261,210	-	934,989
Waste Management	1,227,946	-	-	1,227,946	178,417	85,641	-	264,058	-	963,888
	61,931,743	24,593,071	-	86,524,814	19,629,855	4,327,296	-	23,957,151	-	62,567,663
Grand Total	133,773,447	52,404,249	(32,100)	186,145,596	31,956,634	7,419,506	-	39,376,140	(201,374)	146,568,082



Matatiele Local Municipality Annual Report 2008/2009

2008 Actual Income	2008 Budgeted Income	2008 Actual Expenditure	2008 Budgeted Expenditure	2008 Surplus/ (Deficit)	Description	Vote Number	2009 Actual Income	2009 Budgeted Income	2009 Actual Expenditure	2009 Budgeted Expenditure	2009 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
1,715,000	8,115,000	13,435,656	20,974,403	(11,720,656)	Executive and Council		1,578,264	5,000,000	15,487,476	21,429,752	(13,909,212)
1,715,000	8,115,000	13,435,656	20,974,403	(11,720,656)	Council General Expenses	0110 05	1,578,264	5,000,000	15,487,476	21,429,752	(13,909,212)
52,540,601	65,054,024	15,899,724	24,545,389	36,640,877	Finance and Administration		76,943,535	80,268,265	33,080,939	32,296,006	43,862,596
51,370,243	62,302,024	11,188,337	18,154,388	40,181,905	Budget & Treasury Office	0120-10	75,349,121	77,998,265	26,048,492	24,378,377	49,300,629
-	1,662,000	4,240,612	5,227,784	(4,240,612)	Corporate Services	0125-30	133,919	880,000	6,366,662	6,576,185	(6,232,743)
1,170,358	1,090,000	470,774	1,163,217	699,584	Licensing	0130-75	1,460,496	1,390,000	665,785	1,341,444	794,710
-	420,000	717,745	1,627,255	(717,745)	Planning and Development		439,767	4,160,000	1,442,837	6,166,609	(1,003,071)
-	300,000	198,126	316,056	(198,126)	Local Economic Development & tourism	0130-60	262,339	300,000	188,381	582,897	73,958
-	120,000	519,620	1,311,199	(519,620)	Community development & planning	0130-65	177,427	3,860,000	1,254,456	5,583,712	(1,077,029)
2,153,613	1,768,283	2,156,684	1,768,283	(3,071)	Health		1,883,412	2,431,644	1,983,983	2,431,644	(100,571)
2,153,613	1,768,283	2,156,684	1,768,283	(3,071)	Primary health	0130-50	1,883,412	2,431,644	1,983,983	2,431,644	(100,571)
4,020,959	11,470,571	1,992,118	4,052,915	2,028,841	Community and Social Services		4,185,077	12,649,066	3,517,969	3,956,992	667,108
1,072	406,780	452,176	406,780	(451,104)	Library Services	0130-10	3,471	435,319	528,537	435,319	(525,066)
65,848	65,000	90,148	309,884	(24,301)	Cemetery	0130-20	56,818	60,000	52,286	405,000	4,532
51,121	231,410	75,895	221,324	(24,774)	Museum	0130-30	-	156,470	60,814	156,470	(60,814)
3,638,129	10,519,481	496,506	1,054,446	3,141,623	Community halls	0130-40	3,857,969	7,317,453	1,670,353	1,362,020	2,187,616
181,091	136,900	716,330	1,687,574	(535,239)	Nature reserve	0130-70	105,189	4,590,524	959,474	1,231,303	(854,285)
83,699	111,000	161,063	372,907	(77,364)	Pound	0130-85	161,630	89,300	246,505	366,880	(84,876)
5,294,108	21,000,245	-	-	5,294,108	Housing		11,837,366	22,002,000	284,366	-	11,553,000
5,294,108	21,000,245	-	-	5,294,108	Housing	0130-95	11,837,366	22,002,000	284,366	-	11,553,000
58,475	340,000	1,764,352	1,378,343	(1,705,877)	Public Safety		291,596	340,000	1,829,225	1,656,928	(1,537,628)
58,475	340,000	1,764,352	1,378,343	(1,705,877)	Traffic & police	0130-80	291,596	340,000	1,829,225	1,656,928	(1,537,628)
11,132	262,600	348,390	529,680	(337,258)	Sport and Recreation		494,707	885,405	246,575	757,837	248,132
11,132	262,600	348,390	529,680	(337,258)	Sport co-ordinate	0130-90	494,707	885,405	246,575	757,837	248,132
-	-	-	-	-	Environmental Protection		-	-	-	-	-
2,691,152	6,423,375	3,540,984	5,906,919	(849,832)	Waste Management		7,745,037	7,277,522	5,555,207	10,017,578	2,189,830
2,691,152	6,423,375	3,540,984	5,906,919	(849,832)	Solid waste	0140-30	7,745,037	7,277,522	5,555,207	10,017,578	2,189,830
12,334,061	14,969,370	9,646,422	8,818,312	2,687,639	Roads and Transport		16,342,083	22,124,388	17,594,971	20,975,604	(1,252,888)
12,334,061	14,969,370	9,646,422	8,818,312	2,687,639	Roadworks	0140-10	16,342,083	22,124,388	17,594,971	20,975,604	(1,252,888)
-	-	-	-	-	Water		-	-	-	-	-
18,115,224	16,269,751	10,227,062	12,414,291	7,888,162	Electricity		23,704,185	24,892,948	16,764,409	14,832,049	6,939,776
18,115,224	16,269,751	10,227,062	12,414,291	7,888,162	Electrical Services	0140-40	23,704,185	24,892,948	16,764,409	14,832,049	6,939,776
-	-	-	-	-	Other		-	-	-	-	-
98,934,325	146,093,219	59,729,137	82,015,790	39,205,188	Sub-Total		145,445,030	182,031,238	97,787,958	114,520,999	47,657,072
-	-	(485,210)		485,210	Less: Inter-departmental Charges		-	-		(660,000)	-
98,934,325	146,093,219	59,243,927	82,015,790	39,690,398	Total		145,445,030	182,031,238	97,787,958	113,860,999	47,657,072



Matatiele Local Municipality Annual Report 2008/2009

APPENDIX E(1)					
MATATIELE LOCAL MUNICIPALITY					
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009					
Description	2008/2009 Actual	2008/2009 Budget	2008/2009 Variance	2008/2009 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	17,054,099	14,244,804	2,809,295	16.47	Included in this amount is an amount of R1,8m in respect of income foregone.
Property Rates - Penalties imposed and collection charges	567,324	500,000	67,324	11.87	Increased penalties due to an increase in account defaulters.
Service Charges	20,526,634	22,034,682	(1,508,048)	(7.35)	
Rental of Facilities and Equipment	386,578	399,924	(13,346)	(3.45)	18,057
Interest Earned - External investments	4,468,970	5,000,000	(531,030)	(11.88)	Reduction in interest rates and increased expenditure on Grants received.
Interest Earned - Outstanding debtors	2,037,479	1,242,736	794,743	39.01	Increased interest raised due to an increase in account defaulters.
Fines	613,056	663,500	(50,444)	(8.23)	
Licences and Permits	859,090	830,000	29,090	3.39	
Government Grants and Subsidies	97,395,591	135,805,587	(38,409,996)	(39.44)	Several grants budgeted for did not materialise.
Other Income	1,450,208	1,157,300	292,908	20.20	Decrease in nature reserve income and sundry services.
Public Contributions and Donations	50,000	-	50,000	0.00	
Other Gains on Continued Operations	-	-	-	0.00	
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	
Profit on Sale of Land	36,000	102,705	(66,705)	(185.29)	Land to be sold budgeted for did not materialise.
Total Revenue	145,445,030	181,981,238	(36,536,208)	(20.08)	
EXPENDITURE					
Employee Related Costs	24,067,054	28,653,721	(4,586,667)	(19.06)	Not all posts were filled during the year.
Remuneration of Councillors	11,012,080	12,138,344	(1,126,264)	(10.23)	
Collection Costs	-	-	-	0.00	
Depreciation	7,419,466	3,405,332	4,014,134	54.10	The budgeted amount does include the offset of grants depreciation.
Impairment Losses	7,193,272	1,000,000	6,193,272	86.10	Increase in the provision for impairment of debt.
Repairs and Maintenance	9,873,589	10,559,475	(685,886)	(6.95)	
Interest Paid	155,389	222,900	(67,511)	(43.45)	Budgeted for interest on loan not received.
Bulk Purchases	8,899,732	9,750,000	(850,268)	(9.55)	
Contracted Services	6,035,461	8,734,670	(2,699,209)	(44.72)	Security contracts budgeted for never materialised.
Grants and Subsidies Paid	11,689,810	26,103,525	(14,413,715)	(123.30)	Increase in service delivery due to unspent grants received in prior year.
Research and Development Costs	-	-	-	0.00	
General Expenses	11,410,004	13,293,032	(1,883,028)	(16.50)	Saving due to cost cutting measures taken.
Other Losses on Continued Operations	-	-	-	0.00	
Loss on disposal of Property, Plant and Equipment	32,100	-	32,100	100.00	Unforeseen due drop in property values.
Total Expenditure	97,787,958	113,860,999	(16,073,041)	(14.12)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	47,657,072	68,120,239	(20,463,167)	30.04	

