THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2012

General Information

Legal form of entity	District Municipality (DC19)
Mayoral committee	
Executive Mayor	Dr. BE Mzangwa - (Elected 1 June 2011)
Councillors	Ms SM Moleleki (Chief Whip)
	Mr M Maduna (Speaker)
	Mr CJ Makhoba
	Mr M Mamba
	Mr P Mavundla
	Ms M Majara
	Ms M Vilakazi
	Ms J Komako
	Mr MA Nhlapo
	Ms M Motloung
Grading of local authority	Grade 11
Accounting Officer	Matiro Rebecca Ellen Mogopodi (Resigned February 2012)
	TPM Lebenya (Acting Accounting Officer)
Chief Finance Officer (CFO)	Hopolang Lebusa
	Appointed - 1 October 2010
Registered office	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Auditors	The Auditor General

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

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Abbreviations

COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
CDF	Capital Development Fund
MEC	Member of Executive Council
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IT	Information Technology
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
LED	Local Economic Development
PIMSS	Planning Implementation Management Support Structures
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
RSC	Regional Service Council Levies
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Government of the Republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Takatso Philliant Maureen Lebenya
Accounting Officer

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Receivables from non- exchange transactions	4	93 551	1 967 533
Receivables from non-exchange transactions - RSC Levies	5	7 212	7 212
VAT receivable	6	3 187 245	3 692 560
Cash and cash equivalents	7	41 535 826	17 248 509
		44 823 834	**22 915 814**
Non-Current Assets			
Property, plant and equipment	8	2 037 942	1 919 770
Intangible assets	9	16 787	11 608
		2 054 729	**1 931 378**
Total Assets		**46 878 563**	**24 847 192**
Liabilities			
Current Liabilities			
Current portion of finance lease obligation	10	538 108	491 670
Operating lease liability		12 100	12 700
Payables from exchange transactions	11	24 727 690	27 685 847
Unspent conditional grants and receipts	12	1 066 722	1 354 671
		26 344 620	**29 544 888**
Non-Current Liabilities			
Current portion of finance lease obligation	10	141 836	679 945
Total Liabilities		**26 486 456**	**30 224 833**
Net Assets		**20 392 107**	**(5 377 641)**
Net Assets			
Accumulated surplus/(deficit)		20 392 107	(5 377 641)

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Government grants & subsidies	14	93 373 055	64 886 178
Sundry income		23 200	10 916
Interest received - investments	15	2 079 601	978 091
Total income		**95 475 856**	**65 875 185**
Expenditure			
Depreciation and amortisation		(2 522 025)	(707 502)
Impairment loss/ Reversal of impairments		(1 898 128)	-
Debt impairment		-	(221 586)
Finance costs	16	(69 540)	(155 196)
General expenses	17	(29 230 912)	(24 049 509)
Loss on disposal of assets		-	(23 628)
Repairs and maintenance		(1 443 621)	(999 551)
Remuneration of staff	18	(34 541 879)	(29 388 867)
Total Expenditure		**(69 706 105)**	**(55 545 839)**
Surplus for the year		**25 769 751**	**10 329 346**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/(deficit)	Total net assets
Balance at 01 July 2010	**(15 706 987)**	**(15 706 987)**
Changes in net assets		
Surplus/(deficit) for the period	10 329 346	10 329 346
Total changes	10 329 346	10 329 346
Balance at 01 July 2011	**(5 377 644)**	**(5 377 644)**
Changes in net assets		
Surplus/(deficit) for the period	25 769 751	25 769 751
Total changes	25 769 751	25 769 751
Balance at 30 June 2012	**20 392 107**	**20 392 107**

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Grants		93 085 106	64 886 178
Interest income received		2 079 601	978 091
Other receipts		22 610	10 916
		95 187 317	65 875 185
Payments			
Employee costs		(34 541 879)	(30 773 963)
Finance costs		(69 540)	(155 194)
Other payments		(33 045 892)	(27 089 365)
		(67 657 311)	(58 018 522)
Net cash flows from operating activities	21	**27 530 006**	**7 856 663**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(987 554)	(689 064)
Purchase of other intangible assets	9	(1 693 924)	(115 993)
Net cash flows from investing activities		**(2 681 478)**	**(805 057)**
Cash flows from financing activities			
Finance lease payments		(561 211)	(823 885)
Other non-cash item		-	90 498
Net cash flows from financing activities		**(561 211)**	**(733 387)**
Net increase/(decrease) in cash and cash equivalents		**24 287 317**	**6 318 219**
Cash and cash equivalents at the beginning of the year		17 248 509	10 930 290
Cash and cash equivalents at the end of the year	7	**41 535 826**	**17 248 509**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying the accounting policies that have the most significant effect on the amount recognised in the annual financial statements as well as assumptions and estimations uncertainties that have a significant risk of resulting in a material adjustments within the next financial year.

Receivables from non-exchange transactions

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Contingent provisions

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Impairment of receivables

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

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

Item	Average useful life
Property, plant and equipment	
• Plant and machinery	3 years
• Furniture and fixtures	7 years
• Motor vehicles	5 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

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

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

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

Item	**Useful life**
Computer software	3 years

intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Cash and cash equivalents
- Loans and receivables
- Financial liabilities measured at amortised cost

Accounting Policies

1.4 Financial instruments (continued)

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

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

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

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

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

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

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

Fair value determination

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

Impairment of financial assets

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

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

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

Impairment losses are recognised in surplus or deficit.

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

1.4 Financial instruments (continued)

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

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

Payables from exchange transactions

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

Cash and cash equivalents

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

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

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

Accounting Policies

1.4 Financial instruments (continued)

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

Financial liabilities

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

1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

Accounting Policies

1.6 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

1.7 Impairment of non-cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.9 Provisions and contingencies

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Accounting Policies

1.9 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.10 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Accounting Policies

1.10 Revenue from exchange transactions (continued)

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest received

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

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

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Accounting Policies

1.11 Cost of sales (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Unauthorised expenditure

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

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

Accounting Policies

1.14 Fruitless and wasteful expenditure

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

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

1.15 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

Accounting Policies

1.16 Use of estimates

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

1.17 Presentation of currency

These annual financial statements are presented in South African Rand.

1.18 Offsetting

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

1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

2. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

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

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

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

Anticipated impact on annual financial statements

GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

Due to the nature of the non-exchange revenue received by the municipality, the impact of implementing GRAP 23 is not expected to be significant.

GRAP 21: Impairment of non-cash-generating assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

Anticipated impact on the annual financial statements

No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 *Impairment of assets* and IPSAS 21 *Impairment of non cash-generating assets* applied by the municipality during the 2008/09 financial year.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.1 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard as indicated below.

