



Metsimaholo Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2012

Auditor General

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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### Mayoral Committee

Services delivery

### Executive Mayor

BT Mahklaku

### Speaker

S Z Matena

### Council Whip

Ms T L Soetsang

Ms S Moreki

L S Semonyo

L S Lempe

Ms N J Kubheka

Ms A N Radebe

M W Khonto

Ms S L Tshongwe

K T Mabasa

### Councillors

Ms M A Tamane

M D Nthebe

M S Poho

D N Motloun

Ms M N Sejaki

T E Mosia

Ms S S Mofokeng

Ms S B Khunou

Ms J M Phepheng-Lelahla

J D Viljoen

J J Grobbelaar

H J Moolman

Ms M C van der Walt

D M Oswald

Ms A K Mare

Ms N L Mdola

L R Chebase

M J Msimanga

Ms D E Mokoena

S I Ramathesele

F C Coetzer

J J Geyser

T J Mofokeng

Ms S Holt

M F Machaea

V J Maseko

P J Mahlangu

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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	M G Ntoane J du Plessis Ms M M Mosia T du Toit Late Ms S C Phoofolo ( Nov. 2011 )
<b>Grading of local authority</b>	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001,published in terms of the Remuneration of Public Office Bearers Act,1998 Sasolburg Vaalpark Zamdela Deneysville Refengkgotso Oranjeville Metsimaholo
<b>Accounting Officer</b>	X W Msweli
<b>Acting Accounting Officer</b>	R Thekiso (November 2011 till date)
<b>Chief Finance Officer (CFO)</b>	Ms M E Mokoena
<b>Registered office</b>	Civic Centre Fichard Street Sasolburg 1947
<b>Business address</b>	Civic Centre Fichard Street Sasolburg 1947
<b>Postal address</b>	P. O Box 60 Sasolburg 1947
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General
<b>Attorneys</b>	Kamate Attorneys

# **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **General Information**

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Lebea and Associates Attorneys

Majavu Incorporated

Melato Attorneys

Mollenaar & Griffiths

Ndobela Attorneys

Nkaiseng Attorneys

Skinner and Lodewyckx

Moraka Attorneys

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

<b>Contents</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash flow statement	9
Accounting Policies	10 - 40
Notes to the Annual Financial Statements	41 - 129
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	131
Appendix C: Segmental analysis of Property, Plant and Equipment	137
Appendix D: Segmental Statement of Financial Performance	139
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	141
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	144
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	145

## Abbreviations

GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

### **Accounting Officer's Responsibilities and Approval**

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are 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 officers 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 officers are 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 officers have 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, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 6 to 129, 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:

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**R Thekiso (November 2011 till date)**  
Acting Accounting Officer

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**Ms M E Mokoena**  
Chief Financial Officer

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

	Note(s)	2012 R	2011 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	25,326,980	60,927,370
Other Financial Assets	5	16,270,580	11,490,498
Receivables from exchange transactions	9	17,171,996	12,279,584
VAT receivable		3,694,278	-
Trade and receivables from exchange transactions	10	91,023,393	95,403,199
Cash and cash equivalents	11	7,675,888	35,194,673
		<b>161,163,115</b>	<b>215,295,324</b>
<b>Non-Current Assets</b>			
Investment property	2	79,024,762	43,724,480
Property, plant and equipment	3	779,894,211	791,548,953
Intangible assets	4	19,574	39,149
Other Financial Assets	5	127,111	12,631,857
		<b>859,065,658</b>	<b>847,944,439</b>
<b>Total Assets</b>		<b>1,020,228,773</b>	<b>1,063,239,763</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	12	9,209,342	15,631,204
Operating lease liability		389,364	-
Payables from exchange transactions	15	118,116,046	79,651,083
VAT payable	16	-	10,254,403
Consumer deposits	17	10,647,537	9,558,303
Conditional grants and receipts	13	7,403,812	11,759,861
		<b>145,766,101</b>	<b>126,854,854</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	12	-	9,209,342
Provisions Employee Benefits	14	40,956,506	34,775,962
		<b>40,956,506</b>	<b>43,985,304</b>
<b>Total Liabilities</b>		<b>186,722,607</b>	<b>170,840,158</b>
<b>Net Assets</b>		<b>833,506,166</b>	<b>892,399,605</b>
<b>Net Assets</b>			
Accumulated surplus		833,506,166	892,399,605