APPENDIX E(2)						
MATATIELE LOCAL MUNICIPALITY						
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009						
Description	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	Explanation of Significant Variances
	Actual	Total Additions	Budget	Variance	Variance	greater than 5% versus Budget
	R	R	R	R	%	
Community Services	30,087,779	24,831,108	38,510,406	(13,679,298)	(35.52)	Savings realised on projects / Projects did not materialise
Corporate Services	1,686,226	19,687	1,430,000	(1,410,313)	(98.62)	Expenditure incurred in Operational Budget
Economic Development & Planning	6,325,602	327,205	5,273,599	(4,946,394)	(93.80)	Projects were not executed
Executive & Council	697,314	1,540,410	3,364,100	(1,823,690)	(54.21)	Projects were not executed
Finance & Administration	33,044,783	550,251	1,562,699	(1,012,448)	(64.79)	Projects approved late in financial year and was carried over to 2008/9
Infrastructure	61,931,743	26,335,582	54,853,065	(28,517,483)	(51.99)	Due to the fact that a loan included in the budget of R20m that was not approved.
Total	133,773,447	53,604,243	104,993,869	(51,389,626)	(48.95)	



Matatiele Local Municipality Annual Report 2008/2009

APPENDIX F
MATATIELE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		
MIG Projects	Nat Treasury	4,175,075		10,046,000	6,024,000		1,476,425	-	6,532,230	2,844,587	3,875,961	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	14,461,031				42,535,078	8,676,619				42,535,078	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 08/09	Nat Treasury					1,674,078					1,674,078	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Electricity 08/09	Nat Treasury					231,083					231,083	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury		500,000				255,102	-	-	341,304	58,373	N/A	N/A	N/A	N/A	N/A	Yes	N/A
National & Provincial Elections	Nat Treasury				595,000	1,072,600		-	-	595,000	638,313	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Roads Upgrade Elections	Nat Treasury					1,302,583						N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Electrification	DME				3,224,000			-	-	334,484	2,950,999	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	Nat Treasury			800,000			272,180	-	163,200	219,078	519,095	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Nature Reserve (DEAT)	DEAT					4,500,000		-	-		44,092	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant: Housing - Cedarville 200 Sites Area A	DHLGTA	292,371					399,124		6,995,775	1,346,135	3,475,244	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Swimming Pool Upgrade	Other Governm						401,602		401,602	-	20,983	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Free Basic Services	Nat Treasury						26,698				54,665	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 06/07	Nat Treasury						25,439				465,010	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Electricity 06/07	Nat Treasury	38,672					202,752				247,271	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Refuse 07/08	Nat Treasury	1,540,703					70,384				196,296	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share FBS Elec 07/08	Nat Treasury						68,155				318,057	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Capacity Building	Other Governm							2,000				N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - Community development Workers	Other Governm						6,324		633	1,182	1,213	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Umzimvubu Projects	Local Governm						355,614	-	422,958	1,122,821	1,972,435	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Policies Grant	Prov Treasury	2,073					1,545,779	-	66,295	50,990	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Asset Register Grant	Prov Treasury	3,360					117,285	-	-	-	119,351	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF By-Laws Grant	Prov Treasury	187					-	-	-	17,703	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF Performance Management Grant	Province						178,910	11,893		9,553		N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG New Valuation Roll	Nat Treasury							-	-	178,910	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG Valuation Roll Update	Nat Treasury							-	-	55,445	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MDF - ICT Grant	Nat Treasury	18,910					9,376,817	-	202,752	-	7,546	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Organisational Structure	Prov Treasury	10,517					103,950	-	103,950	-	-	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Establishment Plan: Accommodation	Prov Treasury							43,847	299,651	401,718	1,467,530	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Establishment Plan: Finance	Prov Treasury							-	2,000,000	6,024	255,111	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Establishment Plan: PPE	Prov Treasury							-	3,534,227	1,134,906	670,663	N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN IDP Support	Prov Treasury	11,659										N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN MPMS	Prov Treasury	668					17,703					N/A	N/A	N/A	N/A	N/A	Yes	N/A
KZN Development & Capacity Building	Prov Treasury						21,446					N/A	N/A	N/A	N/A	N/A	Yes	N/A
Conference Centre	Other Governm	3,609										N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant- IDP Fund	Other Governm						79,580					N/A	N/A	N/A	N/A	N/A	Yes	N/A
Grant - MFMA	Other Governm						10,000					N/A	N/A	N/A	N/A	N/A	Yes	N/A
Seeta Subsidy	Other Governm					133,919						N/A	N/A	N/A	N/A	N/A	Yes	N/A
Road Subsidy	Province					10,050					10,050	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health Subsidy (Clinics)	Province			723,270	305,186	426,667		588,866	439,590	441,689	425,156	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bus Accident Fund	Public Contr					50,000					50,000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		20,558,835	500,000	11,569,270	10,148,186	51,936,058	23,687,888	646,606	21,162,863	9,101,529	62,283,653	0	0	0	0	0		

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?



A U D I T O R - G E N E R A L

**REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND
THE COUNCIL OF MATATIELE MUNICIPALITY ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF MATATIELE MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

The report was still outstanding as at the end of January 2010.



RESPONSE TO AUDIT REPORT

Response to the Audit Report of the Auditor-General on the Financial Statements and performance information of Matatiele Local Municipality for the year ended 30 June 2009.

Responses were compiled to the various exceptions raised by the auditors during the course of the audit, but as a final report was still awaited at the end of January 2010, the response to the report was not compiled.



4.4 BUDGET 2008/2009

Matatiele Local Municipality is currently financially sustainable enough to meet all of its liabilities. Despite this the Municipality lacks financial resources and faces a multitude of financial challenges.

The Municipalities total budget for the 2008/09 financial year is R268 597 903.

Income Allocations and Sources

The Matatiele Local Municipality derives its income from two sources namely;

- ⇒ External income
 - Government Grants and subsidies
 - Capital Grants
- ⇒ Own income
 - Property rates
 - Service charges on electricity and refuse removal
 - Interest and dividends
 - Rental on facilities
 - Fines
 - Licenses and permits
- ⇒ The Municipality has a low income base and is heavily dependent on Government grants and subsidies and capital grants which constitute 71% of its 2008/09 budget. According to the budget forecast, external financing will constitute 72% of the 2009/10 and 2010/11 budgets.

Valuation Rolls

Property rates constitute only 10% of the Municipalities income. The Municipality will adopt a new valuation roll in July 2009 and it is anticipated that this will have a positive effect on the rates base from the 2009/10 financial year.