GRAP 24: Presentation of Budget Information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

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Anticipated impact on annual financial statements

Although the municipality currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:
- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

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

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

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

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

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

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Available-for-sale	Total
Overpayments to councillors, managers and employees	93 551	-	93 551
Cash and cash equivalents	-	41 535 826	41 535 826
Vat receivables	3 187 245	-	3 187 245
Receivable from non-exchange transaction - RSC levies	7 212	-	7 212
	3 288 008	**41 535 826**	**44 823 834**

2011

	Loans and receivables	Available-for-sale	Total
Overpayments to councillors, managers and employees	1 967 533	-	1 967 533
Cash and cash equivalents	-	17 248 509	17 248 509
VAT receivable	3 692 560	-	3 692 560
Receivable from non-exchange transaction - RSC levies	7 212	-	7 212
	5 667 305	**17 248 509**	**22 915 814**

4. Receivables from non- exchange transactions

Operating lease prepayment	-	13 427
Sundry debtors	303 840	284 986
Suspense account - unidentified payment	304 143	304 143
Seconded councillor's salaries overpayment	1 784 288	1 784 288
Councillors over payments	109 436	126 818
Impairment provision	(2 408 156)	(546 129)
	93 551	**1 967 533**

Figures in Rand	2012	2011

4. Receivables from non- exchange transactions (continued)

Suspense account - unidentified payment

Payment relates to a transaction against the bank account and cashbook on the 14 May 2009. No supporting documentation can be traced to identify the nature and the depositors of this batch payment processed.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As of 30 June 2012, R 2 408 156 (2011: R 546 129) sundry receivables with a carrying amount of R2 501 707 (2011: R2 513 662) were impaired and provided for.

The ageing of these receivables are as follows:

3 to 6 months	48 154	19 200
Over 6 months	45 397	1 948 333

Reconciliation of impairment of receivables from non-exchange transactions

Opening balance	546 129	324 544
Impairment - current year	1 862 027	221 585
	2 408 156	**546 129**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

5. Receivables from non-exchange transactions - RSC Levies

RSC levies	49 087 074	49 087 074
Impairment	(49 079 862)	(49 079 862)
	7 212	**7 212**

Receivables from non-exchange transactions - RSC Levies impaired

As of 30 June 2012, receivables from non-exchange transactions - RSC levies with a carrying amount of

R 49 087 074 (2011: R 49 087 074) were impaired and provided for.

The amount of the provision was R - as of 30 June 2012 (2011: R 49 079 862).

The ageing of these loans is as follows:

Over 12 months	49 087 074	49 087 074

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

5. Receivables from non-exchange transactions - RSC Levies (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions - rsc levies

Opening balance	49 079 862	-
Provision for impairment	-	49 079 862
	49 079 862	**49 079 862**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

6. VAT receivable

VAT receivable	3 187 245	3 692 560

The municipality accounts for VAT on the payments basis.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 239 156	1 747 403
Short-term deposits	40 296 670	15 501 106
	41 535 826	**17 248 509**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA Bank - Cheque Account - 770-150-841	1 239 156	1 747 403	6 129 983	1 239 156	1 747 403	6 164 983
ABSA Bank - Call Account - 921-300-0832	613 747	613 131	610 492	613 747	613 131	610 492
ABSA Bank - Fixed Deposit Account - 206-206-4985	36 389 828	11 748 844	1 177 950	36 389 828	11 748 844	1 177 950
FNB Bank - Fixed Deposit Account - 712-773-340-226	3 293 095	3 139 131	2 976 864	3 293 095	3 139 131	2 976 864
Total	**41 535 826**	**17 248 509**	**10 895 289**	**41 535 826**	**17 248 509**	**10 930 289**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

8. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Furniture and fixtures	954 388	(339 012)	615 376	929 403	(205 475)	723 928
Motor vehicles	870 628	(870 628)	-	1 034 984	(828 662)	206 322
IT equipment	2 641 167	(1 218 603)	1 422 564	1 686 098	(696 578)	989 520
Non-current assets held for sale	2	-	2	-	-	-
Total	**4 466 185**	**(2 428 243)**	**2 037 942**	**3 650 485**	**(1 730 715)**	**1 919 770**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Classified as held for sale	Transfers to held for sale	Depreciation	Total
Furniture and fixtures	723 928	24 985	-	-	(133 537)	615 376
Motor vehicles	206 322	-	-	(29 879)	(176 443)	-
IT equipment	989 520	962 569	-	(6 225)	(523 300)	1 422 564
Non-current assets held for sale	-	-	2	-	-	2
	1 919 770	**987 554**	**2**	**(36 104)**	**(833 280)**	**2 037 942**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	563 553	272 000	(111 625)	723 928
Motor vehicles	413 177	-	(206 855)	206 322
IT equipment	846 100	417 064	(273 644)	989 520
	1 822 830	**689 064**	**(592 124)**	**1 919 770**

Other information

In the prior year the municipality disclosed their porperty, plant and equipment as well as intangible assets using directive 4. In the 2011/2012 annual financial statements the municpality made use of directive 7 to account for their property, plant and equipment and intangible assets in terms of GRAP 17 and GRAP 102. Below is a summary of the directive 7.

Directive 7
When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

9. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 826 330	(1 809 543)	16 787	132 406	(120 798)	11 608

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	11 608	1 693 924	(1 688 745)	16 787

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	16 413	115 993	(120 798)	11 608

Other information

In the prior year the municipality disclosed their porperty, plant and equipment as well as intangible assets using directive 4. In the 2011/2012 annual financial statements the municpality made use of directive 7 to account for their property, plant and equipment and intangible assets in terms of GRAP 17 and GRAP 102. Below is a summary of the directive 7.

Directive 7
When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

10. Current portion of finance lease obligation

Minimum lease payments due		
- within one year	642 194	561 211
- in second to fifth year inclusive	162 249	804 443
	804 443	1 365 654
less: future finance charges	(124 499)	(194 039)
Present value of minimum lease payments	**679 944**	**1 171 615**
Present value of minimum lease payments due		
- within one year	538 108	491 670
- in second to fifth year inclusive	141 836	679 945
	679 944	**1 171 615**
Non-current liabilities	141 836	679 945
Current liabilities	538 108	491 670
	679 944	**1 171 615**

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

The average lease term is between 3-5 years and the average effective borrowing rate was between 9% and 15.5% (2011: 10 to 15%).