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

	Note(s)	2012 R	2011 R
<b>Revenue</b>			
Property rates	19	86,651,879	77,042,782
Service charges	20	325,092,050	295,220,682
Rental of facilities and equipment		4,256,977	4,854,695
Interest received (trading)		17,799,107	12,505,443
Fines		4,433,972	4,373,253
Licences and permits		66,438	73,412
Government grants & subsidies	21	139,476,992	124,310,460
Other income	23	9,874,271	9,031,507
Interest received - investment	27	59,064	52,249
Interest received - other	27	2,357,394	5,883,582
<b>Total Revenue</b>		<b>590,068,144</b>	<b>533,348,065</b>
<b>Expenditure</b>			
Personnel	25	(158,580,313)	(140,177,545)
Remuneration of councillors	26	(11,916,113)	(9,737,272)
Depreciation and amortisation	29	(62,710,639)	(67,359,486)
Finance costs	30	(3,311,947)	(4,644,685)
Debt impairment	52	(79,875,482)	(10,231,347)
Repairs and maintenance		(24,373,311)	(26,485,918)
Bulk purchases	35	(204,380,714)	(160,853,892)
Contracted services	33	(15,953,432)	(12,308,986)
Grants and subsidies paid	34	(17,690,156)	(15,409,288)
General Expenses	24	(64,109,888)	(48,838,825)
<b>Total Expenditure</b>		<b>(642,901,995)</b>	<b>(496,047,244)</b>
Loss on disposal of assets and liabilities		(409,000)	(5,042,939)
Actuarial Loss		(4,493,594)	(4,024,015)
Fair value adjustments	28	(1,967,529)	(1,926,178)
Gain on disposal of property, plant and equipment		350,803	2,529,856
Surplus on inventory		165,577	139,662
Loss on inventory		(83,465)	(128,398)
Fair value of Shares		377,633	216,712
<b>(Deficit) surplus for the year</b>		<b>(58,893,426)</b>	<b>29,065,521</b>



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	851,856,287	851,856,287
Adjustments		
Correction of prior period error	11,477,797	11,477,797
<b>Balance at 01 July 2010 as restated</b>	<b>863,334,084</b>	<b>863,334,084</b>
Changes in net assets		
Surplus/(deficit) for the period	29,065,521	29,065,521
Total changes	29,065,521	29,065,521
<b>Balance at 01 July 2011</b>	<b>892,399,592</b>	<b>892,399,592</b>
Changes in net assets		
Surplus/(deficit) for the period	(58,893,426)	(58,893,426)
Total changes	(58,893,426)	(58,893,426)
<b>Balance at 30 June 2012</b>	<b>833,506,166</b>	<b>833,506,166</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Cash flow statement

	Note(s)	2012 R	2011 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		77,986,691	73,365,834
Sale of goods and services		319,473,499	290,066,410
Grants		93,615,650	83,228,330
Interest income received		2,416,458	4,444,852
Other receipts		69,520,042	58,129,049
		563,012,340	509,234,475
<b>Payments</b>			
Employee costs		(171,489,659)	(152,030,151)
Suppliers		(319,975,565)	(263,337,025)
Finance costs		(814,839)	(312,348)
Other payments		(4,007,920)	(6,760,261)
		(496,287,983)	(422,439,785)
<b>Net cash flows from operating activities</b>	36	<b>66,724,357</b>	<b>86,794,690</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(51,036,320)	(44,303,984)
Purchase of investment property	2	(35,300,282)	-
Net movement in financial assets		7,724,664	1,634,555
<b>Net cash flows from investing activities</b>		<b>(78,611,938)</b>	<b>(42,669,429)</b>
<b>Cash flows from financing activities</b>			
Repayment of other current financial liabilities		-	(1,229,736)
Finance lease payments		(15,631,204)	(16,373,738)
<b>Net cash flows from financing activities</b>		<b>(15,631,204)</b>	<b>(17,603,474)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(27,518,785)</b>	<b>26,521,787</b>
Cash and cash equivalents at the beginning of the year		35,194,673	8,672,886
<b>Cash and cash equivalents at the end of the year</b>	11	<b>7,675,888</b>	<b>35,194,673</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of annual financial statements

Metsimaholo ("the economic entity") is a local government institution in Sasolburg within the Fezile Dabi District. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

#### 1.1. Presentation of annual financial statements

#### 1.2 Statement of compliance

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 in accordance with Section 122(3) of the Municipal Finance Management Act, (Act no 56 of 2003). They are presented in South African Rand.