Billing and Payment Rates

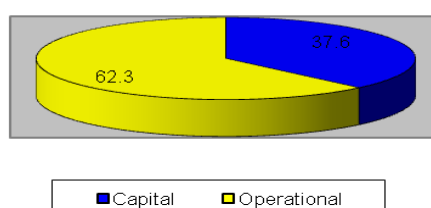
Property rates and service charges on electricity and refuse removal constitute 8% and 13% of the Municipalities own income for the 2008/09 financial year. A total of 4000 households are billed each month of which 3000 are urban and 1000 rural.

Payment rates are poor and it is estimated that less than 7% of households are paying their monthly accounts. This is compounded by the high poverty levels and low affordability levels of the community.

EXPENDITURE ALLOCATION AND TRENDS

The capital and operational budgets constitute 37.6 % (R101 154 773) and 62.3% (R167 443130) of the 2008/09 budget respectively. *Expenditure Figure*

Expenditure 2008/09





National treasury no longer prescribes a norm for salary expenditure and instead requires Municipalities to develop a personnel expenditure ratio that is based on the nature of its functions, organisational structure, labour intensity of its operations, extent to which labour intensive components of its operations are outsourced and the composition of non personnel components of its operational expenditure. The 2008/09 budget reflects that 26% of the operational budget was allocated to salary expenditure. This is well under the anticipated personnel expenditure for Local Municipalities in 2009/10.

The Municipality is constantly striving to provide services to its community which requires substantial capital investment, especially in terms of infrastructural assets. In order to maintain service delivery it is imperative that these assets be maintained in proper working order which requires equitable investment in terms of maintenance and repair costs. According to the National Treasury Municipalities should be budgeting between 10% and 15% of their operating expenditure for repairs and maintenance¹. The 2008/09 budget reflects an allocation of 9% to repairs and maintenance which falls only slightly short of the recommended norm.

Breakdown of Expenditure Allocation

VOTE	2008/2009	2009/2010	2010/2011
Council	17 814 880	18 260 532	18 990 953
Executive	3 081 141	5 179 911	5 387 107
Budget and Treasury Services	19 518 173	25 957 120	26 995 405
Technical Services	47 563 499	51 118 814	53 163 567
Community and Social Services	8 424 543	9 964 000	10 362 560
Corporate Services	6 693 815	8 310 194	8 642 602
Total	113 650 102	129 666 032	134 852 674

PROVISION OF FREE BASIC SERVICES

Provision is made on the budget for the provision of free basic water services from the equitable share. In terms of the Division of Revenue Act 2008 Matatiele Municipality received an Equitable Share of R42 525 000, which is not adequate to deliver services to the area.

The Matatiele Local Municipality has adopted an indigent support policy which aims to assist the poorest of the poor by providing free basic electricity and refuse removal services. The policy includes indigents throughout the jurisdiction of the Municipality and there are currently 726 registered. Indigent clients must re-register every six months.

Households receiving free basic services during the 2008/2009 financial year are reflected below.

Free Basic Electricity	Free Basic Water	Free Basic Refuse	Free Basic Sanitation
50Kw per month	6 Kl per month	R55.05 per month	R50.38 per month
R2 200 000	R6 220 000	R368 000	R122 000



Actual versus Budget comparison for the year

Description	2008/2009	2008/2009	2008/2009
	Actual	Budget	Variance
	R	R	%
REVENUE			
Property Rates	17,054,099	14,244,804	16.47
Property Rates - Penalties imposed and collection charges	567,324	500,000	11.87
Service Charges	20,526,634	22,034,682	(7.35)
Rental of Facilities and Equipment	386,578	399,924	(3.45)
Interest Earned - External investments	4,468,970	5,000,000	(11.88)
Interest Earned - Outstanding debtors	2,037,479	1,242,736	39.01
Fines	613,056	663,500	(8.23)
Licenses and Permits	859,090	830,000	3.39
Government Grants and Subsidies	97,395,591	135,805,587	(39.44)
Other Income	959,371	1,157,300	(20.63)
Public Contributions and Donations	50,000	-	0.00
Other Gains on Continued Operations	-	-	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	0.00
Profit on Sale of Land	36,000	102,705	(185.29)
Total Revenue	144,954,193	181,981,238	(20.35)
EXPENDITURE			
Employee Related Costs	24,067,054	28,653,721	(19.06)
Remuneration of Councillors	11,012,080	12,138,344	(10.23)
Collection Costs	-	-	0.00
Depreciation	6,775,028	3,405,332	49.74
Impairment Losses	7,193,272	1,000,000	86.10
Repairs and Maintenance	10,133,396	10,559,475	(4.20)
Interest Paid	155,389	222,900	(43.45)
Bulk Purchases	8,899,732	9,750,000	(9.55)
Contracted Services	6,035,461	8,734,670	(44.72)
Grants and Subsidies Paid	11,689,184	26,103,525	(123.31)
Research and Development Costs	-	-	0.00
General Expenses	10,203,202	13,293,032	(30.28)
Other Losses on Continued Operations	-	-	0.00
Loss on disposal of Property, Plant and Equipment	32,100	-	100.00
Total Expenditure	96,195,899	113,860,999	(15.51)
NET SURPLUS / (DEFICIT) FOR THE YEAR	48,758,294	68,120,239	28.42



CHAPTER 5

FUNCTIONAL SERVICE DELIVERY REPORTING

5.1 GENERAL INFORMATION

A functional analysis of the Organisational structure and operations was aligned to the reporting structure as prescribed by the National Treasury, and is as follows:

DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
EXECUTIVE & COUNCIL		
OFFICE OF THE MAYOR	Special Programmes	Gender HIV & AIDS Youth Development Rights of Children Disabled Elderly
	Communication	Issue media releases. Municipal Newsletters. Marketing Public Relations
	Public Participation	IDP Budget CDW's
	Protocol	
OFFICE OF THE MUNICIPAL MANAGER	Governance	Municipal administration.
	Integrated Development Plan	
	Performance Management System	
	Audit Audit Committee	External Audit Reports Internal Audit Reports Requesting Special Audits Performance Audit
	Internal Audit	Audit inspections



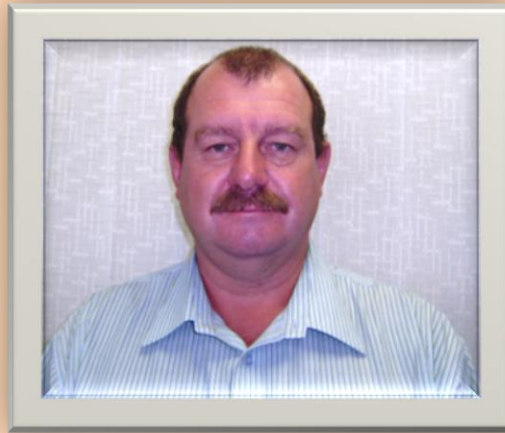
DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
FINANCE AND ADMINISTRATION		
BUDGET AND TREASURY	<p>Governance</p> <p>Income</p> <p>Expenditure and Supply</p> <p>Chain management</p> <p>Financial Reporting</p>	<p>Departmental administration.</p> <p>Grants Taxes, Levies etc Debtor management Revenue management Billing</p> <p>Creditor management</p> <p>Loan repayments Bank reconciliations Payroll Insurance management Demand management Acquisition management Logistics management Assets management</p> <p>Annual Financial Statements Budget management Cash flows Investments Loan management Management Accounts</p>
CORPORATE SERVICES	<p>Governance</p> <p>Legal Services Archives Registry Archives</p> <p>Property Services</p> <p>Information Technology</p> <p>Support Services</p>	<p>Departmental administration.</p> <p>Correspondence Management Records Management Management of all council operated property (Owned & leased) Land and Property alienation IT management</p> <p>Departmental administration. Control over Council's telephone account Control over Council's fax account Control over Council's telephone instruments & contracts Control over Council's cell-phone instruments & contracts Control over Council's photo coping equipment & contracts Control over Council's two way radio instruments & contracts</p>