Interest rates are linked to prime at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

11. Payables from exchange transactions

Accrued leave pay	2 365 974	2 415 442
Accrued bonus	782 682	1 107 594
Bank transactions oustanding at year end	1 152 791	-
Councillors pension funds	224 069	224 069
Councillors salaries under payments	5 535	5 535
Employee cost	496 395	-
Legal fees - RSC levies	16 725 354	17 073 255
South African Revenue Services - employees taxes	(183 393)	600 373
Trade payables	1 642 122	4 743 418
Unallocated deposits - RSC levies	1 516 161	1 516 161
	24 727 690	**27 685 847**

Unallocated deposits relates to RSC levies receipts received from unidentifed levy payers. These amounts are to be transferred to the municipal attorney to be held in trust until all legal matters pending between the RSC levy payers association and the municipality are resolved.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2012	2011
Department of Public Works Programme	961 000	-
COGTA - Finance support grant	-	566 855
Department of Transport - Rural Development	-	6 904
Municipal System Improvement Grant (MSIG)	105 722	-
Municipal Infrastructure Grant (MIG)	-	780 912
	1 066 722	**1 354 671**

Movement during the year

	2012	2011
Balance at the beginning of the year	1 354 671	3 993 705
Received during the year	5 001 000	2 113 599
Income recognition during the year	(4 501 133)	(3 752 633)
Deducted from Equitable share grant	(787 816)	(1 000 000)
	1 066 722	**1 354 671**

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have not been fulfilled and hence recognised in the annual financial statements as unspent conditional grants.

Significant decreases in the level of government grants received is as a result of the municipality no longer receiving Municipal Infrastructure Grants (MIG)

See note 14 for the reconciliation of other grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

13. Financial liabilities by category

The accounting policies for financial instruments have been applied to the column items below:

2012

	Financial liabilities at amortised cost	Total
Finance lease - non current	141 836	141 836
Finance lease - current	538 108	538 108
Other financial liabilities - current	1 066 722	1 066 722
Payables from exchange transactions	24 727 690	24 727 690
Operating leases	12 100	12 100
	26 486 456	**26 486 456**

2011

	Financial liabilities at amortised cost	Total
Finance lease - non current	679 945	679 945
Finance lease - current	491 670	491 670
Other financial liabilities - current	1 354 671	1 354 671
Payables from exchange transactions	27 685 847	27 685 847
Operating leases	12 700	12 700
	30 224 833	**30 224 833**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Government grants and subsidies

Equitable share	70 308 000	59 867 545
MIG Grant	-	740 923
Other government grants and subsidies	-	190 000
Department of Public Works Programme	-	266 000
Department of Transport	-	336 551
LG Seta skills development grant	152 595	173 599
Finance Management Grant	1 250 000	1 000 000
Municipal Systems Improvement Grant	684 278	878 415
COGTA Grant - Legal fees assistance	2 000 000	1 000 000
COGTA - Finance support grant	566 855	433 145
Motheo District Grant	17 623 511	-
Conditional grants deducted from equitable share	787 816	-
	93 373 055	**64 886 178**

MIG Grant

Balance unspent at beginning of year	780 911	1 521 834
Conditions met - transferred to revenue	-	(740 923)
Deducted from equitable share	(780 911)	-
	-	**780 911**

COGTA - Finance support grant

Balance unspent at beginning of year	566 855	1 000 000
Conditions met - transferred to revenue	(566 855)	(433 145)
	-	**566 855**

Department of Transport

Balance unspent at beginning of year	6 904	343 455
Conditions met - transferred to revenue	-	(336 551)
Deducted from equitable share	(6 904)	-
	-	**6 904**

Equitable shares

Amount receivable per DORA 2012	72 399 000	59 867 545
Amount actually received 2012	(70 308 000)	(59 867 545)
Deducted from outstanding conditional grants	(787 816)	-
Overdeduction on current year equitable share per DORA	(1 303 184)	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Government grants and subsidies (continued)

Department of Public Works Programme

Current-year receipts	961 000	266 000
Conditions met - transferred to revenue	-	(266 000)
	961 000	**-**

Conditions still to be met - remain liabilities (see note 12)

Financial Management Grant

Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 250 000)	(1 000 000)
	-	**-**

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	128 415
Current-year receipts	780 000	750 000
Conditions met - transferred to revenue	(674 278)	(878 415)
	105 722	**-**

Conditions still to be met - remain liabilities (see note 12)

COGTA - Legal support grant

Current-year receipts	2 000 000	1 000 000
Conditions met - transferred to revenue	(2 000 000)	(1 000 000)
	-	**-**

Industrial Development Corporation grant

Current-year receipts	-	190 000
Conditions met - transferred to revenue	-	(190 000)
	-	**-**

LG Seta - skills development grant

Current-year receipts	-	173 599
Conditions met - transferred to revenue	-	(173 599)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

14. Government grants and subsidies (continued)

Motheo District Grant

Current-year receipts	17 623 511	-
Conditions met - transferred to revenue	(17 623 511)	-
	-	**-**

15. Investment revenue

Finance income		
Bank	2 079 187	978 091
Interest on VAT deposit	414	-
	2 079 601	**978 091**

The amount included in Investment revenue arising from non-exchange transactions amounted to R 2 079 601.

16. Finance costs

Finance leases	69 540	155 196

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

17. General expenses

Advertising	539 855	218 912
Auditors remuneration	1 212 630	1 403 714
Bank charges	31 601	31 546
Capacity building councillors	-	237 085
Cleaning	349 904	330 708
Community development and training	-	654 614
Computer expenses	2 195 323	531 152
Conferences and delegations	-	10 000
Consulting and professional fees	4 315 189	5 875 700
District audit committee	25 102	48 056
District municipality community projects	1 403 662	-
Entertainment	209 251	251 989
Finalisation of creditable IDP	46 810	181 700
Grants and subsidies paid	13 476 302	-
Infrastructure project expenditure	468 315	1 077 364
Insurance	63 600	117 239
Lease rentals on operating lease	142 400	132 400
Magazines, books and periodicals	58 529	109 760
Marketing and promotions	359 373	352 889
Mayoral special projects	-	5 292 052
MFMA support program	334 932	-
Motor vehicle expenses	696 932	1 021 534
Policy development	-	1 352 355
Placement fees	1 120	108 549
Printing and stationery	325 885	192 056
Public participation	144 164	1 078 555
Royalties and license fees	12 418	-
Sampling of food and water	184 581	-
Security	208 333	500 000
Subscriptions and membership fees	12 649	240 959
Team building	-	190 680
Telephone and fax	1 022 739	446 246
Tourism development	18 800	41 360
Training	45 210	48 538
Travel and subsistence	1 325 303	1 971 797
	29 230 912	**24 049 509**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

18. Remuneration related costs

Basic	25 617 030	21 132 911
Bonus	794 979	1 117 136
Car allowance	4 358 315	3 528 717
Cellphone allowance	129 558	134 639
Housing benefits and allowances	318 454	951 974
Leave pay provision charge	(49 468)	(512 012)
Leave redemption	270 882	-
Long-service awards	-	25 108
Medical aid - company contributions	2 453 781	1 964 006
Other payroll levies	2 727	271 189
Overtime payments	12 571	-
SDL	284 433	233 008
Travel, motor car, accommodation, subsistence and other allowances	243 948	284 245
UIF contributions	104 669	257 946
	34 541 879	**29 388 867**

The above total remuneration cost includes the cost to company of officials and councillors for the period ended 30 June 2012.
The details of remuneration paid to councillors are disclosed in note 20.
Remuneration paid to key personnel are disclosed below.