These accounting policies are consistent with the previous period.

#### 1.3 Going concern assumption

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

#### 1.4 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

#### 1.5 Offsetting

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

#### 1.6 Use of estimates and judgements

The preparation of 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 and associated assumptions are based on management's best knowledge of current events and actions they may undertake in future, actual results may differ from these estimates.

#### 1.7 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.

## **Accounting Policies**

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### **1.7 Property, plant and equipment (continued)**

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 bringing 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) of 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.

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.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at a cost less accumulated depreciation less subsequent accumulated impairment losses.

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**Accounting Policies**

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**1.7 Property, plant and equipment (continued)**

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period.

The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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
Roads	1 - 50 years
Electricity	1 - 50 years
Water	1 - 55 years
Sewerage	1 - 55 years
Housing	30 years
Buildings	30 years
Recreational facilities	20 - 30 years
Specialist vehicles	10 years
Other vehicles	3 - 20 years
Office equipment	3 - 5 years
Furniture and fittings	3 - 7 years
Bins and containers	5 - 10 years
Specialised plant and equipment	5 - 15 years
Other items of plant and equipment	2 - 5 years

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**Accounting Policies**

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**1.7 Property, plant and equipment (continued)**

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.

The residual value on all assets are zero except for the following assets:

Item	Residual Value
Motor Vehicles	10%
Trucks/LDV	10%
Graders	10%
Tractors	10%

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.

**1.8 Heritage assets****Recognition and initial measurement**

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as "inalienable items" meaning that assets which are retained indefinitely by the municipality and cannot be disposed of without consent as required by law or otherwise.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

## **Accounting Policies**

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### **1.8 Heritage assets (continued)**

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

Subsequent measurement

Cost model

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

Revaluation model

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Depreciation

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

Derecognition

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.9 Intangible assets**

Initial recognition

Metsimaholo Local Municipality classifies assets that are non-monetary without physical substance as intangible assets. When software is not an integral part of the related hardware, computer software is treated as an intangible asset; otherwise it is treated as property, plant and equipment.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

## **Accounting Policies**

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### **1.9 Intangible assets (continued)**

Intangible assets are measured at cost upon initial recognition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

Amortisation commences when the asset is available for use and ceases at the earlier of the disposal of the asset or when the residual value of the asset is equal to or exceeds the carrying value of the asset.

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 definite 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.

An item of intangible assets shall be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the disposal are recognised in surplus / (deficit) for the period during which the asset is disposed.

The residual value and the useful life of each asset are reviewed annually.

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

### **1.10 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for: use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.



## **Accounting Policies**

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### **1.10 Investment property (continued)**

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### **1.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an Municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an Municipality's statement of financial position.

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an Municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another Municipality; or
- a contractual right to:
  - receive cash or another financial asset from another Municipality; or
  - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the Municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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**Accounting Policies**

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**1.11 Financial instruments (continued)****Classification**

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset loans and receivables at amortised cost
Trade and other receivables from exchange transactions	Financial asset loans and receivables at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non-current investments(shares)	Financial asset measured at fair value
Other	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability loans and receivables at amortised cost

**Initial recognition**

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **Reclassification**

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectibility of financial assets**

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly which through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly which by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## **Accounting Policies**

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### **1.11 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

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**Accounting Policies**

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**1.11 Financial instruments (continued)**

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

**Financial liabilities**

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

**1.12 Inventories**

Initial recognition:



## **Accounting Policies**

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### **1.12 Inventories (continued)**

Inventories are measured at the lower of cost and net realisable value, except where the paragraph mentioned below applies.

Where inventories are held for:

- consumption in the production process of goods to be distributed at no charge or for a nominal charge, these inventories are held at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following cost formulas are applied for every inventory class:

Inventory class:	Measure
Consumable stores	First-in-first-out
Water	Cost
Unsold houses	First-in-first-out

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or deficit occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

The basis of allocating cost to inventory items is at cost.

## **Accounting Policies**

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### **1.13 Revenue**

#### **Revenue from exchange transactions**

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

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease .

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of agency fee or commission payable to the municipality as compensation for executing the agreed services.

## **Accounting Policies**

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### **Revenue from non-exchange transactions**

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

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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

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

### **Grants, Transfers and Donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **1.14 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.