DEPARTMENTAL FUNCTIONS & SUB FUNCTIONS		
VOTE/ DEPARTMENT	SUB FUNCTION	SUB SUB FUNCTION
CORPORATE SERVICES – CONT.		
	Human Resources HR Management	Control over Council's fire arms & licences Customer Care Hall Bookings Need Analysis. Training Budget. Training Interventions. Workplace Skills Plan. Employment Equity Plan. WSP and EEP Plans. Identification of ASP's. Implementation of WSP and EEP. Formation of training and OHS com. Advise employer to formulate HRD, EEP and EAP policies. Submission of ATR to LGSETA. Submission of EER to DoL. Staff Benefits. Personnel Records. Recruitment and Selection.
	Political Support Office of the Speaker	Ward Committees
	Office of the Chief Whip	Whippery Councillor Welfare & Support
	Committee Services	
COMMUNITY SERVICES DIRECTORATE	Governance	Departmental administration.
HEALTH Health and Welfare	Primary Health Clinic	Primary Health Care School, Crèches, Home visits
COMMUNITY & SOCIAL SERVICES Public amenities	Library Museum Community Halls	Book, video, DVD availability Monuments, historic houses and sites Exhibitions halls and places for community gatherings
SPORT AND RECREATION	Sports Stadiums Sport Organising Swimming pool	Community parks, sports grounds, stadiums Sporting events Swimming pool management



5.2 GOVERNANCE AND ADMINISTRATION



CHIEF FINANCIAL OFFICER
MR D C VAN ZYL

5.2.1 BUDGET AND TREASURY

Financial Services with Integrity!

VISION

Ensure sound and fraud-free Financial Services.

MISSION

To establish an organization capable to advise the Municipal Council and Management on financial matters, financial resources required to sustain services, how to raise such funds, to collect all revenue due and to meet legislative obligations.

VALUES

- Creating a conducive working environment
- Promoting Employment Equity
- Promoting Capacity Building to staff and clients
- Rendering a Professional Service to all our people
- Promote the Batho Pele Principles

OBJECTIVES

- Management of Municipal Assets & Risks
- Management of Municipal Revenue
- Management of the Municipal Budget
- Performance of the Treasury Function
- Maintenance of Internal Financial Control
- Production of Financial Performance Reports
- To Retain the Financial Viability of the Municipality
- To maximize the amount of Capital Budget spent on IDP related projects



Matatiele Local Municipality has succeeded to be financially sustainable and meet all liabilities, for example:-

- All our creditors have been paid promptly (monthly)
- Escom has been fully paid monthly
- Staff Costs and Council Allowances have been met monthly
- All Council services, including free basic services, have been delivered
- Asset maintenance and management has been adhered to, so as to enhance asset lifespan and derive maximum benefit from usage.
- Surplus cash has been invested regularly when it occurred.
- No external loans have been made
- Daily bank reconciliation is being administered in such a way to detect financial fraud, theft and any unwanted mismanagement of money.

Equitable Share

The Council receives an Equitable Share Grant from National Treasury. The grant allocations assist the municipality to provide free basic services to its registered indigents. Free basic services provided are electricity and refuse removal.

The figures for equitable share are as follows:

YEAR	AMOUNT
2004	2 735 000
2005	3 381 000
2006	4 155 000
2007	18 597 817
2008	32 941 943
2009	44 440 239

FINANCIAL PLANNING

The department is intrinsically involved in the Integrated Development Planning process, and contributes extensively to the framing of a Financial Plan. The capital projects are directly linked to the budget after consultation with communities. The needs are then prioritised and included in the budget.

The Council receives monthly financial reports, in accordance with the directives in this regard. Daily cash flow reports are produced to ensure available cash at hand.

Annual Financial Statements (AFS) have been submitted up to end June 2009. These financial statements have been compiled in accordance with the applicable GRAP statements, as prescribed in the Municipal Finance Management Act. As a medium capacity municipality Matatiele Local Municipality was required to convert AFS to GRAP standards by 30 June 2008. However, Matatiele Local Municipality's AFS were converted by 30 June 2006, with certain exemptions which were authorized by National Treasury.



Finance department to be structured as follows, with Job descriptions for all posts:

➤ ***Office of the Chief Financial Officer***

Overall Financial management control, in charge of the following sections with their main functions as:

➤ ***Budget and Treasury section***

- Budget management
- Grant and Investment control
- Financial Reporting

➤ ***Revenue and Debt management section***

- Billing of tariffs
- Collection and control of cash/revenue
- Management of Debt
- Indigent Support

➤ ***Expenditure and Supply Chain Management section***

- Payment of Suppliers
- Payroll management
- Bank reconciliation
- Procurement/Supply Chain management
- Inventory control
- Assets management

Procedures for the Finance department are broadly described in the Financial and Credit management Bylaws (promulgated on 4 November 2004, MN no. 51/52 and 53 of 2004), Delegations of Powers and Duties (as approved by Council on 31 March 2006), and Policies previously approved by Council.



The following policies have been reviewed and developed during the year:

Review of existing Policies

1. Supply Chain Management
2. Supply Chain Management-Implementation Guide
3. Budgeting Policy
4. Budgeting Policy-Implementation Guide
5. Fixed Asset Management Policy
6. Fixed Asset Management Policy-Implementation Guide
7. Transport Policy
8. Banking/Investment Policy
9. Banking/Investment Policy-Implementation Guide
10. Indigent Support Policy
11. Rates Management Policy
12. Tariffs Management Policy
13. Credit Control and Debt Collection Policy
14. Internal Audit Charter
15. Audit Committee Charter

Development of Policies

16. GRAP Framework Policy
17. Risk Management Policy
18. IT Policies
 - 18.1 Disaster Recovery Policy
 - 18.2 Disaster Recovery Plan
 - 18.3 Data Backup Policy
 - 18.4 Data and Systems Security Policy
 - 18.5 Network Security Policy
 - 18.5 Policy on the use and application of Information Technology
19. Cash Management Policy
20. Special Services Tariff Policy
21. Grant and Donation Policy
22. Procurement Policy
23. Payment Policy: Approval of Invoices
24. Virement Policy
25. Cash-up Policy
26. Cash Shortage Policy
27. Pre-paid Electricity: Lost token policy
28. Credit Card Policy
29. Corporate Gifts Policy
30. Clothing/Dress Code Policy
31. Entertainment Policy
32. Customer Incentive Scheme Policy
33. Improve Debtor Payment Strategy
34. Customer Care Policy
35. Fraud Prevention Plan
36. Debt Capacity Policy
37. Access of Finance (Donor Finance) Policy
38. Legal Representation Policy



AUDIT, REPORTING AND RISK MANAGEMENT

Reporting

Monthly financial reports are presented to the Municipal Council which reflects income and expenditure in accordance with the budget. Daily cash flow reports are produced to ensure sufficient available cash at hand. Annual Financial Statements in GRAP format were compiled and submitted. A summary of Service delivery target and performance indicators is as below:

Quarterly Projections for Service Delivery Targets and other Performance Indicators

Vote Indicator	Unit of Measurement	Actual
Department: Chief Financial Officer		
Vote: Finance		
Municipal Finance Management Act,		
Monthly reporting to Mayor (Section 71)	No. of monthly reports	12
Quarterly reporting to council	No. of quarterly reports	4
Annual details of bank account (Sec.9b)	Before 30 June each year	30-Jun-09
Quarterly reporting on withdrawals	No. of quarterly reports	4
Mid-year budget (Sec.72)	Before 25 January each year	25-Jan-09
Bank reconciliation's	No. of reconciliations	12
Investments	No. of bank certificates	4
Investment policy (annual review)	Date approved	30-Jun-09
Adoption of policies	Date policies adopted by Council	30-Jun-09
Multi-year budget		
Time schedule	Date approved	31-Aug-08
Tabling of annual budget	Date tabled	28-Feb-09
Approval of annual budget	Date approved	31-May-09
Public meetings	No. of meetings	7
Financial Statements		
Trial balance preparation	Date completed	31-Jul-08
Reconciliation with general ledger	Date completed	25-Aug-08
Working papers for year-end transactions	Date completed	25-Aug-08
Accounting policies i.r.o statements	Date completed	25-Aug-08
CFO report on statements	Date completed	25-Aug-08
Completed financial statements	Date completed	31-Aug-08
Submission to A-G & Province	Date completed	31-Aug-08
GAMAP/GRAP conversion	Ledger and trial balance and I & E statement in GRAP format - date finalised	30-Dec-07
Budget Control		
Monthly reports to Managers i.r.o I & E	No. of budget reports	Monthly
Adjustment budget	Date revised budget approved	31-Jan-09
Asset Register		
Inventory control	Frequency of inventory lists	Quarterly
Updating of assets register	Frequency of updates	Quarterly
Disposal of assets	Date of report to Council	30-Jun-09
Loans Register		
Payment of interest & redemption	Cheque vouchers	Bi-annually
Reconciliation with general ledger	Reconciliation	Bi-annually
Inclusion in financial statements	Appendix A	Annually