Remuneration of former municipal manager - Mr. MP Moloi

Other	-	155 323
	-	**-**

Mr. MP Moloi terminated his services with the municipality on 30 September 2009.

Outstanding leave balance was paid to Mr. MP Moloi during the previous financial period in accordance to the Main Collective Agreement .

Remuneration of Acting Accounting Officer - Ms. TPM Lebenya

Annual Remuneration	465 476	520 616
Car Allowance	169 264	177 964
Contributions to UIF, Medical, Pension Funds and Skills Development	7 881	-
Travel, motor car, accommodation, subsistence and other allowances	41 440	20 594
Cellphone allowance	14 400	7 200
Acting allowance	38 119	-
	736 580	**726 374**

Figures in Rand	2012	2011

18. Remuneration related costs (continued)

Remuneration of manager Corporate Services - Ms. NF Malatjie

Annual Remuneration	434 779	355 370
Car allowance	129 666	97 249
Annual bonuses	33 993	20 969
Contributions to UIF, Medical, Pension Funds and Skills Development	113 321	-
Travel, motor car, accommodation, subsistence and other allowances	37 160	37 079
Acting allowance	-	67 092
	748 919	**577 759**

Ms. NF Malatjie employed as the Corporate Support Manager was appointed as the Acting Corporate Services Manager from 1 August 2009 to 30 September 2010

Remuneration of Supply Chain Manager - Ms. EN Mtimkulu

Annual Remuneration	432 712	454 351
Car allowance	-	21 611
Housing allowance	6 264	-
Annual bonuses	36 059	33 992
Contributions to UIF, Medical, Pension Funds and Skills Development	115 228	-
Cellphone	-	2 400
Acting allowance	-	48 248
Other	-	3 514
	590 263	**564 116**

Ms. EN Mtimkulu employed as the Supply Chain Manager at the municipality was appointed as the Acting Chief Financial Officer from 1 November 2009 to 30 September 2010.

Manager infrastructure - Mr. B Mphahlele

Annual Remuneration	432 712	408 589
Car Allowance	138 363	125 693
Contributions to UIF, Medical, Pension Funds and Skills Development	124 171	-
Cellphone	12 000	12 000
Annual bonuses	36 059	33 992
Travel, motor car, accommodation, subsistence and other allowances	50 369	90 148
Other	3 600	3 600
	797 274	**674 022**

Mr. B Mphahlele appointed as the manager of infrastructure was appointed as the Acting executive manager LED & Tourism on 1 May 2010 to 30 November 2010. No acting allowance is paid to him as he falls into the remuneration bracket of a full time executive manager.

Figures in Rand	2012	2011

18. Remuneration related costs (continued)

Remuneration of Acting executive manager Governance - Mr. T Motaung

Annual Remuneration	379 040	412 618
Car Allowance	119 976	128 978
Annual bonuses	31 264	29 472
Contributions to UIF, Medical, Pension Funds and Skills Development	6 609	-
Back pay	-	9 466
Travel, motor car, accommodation, subsistence and other allowances	52 620	108 675
Acting allowance	-	65 555
	589 509	**754 764**

Mr. T Motaung was appointed as the Acting executive manager Governance on 1 April 2010.

Former Municipal Manager - Ms. MRE Mogopodi

Annual Remuneration	439 989	620 214
Car Allowance	69 676	186 453
Housing allowance	40 142	46 573
Contributions to UIF, Medical, Pension Funds and Skills Development	132 472	30 000
Travel, motor car, accommodation, subsistence and other allowances	35 915	63 786
Leavepay	46 492	-
Cellphone	11 469	19 500
	776 155	**966 526**

Ms. MRE Mogopodi was appointed as the Municipal Manager and commenced her term of employment on the 14 June 2010. She resigned at the end of February 2012.

Remuneration of Chief Financial Officer - Mr. HI Lebusa

Annual Remuneration	572 100	402 408
Car Allowance	180 000	135 000
Housing allowance	47 900	35 925
Contributions to UIF, Medical, Pension Funds and Skills Development	9 281	-
Travel, motor car, accommodation, subsistence and other allowances	60 026	14 775
Cellphone	14 400	10 800
	883 707	**598 908**

Mr HI Lebusa was appointed as the Chief Financial Officer and commenced his term of office from 1 October 2010.

Figures in Rand	2012	2011

18. Remuneration related costs (continued)

Remuneration of executive manager Corporate Service - Ms P Moloi

Annual Remuneration	484 000	339 666
Car Allowance	156 000	117 000
Contributions to UIF, Medical, Pension Funds and Skills Development	92 019	60 001
Travel, motor car, accommodation, subsistence and other allowances	31 779	8 301
Cellphone	14 400	10 800
	778 198	**535 768**

Ms. P Moloi was appointed as the Executive manager Corporate Service and commenced her term of office from 1 October 2010.

Acting executive manager LED & Tourism - S Lengoabala

Annual Remuneration	-	286 590
Car Allowance	-	68 797
Performance and other bonuses	-	23 887
Acting allowance	-	115 335
Travel, motor car, accommodation, subsistence and other allowances	-	30 956
Cellphone	-	7 200
Other	-	17 514
	-	**550 279**

Mr. S Lengoabala manager in the Executive Mayor's office was appointed as the Acting executive manager LED & Tourism on 1 December 2010.

19. Remuneration of councillors

Executive Mayor - Her Majesty Queen Mathokoana	-	606 570
Executive Mayor - Dr BE Mzangwa	797 548	-
Mayoral Committee Members	3 911 645	4 037 649
Speaker - Ms. AM Nthedi	-	452 177
Councillors	1 977 414	1 578 055
Chief Whip - Mr. PH Motsoeneng	-	46 984
Seconded councillors overpayments - to be recovered	-	(196 668)
Speaker - Mr. MS Maduna	370 939	-
Chief Whip - Ms. MS Moleleki	534 009	-
	7 591 555	**6 524 767**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. The Executive Mayor, Deputy Executive Mayor, Speaker and Chief whip is provided with an office and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

20. Operating lease

Operating lease payments represents rentals payable by the municipality for the premises at 154 Cambridge Street, Bethlehem, Free State.