## **Accounting Policies**

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### **1.14 Provisions and contingencies (continued)**

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 for which cash flow estimates have been adjusted.

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

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### **1.15 Investment Income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.16 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 profit 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.

#### **Medical Aid post employment benefits**

The cost of the of employment medical benefits is determined using actuarial valuation.

The actuarial valuation involves making assumptions about discount rates, expected rates on return of assets, future salary increase, mortality rates and future medical aid increases. Due to the long term nature of these plans, such estimates are subject to a significant uncertainty.

The municipality has elected to recognise the actuarial gain and losses immediately, in full, in the profit and loss account

## **Accounting Policies**

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### **1.16 Employee benefits (continued)**

#### **Post-employment benefits: 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 municipality's obligation under the schemes is equivalent to those arising in a defined contribution plan.

#### **Post-employment benefits: Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or deficit exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the Statement of Financial Performance over the expected average remaining service lives of participating employees. Actuarial gains or deficits within the corridor are not recognised.

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to un-recognised actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan. For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

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**Accounting Policies**

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**1.17 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.

**Operating leases - municipality as 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. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

**Finance leases - municipality as lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

**1.18 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows: Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings. Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met: expenditures for the asset have been incurred; borrowing costs have been incurred; and activities that are necessary to prepare the asset for its intended use or sale are undertaken. When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

## **Accounting Policies**

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### **1.18 Borrowing costs (continued)**

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **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.

### **1.20 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.

### **1.21 Irregular expenditure**

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

### **1.22 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and could 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.

### **1.23 Comparative figures**

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

## **Accounting Policies**

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### **1.24 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.

#### **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



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## **Accounting Policies**

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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.

### **Basis for estimates of future cash flows**

In measuring value in use the municipality:

base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset.

Greater weight is given to external evidence;

base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

### **Composition of estimates of future cash flows**

Estimates of future cash flows include:

projections of cash inflows from the continuing use of the asset;

projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and

net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

cash inflows or outflows from financing activities; and

income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

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**Accounting Policies**

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the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

its fair value less costs to sell (if determinable);

its value in use (if determinable); and

zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**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

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**Accounting Policies**

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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.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

**1.25 Accounting estimates and judgements**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**Allowance for slow moving, damaged and obsolete stock**

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down, if any, is included in the Statement of Financial Performance.

**Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available -for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the municipality is the current bid price.

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**Accounting Policies**

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**1.25 Transfer of functions between entities under common control (continued)**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

**Post retirement benefits**

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post employment obligations. The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

**Critical judgements in applying accounting policies****Identification of impairment indicators**

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. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets. 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.

**Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

**Other**

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## **Accounting Policies**

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### **1.25 Transfer of functions between entities under common control (continued)**

#### **Loans and receivables**

The Municipality assesses its loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the municipality 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 loans and 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.

#### **Comparative concern**

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in an annexure to these financial statements and does not form part of the audited annual financial statements.

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

#### **Allowance for doubtful debts**

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.

#### **Useful lives and residual values**

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

#### **Presentation currency**

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

### **1.26 Impairment of non-cash-generating assets**

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

## **Accounting Policies**

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### **1.26 Impairment of non-cash-generating assets (continued)**

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.

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.

#### **Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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**Accounting Policies**

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**1.26 Impairment of non-cash-generating assets (continued)**

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Restoration cost approach**

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

**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.

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.

## **Accounting Policies**

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### **1.26 Impairment of non-cash-generating assets (continued)**

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.

#### **Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### **1.27 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### **Investments Held to Maturity**

All Sanlam investments are classified as held to maturity investments as all are non derivative financial assets with fixed or determinable payments and fixed maturity.

The municipality has the positive intention and ability to hold these policies to maturity.

### **1.1 Budget information**

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 48&53.



## **Accounting Policies**

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### **1.2 Related parties**

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
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### 1.28. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IAS 32 Financial Instruments: Presentation withdrawn
- IAS 19 Employee Benefits withdrawn.
- IFRS 7 Financial Instruments: Disclosures withdrawn
- Policy for financial Instruments based on GRAP 104 adopted.
- Policies for Impairments based on GRAP 21 and GRAP26 adopted
- Policy for Non-exchange Transactions based on GRAP 23 adopted.
- IAS 39 Financial Instruments: Recognition and Measurements withdrawn.
- Policies for Employee Benefits based on GRAP 25 adopted

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

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#### 1.29. New standards and interpretations

#### 1.30 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 13 (as revised 2010): Leases	01 April 2011	
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	

#### 1.31 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 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

##### **Anticipated impact on annual financial statements**

[To be updated to suit the circumstance of the municipality.]