Quarterly Projections for Service Delivery Targets and other Performance Indicators

Vote Indicator	Unit of Measurement	Actual
Revenue Management		
Credit control & debt collecting	Report to sub committee	Bi-monthly
Tariff adjustments	Date Advertised	Annually
Debtors reconciliation	No. of reconciliations	Monthly
Expenditure Management		
Creditors paid	Creditors reconciliation	100%
Salaries and allowances paid on time	Payroll	100%
Insurance of assets & liabilities	Premiums	100%
Financial regulations review	Regulations	Annually
Delegations review	Delegations	Annually
Training of staff		
No of staff trained in finance management	Training schedule	25
No of staff meetings competency levels	Survey	12
Supply Chain Management		
Compliance with SCM Regulations	Survey	12
Supply Chain Management Policy	Policy Review	Annually
Tender Adjudications	Committee Meetings	Monthly
Information Technology		
Computer literacy	No. of staff trained	25
Issue of staff with PC's	No. of staff issued	25
Installation of antivirus software	Updates	Monthly
Updating of Web page	Contents	Monthly
Updating of Abakus Financial System	Reports	Quarterly
Updating of PayDay Payroll System	Reports	Quarterly
Maintenance of hardware	As Required	Monthly
Valuation Roll Maintenance	Amended Valuation Roll	Monthly
GIS System Maintenance	As Required	Monthly

Audit Committee

The Alfred Nzo District Municipality has established an Audit Committee for the District as a whole. Matatiele Local Municipality was one of the few municipalities in the Eastern Cape to receive an unqualified audit report for the 2007/08 financial year.

Internal Audit Unit

Matatiele Local Municipality has outsourced this function.



Function: Finance and Administration Sub Function: Other Administration (Procurement)		
	Reporting Level - Detail	
	<p><u>Overview:</u> Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management etc</p>	
	<p><u>Description of the Activity:</u> The function of procurement within the municipality is administered as follows and includes:</p> <ol style="list-style-type: none"> 1 Checking of requisitions or purchases 2 Selection of suppliers for issue of enquiries 3 Issuing enquiries or tenders and obtaining quotations 4 Analysing quotations and bids and preparation of comparative statement 5 Consultation with the Adjudication Committee for selection and approval of quotation and with Accounting Officer for pre-audit 6 Negotiating contracts 7 Checking legal conditions of the contracts 8 Issue of Purchase order 9 Follow-up of purchase orders for delivery in due time, verification and passing of suppliers bills to see that payments are made promptly 10 Correspondence and dealings with suppliers regarding shortage and rejection reported by Supply Chain Management 11 Maintenance of performance records 12 Maintenance of progressive expenditure statement <p style="text-align: center;">Purchase Regulations</p> <p>R Value of Purchases - Obtain and requirement</p> <p>R0-R2 000 Purchase from preferably registered suppliers No procedure to follow if item is a stores item</p> <p>R2 000 - R10 000 3 quotations - invite 3 registered suppliers to supply a formal (written / verbal) quotation; Accept one written quotation from preferred bidder; Quotations must be attached to the requisition; All quotations received, written or verbal must be recorded; Invitations to suppliers must be rotated; Staff must price items first before sending out an invitation for quotations;</p> <p>R10 000 - R200 000 Invite 3 registered suppliers to supply a formal (written / verbal) quotation; Accept one written quotation from preferred bidder; Quotations must be attached to the requisition; All quotations received, written or verbal must be recorded; Invitations to suppliers must be rotated; Staff must price items first before sending out an invitation for quotations; Purchases over R30 000 must be advertised on the Website and Notice Board for 7 days If an invitation to submit proposal / quotations closes in 30 days this notice must be advertised in the local newspaper.</p> <p>R200 000 - R10m TENDERS shall be invited for all requests for goods with an estimated value above R200 000 - R10m and for requests where the contract to be awarded will extend over more than 1 year Advertised on the Website and Notice Board for 7 days If Tender closes in 30 days the notice must be advertised in the local newspaper; Bid Committees will meet; These services extend to include function / area, but do not take account of function / area which resides within the jurisdiction of national / provincial / other private sector or government. The municipality has a mandate to:</p>	



Matatiele Local Municipality Annual Report 2008/2009

Function: Finance and Administration Sub Function: Other Administration (Procurement)	
<p>1 The bid invitation documents must indicate that bids will be evaluated on functionality and price;</p> <p>2 The total combined points with an estimated Rand value equal to, or below R500 000, not exceed 80 points;</p> <p>3 The total combined points allowed for functionality and price must, in respect of bids with an estimated Rand value above R500 000, not exceed 90 points;</p> <p>4 The points for functionality must be calculated for each individual bid and they account for 40% of the total points for functionality and price while the points for price account for 60% of the total points for functionality and price;</p> <p>5 A bidder must score at least 40% or more for functionality to qualify for further adjudication;</p> <p>6 The points for price in respect of a bidder which has scored the specified number of points contemplated in (5) above must, subject to the</p> <p>7 Preferences for being an HDI and or sub-contracting with an HDI and or achieving specified goals must be calculated separately against the following maximum scores, and must be added to the points scored for functionality and price:</p> <p>The strategic objectives of this function are:</p> <p>1 To maintain uninterrupted flow of materials to support the development schedules</p> <p>2 To procure material economically at a cost consistent with the quality and services required. However generally all purchases may be attempted at the lowest cost.</p> <p>3 To develop and maintain good buyer-seller relationship</p> <p>4 To promote source development</p> <p>5 To maintain reputation and credibility in the market by fair dealings and prompt payments.</p> <p>6 To discharge the supply chain management responsibilities conferred on Accounting Officers in terms of Chapter 8 or 10 of the Act, and the supply chain management policy of the municipal entity;</p> <p>7 To maximise administrative and operational efficiency in the implementation of the supply chain management policy;</p> <p>8 To enforce reasonable cost effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in</p> <p>9 To comply with his or her responsibilities in terms of Section 115 and other applicable provisions of the Act.</p> <p>The key issues for 2010 are to establish a Supply Chain Unit</p>	
Analysis of the Function:	
Details of tender / procurement activities:	
- Total number of times that tender committee met during year	12
- Total number of tenders considered	12
- Total number of tenders approved	12
- Average time taken from tender advertisement to award of tender	30 days



CORPORATE SERVICES DEPARTMENT



GENERAL MANAGER: CORPORATE SERVICES
MR. Z.J. MKHIZE

VISION

A Pro-active Department that is dedicated to ensure capacity for quality service delivery.

MISSION

- To provide support and administrative services;
- To provide training and development for Councillors and employees;
- To develop Human Resources and Administration policies for the proper functioning of the Municipality; and
- To ensure recruitment and selection of appropriately qualified personnel.

VALUES

- Respect;
- Honesty and Ethical behaviour;
- Transparency;
- Accountability;
- Professionalism and
- Responsibility.