The lease was negotiated for a period of three years. The rentals escalate at 10% on an annual basis. Currently monthly rentals repayments are R13 794 including VAT.

The municipality has the option of renewing the lease for a further period of 3 years at the end of the current lease period on the same terms and conditions as the original lease agreement, at a rental to be agreed upon amongst the parties on termination of the current lease agreement. Should the lessee not give the lessor notice of his intention not to exercise the said option by registered post, not later than 6 months before expiry of the first period of the lease, the option will be deemed to have been automatically renewed on a month to month basis.

Operating lease payments represents rentals payable by the municipality for the mayoral vehicle leased from the Department of Roads and Transport.
The lease was negotiated for a period of three years. The daily and kilometer tariff is reviewed annually. The tariff charged to the Municipality will at all times be on standard tariff scales applicable to other government departments. Currently monthly rentals repayments are R33 203 including VAT.

21. Cash generated from operations

	2012	2011
Surplus	25 769 751	10 329 346
Adjustments for:		
Depreciation and amortisation	2 522 025	707 502
Loss of assets due to theft/disposal	-	23 628
Finance costs - Finance leases	69 540	155 196
Impairment deficit	1 898 128	-
Debt impairment	-	221 586
Movements in operating lease assets and accruals	(600)	3 400
Changes in working capital:		
Receivables from non- exchange transactions	11 955	334 777
Sundry debtors	-	(221 586)
Payables from exchange transactions	(2 958 159)	(8 170 083)
VAT receivable / payable	505 315	7 111 931
Unspent conditional grants and receipts	(287 949)	(2 639 034)
	27 530 006	**7 856 663**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Commitments

22.1 Commitments in respect of operating expenditure

Approved and contracted for- Budget rolled forward		
• Gravel Road - Hasethunya	2 660 802	787 057
• Upgrade Gravel Road - Rosendal	153 583	-
• Upgrade Gravel Road - Arlington	120 680	-
• Oxidation Ponds - Memel / Zamani	1 445 543	-
• Upgrade Gravel Road - Meqheleng	1 658 559	-
• Brick Block Project - Ladybrand	947 085	-
• Oxidation Ponds - Thaba Patchoa	1 805 000	-
• Installation - Solar Spotlights	8 892 526	-
	17 683 778	**787 057**

This committed expenditure relates to Infrastructure support in various areas and will be financed by available bank facilities.The project is expected to be completed by the 2nd quarter of the 2012/2013 financial period.

22.2 Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	434 736	141 900
- in second to fifth year inclusive	564 451	36 300
	999 187	**178 200**

23. Contingencies

RSC levy payers association vs Municipality

The municipality has a contingent liability of R50 million as a result of a legal dispute between the municipality and levy rate payers. The background and details of this contingent liability are provided below.

According to the now abolished RSC Levies Act all entities doing business within the jurisdiction of the District Municipality must pay levies to that municipality. This legislation was terminated on 30 June 2006, and the 13 555 levy payers had until 30 June 2008 to settle their outstanding levies.

During 2007/08, the municipality appointed Podbielski Mhlambi Inc attorneys to assist with the levies debt collection of the amount owed by rate payers. The RSC legislation stipulated that the amount to be recovered should be calculated as a percentage of the levy payer's revenue and salaries cost.

The total value of these levy debtors (both registered and unregistered) was originally estimated at R49 million before impairment (refer note 7).

Some of the levy rate payers opposed the method of calculation of the levies in court and the municipality lost the first case. The municipality is currently preparing its case for application for leave to appeal the previous Court judgment, which commenced in August 2010 and is still currently proceeding. Should the municipality be unsuccessful in their appeal, it is estimated that legal costs of R50 million will be payable to the attorneys acting for the levy payers. An accurate valuation and possible outcome cannot be determined due to the unique nature of the case.

23. Contingencies (continued)

Additional details on the legal fees incurred and paid to date as well as levy debtors recovered are provided below.

To date only R4,5 million was recovered from levy rate payers by Podbielski Mhlambi Inc and an additional R1.5 million was paid directly to the municipality. The total levy debtors amount recovered to date is therefore R6 million. The legal fee billed to date is R40 million of which R23,5 million has been paid to Podbielski Mhlambi Inc attorneys.

The reconciliation below shows the legal fees billed and paid and debt collection to date per financial year.

Financial year	Legal fees billed	Legal fees paid	Legal fees outstanding	Debt collection to date**
Prior 2009	21 976 005	(13 043 932)	8 932 073	3 178 053
2010	13 954 357	(6 500 000)	7 454 357	1 195 207
2011	4 648 786	(3 961 961)	686 825	221 930
2012	1 219 502	(2 000 000)	(780 498)	102 477
Total	41 798 650	(25 505 893)	16 292 757	4 697 667

***Debt collection to date excludes the additional amount of R1.5 million paid directly to the municipality (Refer note 11).*

The outstanding legal fees of R16 725 354 has been raised as a liability (refer note 11). The municipality estimates that a further R7 million in legal fees to its attorneys, Podbielski Mhlambu will be incurred to bring all the matters to completion.

It is estimated by Podbielski Mhlambu that the recovery process will be finalised by the end of 2012 pending the decision of the Supreme Court of Appeal.

MSMM Attorneys vs Municipality

The municipality has a contingent liability of R3 223 112 as a result of a legal dispute between the municipality and MSMM Attorneys. The background and details of this contingent liability are provided below.

MSMM attorneys have issued summons for an amount of R3 223 112 against the municipality. According to MSMM Attorneys this amount is for legal services they rendered for collecting outstanding levy debt for the municipality based on their arrangement with Thakangoaga Investment CC. The municipality has appointed Podbielki Mhlambi Inc attorneys to defend the matter.

When the legislation on RSC levies was terminated on 30 June 2006, the municipality appointed Thakangoaha Investments CC in November 2007 to identify the outstanding levy payers and recover the outstanding levies due to the municipality. For this purpose, Thakangoaha appointed MSMM Attorneys to take the necessary legal action against these outstanding levy payers. Thakangoaha was to receive R150 for each of the then 13 000 outstanding cases, and also 20% of the total amount to be recovered from the levy payers.