Additional disclosure is required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities.

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

## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

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**

[To be updated to suit the circumstance of the municipality.]

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.

#### **[OR]**

For conditional grants, a liability will generally only be recognised if situations that meet the definition of a condition exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those conditions (based on enforceable right), while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

#### **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.

## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

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.

#### **Anticipated impact on annual financial statements**

[To be updated to suit the circumstance of the municipality.]

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.

#### **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**

[To be updated to suit the circumstance of the municipality.]

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.

#### **GRAP 26: Impairment of cash-generating assets**

## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

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.

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

An entity 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. When estimating the value in use of an asset, a municipality should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality should apply the appropriate discount rate to those future cash flows.

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.

#### ***Anticipated impact on annual financial statements***

[To be updated to suit the circumstance of the municipality.]

No material impact. Requirements of GRAP 26 are similar to the requirements of IAS 36 *Impairment of assets* applied by the municipality during the 2008/09 financial year.

**[OR]**

The application of GRAP 26 is expected to impact the municipality's annual financial statements as follows:

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### **1.32 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

**Standard/ Interpretation:**

**Effective date:**  
**Years beginning**  
**on or after**

**Expected impact:**

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

## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

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.

#### **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.

#### **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

## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

- 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;
- Remuneration; and
- Significant influence

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



## **Notes to the Annual Financial Statements**

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### **1.29. New standards and interpretations (continued)**

- 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.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
	R	R

#### 2. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	79,024,762	-	79,024,762	43,724,480	-	43,724,480

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### 2. Investment property (continued)

#### Reconciliation of investment property - 2012

	Opening balance	Additions	Total
Investment property	43,724,480	35,300,282	79,024,762

#### Reconciliation of investment property - 2011

	Opening balance	Disposals	Total
Investment property	45,680,398	(1,955,918)	43,724,480

During the 2010/2011 financial year the municipality identified and measured investment properties in terms of GRAP 16.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R (2011 : R 43 724 480). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2008 and has been adjusted to take into account current market conditions.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012			2011		
	R			R		
<b>3. Property, plant and equipment</b>						
	2012			2011		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Buildings	107,174,590	(6,017,191)	101,157,399	196,656,073	(90,055,501)	106,600,572
Leasehold property	26,089,797	(12,929,014)	13,160,783	52,213,995	(26,124,198)	26,089,797
Plant and machinery	7,653,924	(1,374,729)	6,279,195	12,355,765	(7,556,657)	4,799,108
Furniture and fixtures	2,103,535	(702,634)	1,400,901	5,702,574	(3,848,410)	1,854,164
Motor vehicles	8,349,904	(2,860,826)	5,489,078	22,429,027	(14,079,123)	8,349,904
Office equipment	7,815,541	(5,140,835)	2,674,706	7,804,242	(3,956,390)	3,847,852
Infrastructure	,658,910,436	,009,739,287)	649,171,149	,469,900,726	(830,454,170)	639,446,556
Heritage	561,000	-	561,000	561,000	-	561,000
<b>Total</b>	<b>1,818,658,727</b>	<b>(1,038,764,516)</b>	<b>779,894,211</b>	<b>1,767,623,402</b>	<b>(976,074,449)</b>	<b>791,548,953</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Buildings	106,600,572	574,018	(6,017,191)	101,157,399
Leasehold property	26,089,797	-	(12,929,014)	13,160,783
Plant and machinery	4,799,108	2,854,816	(1,374,729)	6,279,195
Furniture and fixtures	1,854,164	249,372	(702,635)	1,400,901
Motor vehicles	8,349,904	-	(2,860,826)	5,489,078
Office equipment	3,847,852	11,499	(1,184,645)	2,674,706
Infrastructure	639,446,556	47,346,615	(37,622,022)	649,171,149
Heritage	561,000	-	-	561,000
	<b>791,548,953</b>	<b>51,036,320</b>	<b>(62,691,062)</b>	<b>779,894,211</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	126,122,781	-	(13,504,055)	-	(6,018,154)	106,600,572
Leasehold property	41,570,199	-	-	-	(15,480,402)	26,089,797
Plant and machinery	5,917,543	418,416	-	-	(1,536,851)	4,799,108
Furniture and fixtures	2,417,686	321,363	-	-	(884,885)	1,854,164
Motor vehicles	12,316,134	-	-	-	(3,966,230)	8,349,904
Office equipment	5,408,861	-	-	(200)	(1,560,809)	3,847,852
Infrastructure	633,682,395	43,564,205	-	-	(37,800,044)	639,446,556
Heritage	561,000	-	-	-	-	561,000
	<b>827,996,599</b>	<b>44,303,984</b>	<b>(13,504,055)</b>	<b>(200)</b>	<b>(67,247,375)</b>	<b>791,548,953</b>