The Role, Functions and Responsibilities of the Department are as follows:

- Administration
- Human Resource Management
- Registry and Archives
- Executive and Council Support
- Labour Relations
- Information Technology
- Legal Services



ORGANOGRAMS

Departmental organograms have been drawn up and approved by Council. Critical posts have not been filled due to lack of funds. It is planned to fill most posts over the Medium Term Expenditure Framework period.

LEASE OF OFFICE SPACE

The premises situated in High Street, opposite the First National Bank and owned by CRACOVIA TRUST, have been leased for a period of three years with effect from 01 December 2008. These premises are occupied by the Budget & Finance Department.

In order to further address the shortage of office space in the municipal building, a lease agreement has been entered into with Marlene Jacobs for thirteen offices in Pope Lane with effect from 01 December 2008. The Economic and Development Planning Department moved into these offices with effect from 01 December 2008. The department of Economic Development and Planning that occupied those offices has moved back to the main office at the end of December 2009.

The Technical Services Department will continue occupying the Maluti Offices.

Corporate Services Department, the Mayor's Office, the Speaker's Office, the Whippery and Municipal Manager's Office remain in the municipal building and offices were re-allocated.

EXECUTIVE AND COUNCIL SUPPORT

The Department is also responsible for the provision of support in the form of document preparation and minute taking for the Council and its Committees. It also has to ensure compilation, monitoring and implementation of Council Resolutions.

LABOUR RELATIONS COMPONENT

This component is responsible for:

- proper maintenance of relationship between the municipality and recognized trade unions;
- handling of bargaining council issues; and
- processing grievances and disciplinary matters.

ARCHIVES/REGISTRY

This component is responsible for implementation and maintenance of procedures and systems associated with controlling document and correspondence flow, storage, retrieval and disposal in terms of the National Archives Act. The challenges relating to partitioning, shelving, appropriate equipment and software are being addressed through the establishment fund.

A high volume photocopier has been purchased and installed in this component. This has greatly reduced the strain of document preparation relating to Council meetings and its committees.

INFORMATION TECHNOLOGY

This service is currently outsourced because there is no in-house capacity. The service provider is situated some 300km away from Matatiele and visits the municipality once in two weeks. It is no doubt clear that this is an unsatisfactory arrangement as it affects efficiency in work performance. The turn-around time is unreasonable as computer users have to wait for a long time before their hardware/software or network related problems are attended to.

A network Controller is to be employed internally once funds permit, so as to address this problem.

LEGAL SERVICES

Matters of a legal nature are to be attended to by this Department. Some matters are already being attended to. Lack of capacity, office space and relevant equipment and material hamper the performance of this important function. It is planned to address the shortcomings on an incremental basis when circumstances permit.



TECHNICAL SERVICES DEPARTMENT



GENERAL MANAGER: TECHNICAL SERVICES
MR. T. NGOZWANA

VISION

A department enhancing sustainable and quality technical services to communities we serve.

MISSION

To manage technical services that serves all communities within Matatiele Local Municipality.

OBJECTIVES

- Plan sustainable infrastructure development
- Provide municipal infrastructure
- Maintain and operate current infrastructure in terms of powers and functions
- Qualitative job creation and SMME development
- Skills development
- Project and quality contract management
- Resource mobilisation

Performances Areas

Roads

- Construction of new roads and streets
- Maintenance of existing roads and streets

Storm Water

- Construction of new stormwater structures
- Maintenance of existing stormwater structures
- Construction of new cut-off drains
- Maintenance of existing cut-off drains



Community Facilities and Amenities

Construction of new community facilities and amenities
Maintenance of existing facilities and amenities

Electricity-

Construction of new electrical infrastructure
Refurbishment of existing electrical infrastructure
Maintenance of existing electrical installations
New electrical connections
Provision of new street lights
Maintenance of existing street lights
Reduction of illegal electrical connections
Installation of new street lights
Repair of electrical faults
Revenue protection

Solid Waste-

Waste management
Refuse removal
Operate landfill site (s)

Function: Roads and Transport

Sub Function: Roads

The Municipality is responsible for the construction and maintenance of roads, streets, and stormwater systems. All major capital and specialized works are outsourced. In house teams are responsible for minor and routine maintenance works.

Personnel

The function is executed as follows:

The design, contract documentation and construction supervision of most capital works is outsourced to Consultants. Their professional fees are part of the overall project budget.

The staff structure consists of:

- Two (2) managerial/technical personnel
- Two (2) technical/supervisory personnel
- Two (2) Young Professionals from the Development Bank of South Africa
- 1 Secretary
- 54 general workers
- Variable numbers of temporary workers

The total cost to employer for this component is R5, 353,024.22

Training

There was no training offered during the reporting period



Total number, kilometers and total value of road projects planned and current:

Repair Surfaced Roads

Road Marking

Total kilometers and maintenance cost associated with existing roads provided

Repair Surfaced Roads

3,500 m² of verge tarred at a cost of R200, 000

165 m² of pavement repairs at a cost of R158, 000

165 m² of tar road was maintained at a cost of R245, 000

5,4 km of kerbs and channels were constructed at a cost of R400,000

34 stormwater pipes were installed in driveways at a cost of R30,000

Examples of Kerbing and Road Painting



Road Maintenance



Municipal Pool Maintenance



Community Job creation



Building and work on Hillside Bridge





Grade Gravel Roads

139 km of gravel road was maintained at a cost of R755, 259

Nkhoesa Mofokeng EPWP

288 members of the community were employed under the Nkhoesa Mofokeng ward based EPWP project at a cost of R4, 104,000

Grass Cutting

3 small contractors at a cost of R2, 613,600

Road Marking

1,300 metres of road was marked at a cost of R100, 000

Systems

The Municipality compiled a Comprehensive Infrastructure Plan (CIP) as part of the initiative by the Municipal Infrastructure Grant (MIG). However, there is a need for various Infrastructure Master Plans and Asset Management Systems. e.g. Pavement Management System. The basis of this work was laid during the GRAP conversion exercise as part of the reporting requirements. Due to the above, all maintenance work is carried out on an ad hoc basis.

The backlog is as follows:

100km of tar road and 2,349km of gravel road

Function: Facilities Maintenance

Sub Function: Buildings

The function is currently is managed by the Roads and Stormwater division. There is presently no staff under the section. Consequently, all facilities maintenance work is outsourced to small local contractors.

Function: Electricity

Sub Function: Electricity Distribution

The function is administered as follows:

The municipality purchases bulk electricity from ESKOM for distribution in its license area of Matatiele town. ESKOM the license holder for the rest of the municipal area, including the town of Cedarville, the peri-urban area of Maluti and the rest of the Municipality, commercial farms and rural areas.

Systems

The Matatiele Local Municipality has participated in Stakeholder Engagement Forum which is aimed at facilitating the establishment of the Regional Electricity Distributors (REDS). It is anticipate that the ring-fencing exercise will also result in the development of the necessary systems. Preliminary work was conducted as part of the GRAP conversion under Budget and Treasury.



Personnel

The function is executed as follows:

The critical posts of Manager: Electrical Unit and the two (2) electricians are still vacant. Consequently, a local electrical firm provides standby services at R7,000 per month. It has been necessary to employ Consultants for the design, contract documentation and supervision of electricity capital works. The professional fees are covered under the overall project budget.

The number and category of in-house personnel is as follows:

- There are two (2) electrical artisans/supervisory personnel.
- There are six (6) general workers in the Electrical Division
- Variable numbers of temporary workers

These are responsible for both electrical distribution and streetlights

- A blown transformers was replaced at a cost of R150,000
- Removal of old overhead lines at a cost of R50,000

The number and cost of new connections is as follows:

- There were thirty five (35) new connections at R3,500 each
- There were 150 disconnections and reconnections during the reporting year.