As at February 2008, in an attempt to recover outstanding levies, MSMM issued 6 000 summons to levy payers. The municipality received numerous counter claims from levy payers. According to levy payers, summons issued did not comply with legal requirements. The municipality then sought legal opinion, which confirmed that summons issued

Figures in Rand	2012	2011

23. Contingencies (continued)

did not comply with legal requirements.

MSMM Attorneys are now suing the municipality for not paying fees for legal services rendered by them based on instruction from Thakangoaha Investment CC. The municipality will defend this R3 223 112 claim by MSMM Attorneys based on legal advice received. It is expected that the court hearing for this matter will take place in 2012.

The municipality estimates to incur legal cost of R150 000 to defend the above matter.

Warden resident vs Municipality

The municipality has a contingent liability of R300 000 as a result of a legal dispute between the municipality and a Warden resident. The background and details of this contingent liability are provided below.

A Warden resident is suing the municipality for an amount of R300 000. The resident's house burnt down and he had no household insurance. There is no fire station in Warden, and therefore the resident had to phone the fire station in Harrismith. Warden is +/- 80km from Harrismith, the fire truck did not arrive in time to extinguish the fire and the house burned down. The damage to his house and household content is estimated to be R300 000. There are no details available about the cause of this fire.

The Warden resident is holding the municipality accountable for the loss of his house and the household content due to non existence of a fire station in Warden. According to the Warden resident, the municipality is responsible for providing disaster recovery services and they have failed to provide such a service to Warden residents. This matter will be proceeding to trial on the 31 July 2012.

The municipality estimates to incur R150 000 in legal cost to defend the above matter.

Infrastructure Finance Corporation vs Municipality

The municipality has a contingent liability of R1.8 million as a result of a legal dispute between the municipality and Infrastructure Finance Corporation. The background and details of this contingent liability are provided below.

The municipality purchased copiers from Nashua Bethlehem. Nashua Bethlehem erroneously made use of two financing houses to finance the purchase of these office machines. Subsequently the municipality paid both financing houses for these copiers. It was only after a year that they realised payments were being made in duplicate. The municipality stopped all payments (to both financing houses) after the fraudulent nature of the transaction was discovered.

Podbielski Mhlambi Inc was appointed by the municipality and identified that the one financing house produced falsified documentation. The copiers delivered to the municipality also differed from the goods purchased as per the supporting documentation. It was later determined that the goods delivered were stolen goods.

The Municipality instructed its attorney to recover the overpayment from the financing house and it was established that they have been liquidated. The Municipality's attorney advised the municipality not to attempt recovering the over payments as there were no sufficient funds available in the estate.

Infrastructure Finance Corporation is suing the municipality for the outstanding payments, which amount to R2 million.

The Municipality is currently defending the matter in the Free State High Court. It's expected that it will probably proceed to trial towards the end of 2012. It is expected that a further R200 000 legal costs will be incurred to bring

Figures in Rand	2012	2011

23. Contingencies (continued)

this matter to completion.

Thakangoaha Investments vs Municipality

Thakangoaha Investments was originally awarded the tender relating to the collection of outstanding RSC levies in 2006/2007. Due to the unsuccessful attempts at collection of levies, incorrect legal practices followed and the legal nature of the RSC levies matter, the municipality had to terminate their contract and appoint Phodbielski Mhlambi Law Firm to correct the unlawful and unsuccessful attempts at collection made by Thakangoaha Investments and to proceed to defend the RSC levies matter in court.

Thakangoaha issued summon against the Municipality for an amount of R2 715 000 including interest and cost. The Municipality at that time failed to defend the matter. When the Deputy Sheriff attached the Municipality's property as a result of the judgement, the Municipality instructed Podbielski Mhlamni to apply for a Rescission of Judgement.

This application was processed and the matter placed on the court role.

The municipality has also filed a counter claim of R2 000 000 against Thakangoaha investments.

The expected legal cost to be incurred to finalise this matter which is expected to be towards the end of 2012 is R150 000.

Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.

The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	Guarantee amount
Mazibuko Mwelase	25/05/2005	17 000
Mollo Ngobese	22/03/2006	17 000
Motloung Mohoabadi	04/10/2006	17 000
Moloi Khesa	25/05/2005	17 000
Motloung Sylvia	30/01/2007	17 000
Moloi Materonko	08/10/2002	13 000
Mthombeni Sthembiso	01/10/2004	14 000
Dusse Ronald	01/07/2006	17 000
Majoro Matsiliso	01/07/2006	17 000
Swart Pierre	01/07/2006	17 000
Viljoen Johannes	01/07/2006	17 000
Du toit Pieter	01/07/2006	17 000

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

23. Contingencies (continued)

Malan M.P	01/07/2006	17 000
Oosthuizen Corrie	01/07/2006	17 000
Mani Koahela	01/07/2009	17 000
	Total guarantees issued	248 000

24. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Details of loans, together with the conditions thereof, granted prior to this date are disclosed below.

There were no related parties for the current financial year.

25. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risk, market risk, credit risk and liquidity risk.

Credit risk

Credit risk consist mainly of cash deposits, cash equivalent, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets which expose the economic entity to credit risk at year end were as follows:

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

25. Risk management (continued)

Financial instrument	2012	2011
ABSA Bank - Cheque account	1 239 516	1 747 403
ABSA Bank - Call account	613 746	613 131
ABSA Bank - Fixed deposit	36 389 828	11 748 844
First National Bank - Fixed deposit	3 293 295	3 139 131

These balances represent the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	24 739 790	-	-	-
Gross finance lease obligations	531 108	141 836	-	-
Other current liabilities	1 066 722	-	-	-

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchanges transactions	27 698 547	-	-	-
Gross finance lease obligations	491 670	538 108	141 836	-
Other current liabilities	1 367 371	-	-	-

Interest rate risk

The municipality's interest rate risk arises from finance lease liabilities. Finance leases issued at variable rates expose the municipality to cash flow interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rates were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance leases	8,50 %	538 108	141 836	-	-	-

26. Going concern

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

27. Events after the reporting date

The were no material events to report after balance sheet date.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

28. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	31 919 235
Approval by Council or Condoned	-	(31 919 235)
	-	**-**

Management performed a review of transactions and identified the above to be unauthorised expenditure in accordance to the guidelines set per Chapter 1 of the MFMA.

Upon the recommendation of an appointed council committee, council had condone the unauthorsied expenditure awaiting council's approval reflected above on 29 September 2011.

29. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	1 263 201	4 865 799
Fruitless and wasteful expenditure - current year	60 078	29 947
Fruitless and wasteful expenditure condoned	-	(3 632 545)
	1 323 279	**1 263 201**

Management performed a review of transactions and identified the above to be fruitless and wasteful expenditure.