**Notes to the Annual Financial Statements**

	2012	2011
	R	R

**3. Property, plant and equipment (continued)****Infrastructure Assets**

During the previous financial year the municipality implemented a process to identify, record, value and manage infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard were as follows:

**Physical verification and valuation**

- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
  - The assets have been valued by an independent valuer and are effective on 30 June 2009.
  - Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used.
- A 100% verification and condition assessment was done except for sub soil assets due to the nature of the assets and the fact that the assets are underground.
- In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset is an asset that is referenced by a geographically referenced area and the actual position and detail of the asset estimated within this geographical area.
  - As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detailed components.

**Retrospective application of the effects of implementation of GRAP 17**

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. On initial application the municipality applied prospective application of the infrastructure assets during the 2009 financial year. This was corrected during the current financial year by applying the application retrospectively. The methodology followed for the retrospective application corrections were done as follows:

**Disclosure of the asset information**

The deemed cost was determined on 30 June 2010 by using the depreciated replacement values (DRC).

In order to apply the retrospective application as required for the infrastructure assets, the DRC values were adjusted to reflect as at 30 June 2008,

- For the movable assets actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of the assets. The opening cost for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.
- During the previous financial year the municipality also identified and measured investment properties in terms of GRAP 16.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 3. Property, plant and equipment (continued)

#### Movable Assets

During the previous financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for movable assets. The key issues in this regard were as follows:

#### Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.

#### Retrospective application of the effects of GRAP 17 implementation

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

#### Disclosure of the asset information

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets. The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
	R	R

#### 3. Property, plant and equipment (continued)

##### Heritage assets

During the 2010/2011 financial year the municipality implemented a process to identify, record and value Heritage assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for Heritage assets. The key issues in this regard were as follows:

##### Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.
- During the financial year the municipality identified and measured Heritage properties.

##### Retrospective application of the effects of GRAP 17 implementation

- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

##### Disclosure of the asset information

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.

The opening cost for the take on values of the assets is restated. This adjustment is made directly to accumulated surplus.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### 4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	341,671	(322,097)	19,574	341,671	(302,522)	39,149

##### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	39,149	(19,575)	19,574

##### Reconciliation of intangible assets - 2011

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
	R	R

#### 4. Intangible assets (continued)

	Opening balance	Amortisation	Total
Computer software, other	151,261	(112,112)	39,149

##### Disclosure of the asset information

##### Physical verification and valuation

- All the Intangible assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

##### Retrospective application of the effects of GRAP 102 implementation

- The implementation of GRAP 102 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

##### Disclosure of Information

Actual values were used to determine the cost of these assets.

The opening cost for the take on values of the assets as well as for accumulated amortisation is restated. This adjustment is made directly to accumulated surplus.

Amortisation for the year has been based on the new asset values and is calculated on the straight line method.

#### 5. Other Financial Assets

##### Held to maturity

Investment held to maturity	5,749,705	10,953,241
Terms and conditions		
Investments	7,424,928	7,004,340
Terms and conditions		
Fair value through Profit and Loss	1,649,245	1,270,764
Terms and conditions		
	<b>14,823,878</b>	<b>19,228,345</b>

##### Loans and receivables

Loans and receivables 1	1,476,653	-
Terms and conditions		
Long term debtors	100,608	4,885,260
Terms and conditions		
Staff Housing	-	8,750
Terms and conditions		
	1,577,261	4,894,010
Loans and receivables (impairments)	(3,448)	-
	<b>1,573,813</b>	<b>4,894,010</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>5. Other Financial Assets (continued)</b>		
<b>Total other financial assets</b>	<b>16,397,691</b>	<b>24,122,355</b>
<b>Non-current assets</b>		
Held to maturity	29,951	7,737,847
Loans and receivables	97,160	4,894,010
	<b>127,111</b>	<b>12,631,857</b>
<b>Current assets</b>		
Held to maturity	14,793,927	11,490,498
Loans and receivables	1,476,653	-
	<b>16,270,580</b>	<b>11,490,498</b>
	<b>16,397,691</b>	<b>24,122,355</b>

### Fair value hierarchy of financial assets at fair value through surplus or deficit

Shares - fair value through profit and loss.