The following are the anticipated expansion of the electrical services

- The 201 houses in Cedarville
- The 306 houses at Itsokolele
- The 583 houses in Harry Gwala in Matatiele

The total cost to employer for all electrical division employees is R790,547.63

Training

No training was provided during the reporting period

ELECTRICITY LINE LOSS				
DATE	ESKOM KWH	KWH METER	KWH LOSS	Line Loss %
Jul-08	2970973	2518037	452936	15.25
Aug-08	2974409	3103785	-129376	-4.35
Sep-08	2894362	2610150	284212	9.82
Oct-08	2706207	2480436	225771	8.34
Nov-08	2818430	2652588	165842	5.88
Dec-08	2789316	2332894	456422	16.36
Jan-09	2765881	2265831	500050	18.08
Feb-09	2835486	2561915	273571	9.65
Mar-09	2569667	2253955	315712	12.29
Apr-09	2772445	2526411	246034	8.87
May-09	2865599	3136044	-270445	-9.44
Jun-09	3244990	3060979	184011	5.67
TOTAL	34207765	31503024	2704741	7.91



Function: Electricity

Sub Function: Street Lighting

Street lighting responsibilities of the municipality are administered as follows:

The staff of the municipality maintains all the street lights in Matatiele. Eskom is the license holder in Cedarville, Maluti, the commercial farms and the rest of the Municipality. They therefore maintain all the streetlights in their license areas under contract.

There are 1,200 streetlights within the municipality.

The FM tower line maintained at a cost of R35, 000

Function: Waste management

Sub Function: Solid Waste

The collection of refuse within the municipality is performed in various ways; namely:

- The collection of refuse within the Matatiele CBD and old residential areas is outsourced.
- The function is performed in-house within the newly built parts of Matatiele, and the urban and peri-urban areas of Cedarville and Maluti.
- There is no refuse collection service in the rest of the municipal area, including the commercial farms and rural areas.

The municipality has one permitted landfill site which serves the town of Matatiele and Maluti. Only domestic household waste is accepted at this site. The management and operation of this facility has been contracted out for a period of thirty six (36) months commencing in October 2008. The contract included the closure and rehabilitation of the of the old town dump site.

The municipality intends to pursue rural waste collection strategy and waste recycling. These have been earmarked for job creation and cleaning for up the environment.

The cost of the service is as follows:

In-house

Cedarville	R73, 800 per annum
Maluti	R148, 500 per annum
Harry Gwala	R104, 500 per annum

Contractors

Kopano	R676,500 per annum
Matefloma	R555,500 per annum
Eyethu	R852,500 per annum

The operation and management of the municipal Landfill Site at R952, 907.76 per annum

Personnel

The approved organogram consists of a Manager: Solid Waste and Foreman, which are currently vacant. The management of the function is thus under the Roads and Stormwater Division. The remainder of the workforce consists of:

- 2 Drivers
- 6 general workers



- Variable number of temporary workers

The total cost to employer is R1, 008,846.75

Training

Two officials attended a course on Waste Management Training for Local Authorities in February 2009 which was presented by the Institute of Waste Management of South Africa.

Function:	Waste Management		
Sub Function:	Solid Waste		
Operational Report of Landfill site - Enviro-Fill			
		Average/month	Year Total
Volumes Received			
		Tonnes	Tonnes
Waste	General waste	279.8	3,357.90
	Garden Refuse	48.3	579.6
	Industrial Waste	34.1	409.6
	Building rubble	212.6	2,550.70
	Cover material	0	0.2
		Number	Number
Other	Tyres received	297	3,568
	Animal carcasses	6	73
		Tonnes	Tonnes
Cover used	Cover material	29.4	353.3
Usage			
		Number	Number
Site users	Number	743	8,916
		Hours	Hours
Plant used	Description		
	Compactor	87	1,048
Personnel	Designation	Number	
	Supervisor	1	
	Gate controller	1	
	Gen. worker	1	
	Security	1	
	Reclaimers	17	



ECONOMIC DEVELOPMENT PLANNING



GENERAL MANAGER: ECONOMIC AND DEVELOPMENT PLANNING
MS. K.E. KABI – NOMBUNGU

PLANNING AND DEVELOPMENT

Matatiele has a limited and almost non-existent industrial economy and there is a high dependency on primary economic activities. The predominantly rural nature of the area limits commercial and business development. Business activities in rural areas are confined to rural supply stores and general dealers. Commercial and business development in the area is confined to the urban centres of Matatiele and to a smaller extent Cedarville.

Matatiele is well vested with natural resources which have significant economic potential including;

- ⇒ Agriculture (crop production, fruit production, livestock farming)
- ⇒ Tourism (nature reserves, arts, crafts, scenery, wildlife, wetlands, cultural heritage)
- ⇒ Fishing (dams and rivers)
- ⇒ Forestry and value chain additions
- ⇒ Water resources for development.
- ⇒ Small scale mining

The area has potential for the development of SMME's as evidenced by the Municipality receiving a number of applications for business sites.

Small scale mining is presently restricted to sand mining and quarrying to supply the construction industry. There are deposits of slate, sandstone, nickel and lime that need to be further explored.

Development in the Municipal area is limited as a result of backlogs in social and economic infrastructure.

The Municipality is actively promoting local economic development and is in process of developing a Development Master Plan that will ensure that land can be availed for development which is suitable in terms of spatial and infrastructural development. The Matatiele Local Municipality does not have a LED strategy in place currently, but the Province has availed funds for the development of such a strategy within 2009/2010 financial year.



Tourist attractions include;

- ⇒ Spectacular mountain scenery
- ⇒ Maluti Hiking Trails
- ⇒ Tshisa Hot Springs
- ⇒ Wetlands (wild horses and bird life)
- ⇒ Trout-fishing
- ⇒ Ongeluksnek Nature Reserve (136km² and uninhabited) in the north west of the District, bordering Lesotho

The Municipality is developing the two nature reserves within its area namely the Ongeluksnek Nature Reserve which borders Lesotho and the Wilfred Bauer Nature reserve. Both these areas have been declared conservation areas and are of immense conservation interest and tourism potential. The areas are in process of being fenced and development will include a gateway office complex which will serve as an information centre, chalets, camping facilities, and an environmental education centre. Activities that will be encouraged will include birding, game watching and fishing.

Matatiele municipality has not developed a Spatial Development Framework for the demarcated municipal area known as EC144, established within the border of the Eastern Cape on 1 March 2006. An SDF exists for the towns of Matatiele and Cedarville, including the surrounding commercial farms, in as far as it relates to the former and now disestablished municipal area known as KZ5a3.

A Land Use Management System has been developed in respect of the area mentioned above.

In addition a draft Land Use Development Framework has being developed for the town of Matatiele and the development proposal was published for public comment.

LOCAL ECONOMIC DEVELOPMENT

The LED unit is functioning under the Economic Development and Planning Department. Currently, the unit does not have the strategy and a budget to assist Matatiele in Sustainable Economic Development, attract investors and market the municipality to contribute to Economic development.

1. LED STRATEGY

The Municipality is currently developing this strategy.

2. FUNDED PROJECTS BY LIMA

LIMA Assisted to establish projects in 9 municipal wards which resulted in 104 people being employed for each of the mentioned wards.

3. THE FOLLOWING PROJECTS WAS FUNDED BY:

THE DEPARTMENT OF SOCIAL DEVELOPMENT

- 3.1. Ntataise community programme R750,000.00
- 3.2. Department of Agriculture donated a tractor with implements worth R500,000.00 to ward 15.
- 3.3. Mphatlalatsane community development project R750,000.00 by Department of Social Development.
- 3.4. Mehloloaneng Development Association – R750,000.00
- 3.5. Ithemba Lomama Co-operative in ward 3 – R750,000.00



- 3.6. Khuthani Sinosizo Top-up funding – R350,000.00
- 3.7. Kuyasa Co-operative in Ward 20 – R500,000.00
- 3.8. Vingciphango Women Co-operative R500,000.00

DEPARTMENT OF TRADE AND INDUSTRY

- 3.9. Siyasebenza R500,000.00
- 3.10. Imiphumela Primary Co-operative – Tractor – R300,000.00

DEPARTMENT OF AGRICULTURE

Various projects are funded by the Comprehensive Agriculture Support Programme throughout the municipality.