A special Council Committe was elected to address the fruitless and wasteful expenditure identified by management. Upon the recommendation of the council committee, council condone the above fruitless and wasteful expenditure on 29 September 2011.

Fruitless and wastefull expenditure for the current period consists of penalties and interest on Employee taxes submitted late for the 2012/01 period. Declaration was made in time, but payment was only made on 10 February 2012.

30. Irregular expenditure

Opening balance	40 356 093	188 224 154
Irregular Expenditure - current year	2 227 188	8 233 930
Transfer to receivables for recovery - current period not condoned	-	196 668
Irregular expenditure condoned	-	(103 446 583)
Incorrect classification of irregular expenditure - prior periods	-	(52 852 076)
	42 583 281	**40 356 093**

During managements analysis of the prior years irregular expenditure disclosed, it was identifed that expenditure totalling R52 852 076 was erroneously disclosed as irregular expenditure. The expenditure identified do not meet the definitions of irregular expenditure as prescribed by the MFMA.

A council committe was established to analyse irregular expenditure incurred, upon the reccomodations provided by the commitee to council, a council resloution was passed on 29 September 2011 condoning irregular expenditure stated above as waiting to be condone.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

30. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Details	
Procurement of legal services	Deviation from procurement process	2 227 188

Details of irregular expenditure - prior period

	Details	
Tansactions with less then three quotations	Non compliance to supply chain management policy	1 682 230
Procurement of accomodation without the required three quotations	Non compliance to supply chain management policy	451 585
Procurement of advertising with one quotation	Non compliance to supply chain management policy	290 725
Procurement of contratced services without signed contracts	Non compliance to supply chain management policy	747 076
Suppliers without valid tax clearance certificates	Deviation from procurement guidelines	414 700
Goods and services procured not advertised	Non compliance to supply chain management policy	1 071 960
Procurement of legal services	Deviation from procurement process	3 575 654
Overpayment of councilors salaries	Deviation from Treasury guidelines	196 668
		8 430 598

Details of irregular expenditure recoverable not condoned

Overpayment of councilors salaries 2011	196 668

31. Presentation of budget information

31.1 Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2012	2011
Net surplus per the statement of financial performance	25 769 751	10 329 346
Adjusted for:		
Loss on disposal of assets	-	23 628
Net surplus per approved budget	**25 769 751**	**10 352 974**

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2012	2011
Opening balance	213 319	212 984
Current year subscription / fee	400 000	213 319
Amount paid - previous years	(213 319)	(212 984)
	400 000	**213 319**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

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

Material losses through criminal conduct

The municipality incurred no material losses through criminal conduct during the reporting period.

There was however an incident of alleged fraud. The case is currently still being investigated by the SAPD and therefore no further information can be given.

Audit fees

Opening balance	3 801	69 205
Prior year fees	1 212 630	1 403 714
Amount paid - previous years	(1 214 315)	(1 469 118)
	2 116	**3 801**

PAYE and UIF

Opening balance	237 134	4 307 217
Current year subscription / fee	5 928 306	5 306 031
Amount paid - current year	(5 928 306)	(5 306 031)
Amount paid - previous years	(420 527)	(4 070 083)
	(183 393)	**237 134**

Additional text

Pension and Medical Aid Deductions

Opening balance	-	142 507
Current year subscription / fee	7 267 962	5 674 917
Amount paid - current year	(7 267 962)	(5 674 917)
Amount paid - previous years	-	(142 507)
	-	**-**

VAT

VAT receivable	3 187 245	3 692 560

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been submitted to council to be condoned.

Incident		
Rental of Executive Mayoral vehicle	-	630 107
Procurement of Water Tanker Truck - Setsoto Local Municipality support	-	787 287
	-	**1 417 394**

33. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

34. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

35. Municipal office occupation

The Municipal head office situated at 1 Mampoi Street, Old Parliament Building, Witsieshoek is leased from the Free State Department of Public Works for no rental consideration.

36. Prior period errors

As a result of the erroneous addition journals processed in the 2009 Financial year, leased asset liabilities were provided with the inclusion of VAT, thus overstating the liability. The correction resulted in the restatement of the prior year figures of the leases liability and VAT.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Current lease liability	-	79 889
Non-current lease liability	-	110 480
Accruad finance lease charges	-	10 027
Vat receivables overstated due lease liability overstatement	-	(316 830)
SARS UIF understated liability	-	-
Total changes to Accumulated Surplus or Deficit	**-**	**(116 434)**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix A
June 2012

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Kyocera KM C2525E full colour copier	L02.01		122 355	-	51 346	71 009	18 304	-
Kyocera KM C2525E full colour copier	L02.02		155 133	-	65 102	90 031	18 304	-
Kyocera KM C3232 full colour copier	L02.03		168 739	-	70 812	97 927	16 171	-
Riso HC 5500	L02.04		314 569	-	132 009	182 560	47 004	-
Riso HC 5500	L02.05		314 569	-	132 009	182 560	47 004	-
Kyocera KM3060	L02.06		83 442	-	35 018	48 424	13 796	-
Samsung CLX3160FN Multi functional copier	L02.07		12 808	-	5 375	7 433	-	-
			1 171 615	**-**	**491 671**	**679 944**	**160 583**	**-**
Total external loans								
Lease liability			1 171 615	-	491 671	679 944	160 583	-
			1 171 615	**-**	**491 671**	**679 944**	**160 583**	**-**

Appendix B
June 2012

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
General vehicles	1 034 984	-	(164 356)	-	-	-	**870 628**	(828 662)	134 477	-	(176 443)	-	**(870 628)**	-
Furniture & Fittings	929 403	24 985	-	-	-	-	**954 388**	(205 475)	-	-	(133 537)	-	**(339 012)**	615 376
Office Equipment	1 686 098	962 569	(7 500)	-	-	-	**2 641 167**	(696 578)	1 275	-	(523 300)	-	**(1 218 603)**	1 422 564
Non-current assets held for sale	-	-	-	2	-	-	**2**	-	-	-	-	-	**-**	2
	3 650 485	**987 554**	**(171 856)**	**2**	**-**	**-**	**4 466 185**	**(1 730 715)**	**135 752**	**-**	**(833 280)**	**-**	**(2 428 243)**	**2 037 942**
Total property plant and equipment														
Other assets	3 650 485	987 554	(171 856)	2	-	-	**4 466 185**	(1 730 715)	135 752	-	(833 280)	-	**(2 428 243)**	2 037 942
	3 650 485	**987 554**	**(171 856)**	**2**	**-**	**-**	**4 466 185**	**(1 730 715)**	**135 752**	**-**	**(833 280)**	**-**	**(2 428 243)**	**2 037 942**
Intangible assets														
Computers - software & programming	132 406	1 693 924	-	-	-	-	**1 826 330**	(120 798)	-	-	(1 688 745)	-	**(1 809 543)**	16 787
	132 406	**1 693 924**	**-**	**-**	**-**	**-**	**1 826 330**	**(120 798)**	**-**	**-**	**(1 688 745)**	**-**	**(1 809 543)**	**16 787**
Total														
Other assets	3 650 485	987 554	(171 856)	2	-	-	**4 466 185**	(1 730 715)	135 752	-	(833 280)	-	**(2 428 243)**	2 037 942
Intangible assets	132 406	1 693 924	-	-	-	-	**1 826 330**	(120 798)	-	-	(1 688 745)	-	**(1 809 543)**	16 787
	3 782 891	**2 681 478**	**(171 856)**	**2**	**-**	**-**	**6 292 515**	**(1 851 513)**	**135 752**	**-**	**(2 522 025)**	**-**	**(4 237 786)**	**2 054 729**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix C
June 2012