(2012:46 109 shares@3575cents;2011:46 109 shares@2756cents)

#### Level 1

Sanlam Shares	1,648,396	1,270,764
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### Fair value information

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets.

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

- Sanlam Listed Shares
- Council's valuation of unlisted investments:  
Other deposit:Collateral Housing Deposit

For debt securities classified as available-for-sale, the maximum exposure to credit risk at the reporting date is the fair value.

### Fair value of held to maturity investments

30 days	5,748,857	10,953,241
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The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year. Deposits are held at registered financial Institutions

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>5. Other Financial Assets (continued)</b>		
There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.		
<b>Fair values of loans and receivables</b>		
Long Term Debtors	1,577,261	6,590,950
Staff housing Loan	-	8,750
<b>Reconciliation of provision for impairment of loans and receivables</b>		
<b>Long Term receivables</b>		
Opening balance	3,693	4,411
Provision for impairment	-	(718)
Amounts written off as uncollectible	(245)	-
	<b>3,448</b>	<b>3,693</b>

Consumer debtors made arrangements to repay the debt over a period exceeding 12 months.

No security is held for any of the long term receivables.

No long term receivables defaulted and no terms of any of the long term receivables were re-negotiated.

No portion of the long term receivables was pledged as a security for any financial liabilities.

#### Credit quality of trade and other receivables

The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking into account any collateral held or credit enhancements.

### 6. Financial assets by category

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

#### 2012

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 6. Financial assets by category (continued)

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	8,875,602	7,394,978	16,270,580
Trade and other receivables	91,023,393	-	91,023,393
Other receivables from non-exchange transactions	17,171,996	-	17,171,996
Cash and cash equivalents	7,675,888	-	7,675,888
VAT Receivable	3,694,278	-	3,694,278
	<b>128,441,157</b>	<b>7,394,978</b>	<b>135,836,135</b>

### 2011

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	4,486,158	7,004,340	11,490,498
Trade and other receivables	95,403,199	-	95,403,199
Other receivables from non-exchange transactions	12,279,584	-	12,279,584
Cash and cash equivalents	35,194,673	-	35,194,673
	<b>147,363,614</b>	<b>7,004,340</b>	<b>154,367,954</b>

### 7. Retirement benefits

#### Defined benefit plan

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 7. Retirement benefits (continued)

The defined benefit plans are the SALA Pension Fund and the Government Employment Pension Fund. These are not treated as defined benefit plans as defined by IAS19 (AC 116), but as defined contribution plans. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating them as defined contribution plans in terms of IAS 19 (AC116) par. 30.

The latest available actuarial valuation of SAMWU Provident Fund indicates that the fund is fully funded by assets of R 511 million as on 30 June 2005.

Free State Provident Fund is fully funded with assets worth R579 011million and liabilities of R15 175 million on 30 June 2010.

The latest actuarial valuation of SALA Pension Fund was on 1 July 2010. These valuations indicate that the fund is 96% funded. The estimated liability of the fund is R7 417.90 million which is financed by assets worth R7 110 million.

The latest actuarial valuation of Government Employment Pension Fund was on 31 March 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R447,474 million which adequately financed by assets of R545,563 million.

The Free State Municipal Pension Fund last valuation was performed at 30 June 2005 with nett assets available R 1 530 million and total liabilities of R 1 308 million.

The actuarial valuation and figures above are the latest information available.

#### Defined contribution plan

The following are defined contribution plans:

Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund.

These Funds are classified as defined contribution plans. These contributions have been expensed.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>8. Inventories</b>		
Water	266,867	250,560
Unsold Properties Held for Resale	23,735,692	59,444,974
Fuel (Diesel, Petrol)	281,180	247,408
Stores, materials and fuels	1,043,241	984,428
	<b>25,326,980</b>	<b>60,927,370</b>

The Municipality has recognised purchased water stock on hand on 30 June 2012. This amount has been estimated using water in reservoirs and water networks and the different purchase prices of water.