Most projects funded by either the Department of Social Development or Department of Agriculture cannot be separated as departments have their own SDBIP's or programmes. Some project / co-operatives funded by Government Departments are not aligned to our IDP and are not known to the municipality.

4. REGISTRATION OF 38 CO-OPERATIVES

Co-operatives have been registered for various activities including manufacturing, agriculture (dairy, poultry, honey, and crops), arts and craft, brick making, mining, sewing, water purification and catering. The intent is to provide:

- Job Creation
- Access to finance
- Capacity Building

5. MONTHLY MONITORING OF STREET AND HAWKERS

Street trading is monitored from time to time / monthly with the assistance of Traffic Wardens. Municipal By-laws are silent about charges to businesses that violate the by-laws.

6. CHALLENGES IN L.E.D

- 6.1. Misuse of funds –
 - Ntataise Youth Project (Cedarville – Ward 21) - This project was funded R500,000.00 by the Department of Social Development
 - Mt Elephant - Ward 7 - This project was funded R500,000.00 by the Department of Social Development
- 6.2. Matatiele Micro-Centre -

Permission to occupy in this project is problematic as another project has been given permission to occupy the premises.
- 6.3. Application for land use –

Ward 19, 20 and part of ward 21, projects or co-operatives cannot access land in these three wards and they forfeit funding due to lack of land ownership.



NATURE RESERVES

MISSION

To conserve the natural and cultural heritage as well as the scenic beauty of the area for the socio-economic benefit, education and enjoyment of present and future generations in partnership with stakeholder

OBJECTIVES

Create a safe and secure environment for all Matatiele Nature Reserve visitors and staff .
Conserve and protect the cultural heritage of Matatiele Nature Reserve .
Establish and maintain effective partnerships with relevant stakeholders .
Ensure effective conservation and sustainable use of the biodiversity and landscape of Matatiele Nature Reserve.
Develop a resource utilisation policy as well as a tourism management and marketing plan for Matatiele Nature Reserve.
Implement research and monitoring programmes for decision-making in an active adaptive management approach.
Ensure the support and involvement of Matatiele Nature Reserve in the Maloti Drakensberg Transfrontier Conservation and Development Strategy.
Inculcate an appreciation and respect for our natural and cultural heritage, diverse cultures and fellow human beings through a process of education and engagement with the environment.

VELD MANAGEMENT

Law enforcement

Regular foot and vehicle patrol are conducted by Field Rangers.

- Nine (9) Hand Grenades were found in the town dam. The Matatiele SAPS was informed, after which the bomb squad was called to deal with the matter. The first three bombs (S.A. manufacture) were detonated at the dam and the latter were taken away.
- 21 illegal settlement/ houses were discovered in the reserve. The MNR management, DEDEA, local SAPS and Home Affairs has taken an initiative to remove these people from the area through conducting irregular “house” raiding.

Alien Plant Clearing

Removal of Alien *Acacia* species was conducted in November/ December period, creating 13 jobs opportunities for the local communities.

RESEARCH AND MONITORING

- Birding in and around borders of the reserve is conducted. The results have proven to be successful hence a number of rare and unique species have been identified and recorded.
- The SANBI facilitated Eastern Cape Implementation Committee (ECIC) affiliation with the Municipality/ MNR. It will help ensuring ongoing implementation and integration of bioregional plans and associated conservation and development programmes in the Eastern Cape, and to promote co-ordination and co-operation between agencies responsible for biodiversity and land-use management in the Province.
- Animal species count is done regularly
- .



- Table below gives three year illustrations

Animal species	2007	2008	2009
Blesbok	93	102	132
Blue Wildebeest	74 (40 CULLED)	32	32
Springbok	02	02	02
Common Reedbuck	08	14	18
Mountain Reedbuck	None observed	04	04
Baboon	None observed	Approx. 60	Approx. 60
Burchell's Zebra	03	02 (one died)	02

ECOTOURISM

- Angling - An amount of R 12 500 was spent on purchasing and transporting of two thousand (2 000) Trout hatchlings to Mountain Lake, as per annual stocking rate.
- Application of Financial tariffs for services rendered were approved by the MLM Council

Services rendered

- Trout Fishing
- Accommodation
- Birding
- Environmental Education

SPECIAL PROGRAMMES & PROJECTS

Perimeter Fence Construction

Department of Economic Development and Environmental Affairs (DEDEA) made R4 500 000 available for the construction of MNR boundary fence. The funding is from the province's Extended Public Works Programme (EPWP) co-managed with the department of Public Works. Prior to effecting the funding into Municipal system the Service Level Agreement (SLA) had to be co-signed with DEDEA.

Achievements:

- PSC has been formed. It comprises of Officials from relevant institutions, such as DEDEA, Public Works, ANDM, MLM (Senior Project Supervisor, MNR, EDP) and Stakeholder Liaison Forum members
- Survey of perimeter boundaries has been completed
- Community social facilitation was conducted in respective communities (Wards 06, 10, 17, 19 & 20).
- Orientation of labour force was conducted with DEDEA, Public Works, Social Facilitators and MNR management
- Life Skills and Fence Construction training and 100 people & the Senior Project Supervisor would be appointed in September 2009.



DISTRICT ENVIRONMENTAL MANAGEMENT FORUM (DEMF)

The National Department of Environmental Affairs and Tourism (DEAT), Alfred Nzo District Municipality, Regional Department of Economic Development and Environmental Affairs (DEDEA) and Environmental Health (EH) took the initiative to establish an Environmental Management Forum.

Training Courses

Field Rangers, MNR Liaison Forum and Regional DEDEA personnel attended the five -day Community Based Conservation course that was funded by MDTP.

Commonage

Clean and Green Project

In the month of June 2009, the Independent Development Trust (IDT) provided funding to Alfred Nzo District Municipality (ANDM). The funding was meant for cleaning and greening five major towns within the district, viz. Matatiele, Maluti, Cedarville, Mt Ayliff and Mt Frere.

The project was aimed using intensive labour force sourced from local unemployed communities.

The table below illustrates the personnel composition

Town	Ward	Number of people employed	Total
Mt Frere town	1. Ward 16	40 people	80 people
	2. Ward 18.	40 people	
Mt Ayliff town	Ward 07	40 people	40 people
Cedarville		20 people	20 people
Matatiele	Ward 20	30 people	60 people
	Ward 19	30 people	
Maluti	Ward 01	20 people	20 people

The rubbish that accumulates along the streets, parks, open spaces, etc was collected and transported to landfill sites with the help of Municipal waste disposal vehicle. Subsequent to cleaning, the teams proceeded to planting 130 indigenous trees along particularly “non-green” streets of each town.

Buyback Centre

The District Municipality has taken an initiative to introduce concept of collecting and recycling waste in the landfill sites. The process is championed by the Environmental Management section under the Economic Planning department. The aim of this programme is to try and reduce waste in the district and also to prolong the lifespan of the landfill sites since there will be few waste quantities that get buried in these landfill sites. The strategy will also assist in ensuring that ANDM does comply with air quality measures because there will be less burning activities in the landfill sites and at household level.

Fire Fighting Team

In June 2009, a team of 19 young local people was appointed to assist with veld fire management in the commonage during winter/ fire season. Their job was to burn fire breaks around Cedarville, Matatiele & Maluti, as well as to suppress accidental fires taking place.

This initiative was a call made from the office of the Acting Municipal Manager in response to non -performance of the Municipality in terms of disasters (veld fire) taking place in the



commonage. The Fire team's ability to perform their duties was witnessed and welcomed by all affected members of the community.

Erosion Control

DEDEA and Nature Reserve personnel took an initiative to conduct an erosion control experiment in the nature reserve. The aim of the exercise is to use old tyres from the landfill site and vehicle service establishments. Such material is packed orderly in the dongas with aim of catching silt flow during rainy season and hence rehabilitates the area.

The project is still in pilot stage. It is envisaged that, upon its success it will be introduced to other affected areas in the whole of Municipality.



New Entrance to Mountain Lake Reserve





BACK-COVER