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Corporate services	1 622 051	-	(164 356)	-	-	**-**	**1 457 695**	(1 097 492)	134 477	-	(289 399)	-	**(1 252 414)**	205 281
Enviromental health	48 708	52 550	-	-	-	**-**	**101 258**	(14 793)	-	-	(19 028)	-	**(33 821)**	67 437
Finance	544 417	817 565	(7 500)	-	-	**-**	**1 354 482**	(108 438)	1 277	-	(242 432)	-	**(349 593)**	1 004 889
Local economic development and tourism	36 987	7 500	-	-	-	**-**	**44 487**	(8 441)	-	-	(7 187)	-	**(15 628)**	28 859
Mayco and Council	246 871	15 000	-	-	-	**-**	**261 871**	(108 132)	-	-	(45 617)	-	**(153 749)**	108 122
Office of Municipal Manager	210 588	7 500	-	-	-	**-**	**218 088**	(77 194)	-	-	(37 708)	-	**(114 902)**	103 186
Office of Executive Mayor	334 068	27 390	-	-	-	**-**	**361 458**	(91 693)	-	-	(73 240)	-	**(164 933)**	196 525
Office of the Speaker	105 721	-	-	-	-	**-**	**105 721**	(46 228)	-	-	(18 856)	-	**(65 084)**	40 637
Pimms	25 189	30 000	-	-	-	**-**	**55 189**	(5 623)	-	-	(9 947)	-	**(15 570)**	39 619
Planning, Policy and Strategy	25 304	-	-	-	-	**-**	**25 304**	(5 106)	-	-	(4 041)	-	**(9 147)**	16 157
Technical services	414 646	30 050	-	-	-	**-**	**444 696**	(157 314)	-	-	(80 697)	-	**(238 011)**	206 685
Whippery office	35 935	-	-	-	-	**-**	**35 935**	(10 260)	-	-	(5 130)	-	**(15 390)**	20 545
	3 650 485	**987 555**	**(171 856)**	**-**	**-**	**-**	**4 466 184**	**(1 730 714)**	**135 754**	**-**	**(833 282)**	**-**	**(2 428 242)**	**2 037 942**
Municipal Owned Entities														
Total														
Municipality	3 650 485	987 555	(171 856)	-	-	**-**	**4 466 184**	(1 730 714)	135 754	-	(833 282)	-	**(2 428 242)**	2 037 942
	3 650 485	**987 555**	**(171 856)**	**-**	**-**	**-**	**4 466 184**	**(1 730 714)**	**135 754**	**-**	**(833 282)**	**-**	**(2 428 242)**	**2 037 942**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix D
June 2012

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
			Municipal Owned Entities			
			Other charges			

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2011 Act. Bal. Rand	Current year 2011 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Government grants & subsidies	93 373 055	94 182 511	(809 456)	(0,9)	
Other income 3	23 200	-	23 200	-	
Interest received - investment	2 079 601	10 578 083	(8 498 482)	(80,3)	
	95 475 856	104 760 594	(9 284 738)	(8,9)	
Expenses					
Personnel	(34 541 879)	(35 145 887)	604 008	(1,7)	
Depreciation	(833 280)	-	(833 280)	-	
Amortisation	(1 688 745)	-	(1 688 745)	-	
Impairments	(1 898 128)	-	(1 898 128)	-	
Finance costs	(69 540)	-	(69 540)	-	
Debt impairment	-	-	-	-	
Repairs and maintenance - General	(1 443 621)	(1 571 872)	128 251	(8,2)	
Contracted Services	-	(3 151 929)	3 151 929	(100,0)	
Grants and subsidies paid	-	(33 987 050)	33 987 050	(100,0)	
General Expenses	(29 230 913)	(32 618 496)	3 387 583	(10,4)	
	(69 706 106)	(106 475 234)	36 769 128	(34,5)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
	-	-	-	-	
Net surplus/ (deficit) for the year	25 769 750	(1 714 640)	27 484 390	602,9)	

Budget Analysis of Capital Expenditure as at 30 June 2012

	Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Enviromental health	52 550	-	(52 550)	-	
Finance	817 565	-	(817 565)	-	
Local economic development andtourism	7 500	-	(7 500)	-	
Mayco and Council	15 000	-	(15 000)	-	
Office of Municipal Manager	7 500	-	(7 500)	-	
Office of Executive Mayor	27 390	-	(27 390)	-	
Pimms	30 000	-	(30 000)	-	
Technical services	30 050	-	(30 050)	-	
	987 555	**-**	**(987 555)**	**-**	

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts	Quarterly Expenditure	Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds
		Jun	Jun	Jun	
COGTA Finance Management Grant	Department of Corporative Governance and Traditional Affairs	-	566 855	-	
Municipal Infrastructure Grant	Department of Corporative Governance and Traditional Affairs	-	-	-	
Department of Transport - Rural Development	Department of Transport	-	-	-	
EPWP Grant	Department of Public Works	961 000	-	961 000	To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme guidelines.
Municipal Systems Improvement Grant	Department of Corporative Governance and Traditional Affairs	790 000	684 728	105 722	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.
Financial Management Grant	Department of Treasury	1 250 000	-	-	
Equitable share	Department of Treasury	70 308 000	-	-	
COGTA Legal Costs Grant	Department of Corporative Governance and Traditional Affairs	2 000 000	-	-	
Motheo District Municipality Dissolution	Motheo District Municipality	17 623 511	-	-	
Skills Development Grantv	Department of labour	152 595	-	-	
		93 085 106	1 251 583	1 066 722	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.