There was a loss on inventory written off to the amount of R83 465 at 30 June 2012.

A surplus on inventory of R165 577 was register with the stock count on 30 June 2012.

No inventory pledge as security.

### 9. Receivables from exchange transactions

Trade debtors	11,059,484	10,882,155
Deposits	1,393,261	1,386,916
Operating lease receivables	5	6
Conditional Grants	10,046,409	3,630,584
Prepaid expenses	3,192,393	5,606,118
Provision for Bad Debts	(8,519,556)	(9,226,195)
	<b>17,171,996</b>	<b>12,279,584</b>

#### Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking into account any collateral held or credit enhancements.

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables 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. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

#### Fair value of trade and other receivables

Due to the short term nature of trade and other receivable they are disclosed at face value.

#### Trade and other receivables impaired

The amount of the provision was R - as of 30 June 2012 (2011: R (9,226,195)).

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>9. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of impairment of trade and other receivables</b>		
Opening balance	9,226,195	7,944,973
Impairment - current year	(706,639)	-
Other	-	1,281,222
	<b>8,519,556</b>	<b>9,226,195</b>
The municipality does not hold any collateral as security.		
<b>10. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	73,590,398	59,257,006
Electricity	49,663,380	45,618,136
Water	225,998,395	207,730,715
Sewerage	26,331,279	21,285,507
Refuse	30,818,655	22,408,142
	<b>406,402,107</b>	<b>356,299,506</b>
<b>Less: Provision for debt impairment</b>		
Rates	-	-
Other (specify)	(315,378,714)	(260,896,307)
	<b>(315,378,714)</b>	<b>(260,896,307)</b>
<b>Net balance</b>		
Rates	73,590,398	59,257,006
Electricity	49,663,380	45,618,136
Water	225,998,395	207,730,715
Sewerage	26,331,279	21,285,507
Refuse	30,818,655	22,408,142
Other (specify)	(315,378,714)	(260,896,307)
	<b>91,023,393</b>	<b>95,403,199</b>
<b>Rates</b>		
Current (0 -30 days)	5,667,360	5,307,949
31 -60 days	3,223,291	2,850,735
61 - 90 days	1,833,849	1,759,005
91 - 120 days	62,865,898	49,339,317
	<b>73,590,398</b>	<b>59,257,006</b>



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>10. Consumer debtors (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	11,895,488	7,448,371
31 - 60 days	3,099,864	2,798,177
61 - 90 days	2,207,096	1,516,448
91 - 120 days	32,460,932	33,855,140
	<b>49,663,380</b>	<b>45,618,136</b>
<b>Water</b>		
Current (0 -30 days)	19,684,411	14,575,291
31 - 60 days	9,796,500	7,452,054
61 - 90 days	7,305,271	6,772,416
91 - 120 days	189,212,213	178,930,954
	<b>225,998,395</b>	<b>207,730,715</b>
<b>Sewerage</b>		
Current (0 -30 days)	1,383,469	1,349,926
31 - 60 days	870,341	814,687
61 - 90 days	538,146	546,626
91 - 120 days	23,539,323	18,574,268
	<b>26,331,279</b>	<b>21,285,507</b>
<b>Refuse</b>		
Current (0 -30 days)	1,667,334	1,565,044
31 - 60 days	1,124,071	1,011,997
61 - 90 days	803,816	741,173
91 - 120 days	27,223,434	19,089,928
	<b>30,818,655</b>	<b>22,408,142</b>
<b>Provision Bad Debts</b>		
> 365 days	(315,378,714)	(260,896,307)
<b>Summary of debtors by customer classification</b>		
<b>Consumers/Households</b>		
Current (0 -30 days)	22,427,885	16,178,559
31 - 60 days	11,767,160	11,238,930
61 - 90 days	9,332,645	9,162,254
91 - 120 days	301,858,668	262,873,248
	<b>345,386,358</b>	<b>299,452,991</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>10. Consumer debtors (continued)</b>		
<b>Industrial/ commercial</b>		
Current (0 -30 days)	16,786,936	13,877,912
31 - 60 days	5,904,301	4,152,483
61 - 90 days	2,990,669	2,254,865
91 - 120 days	27,400,876	31,760,728
	<b>53,082,782</b>	<b>52,045,988</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1,083,241	635,346
31 - 60 days	442,606	661,992
61 - 90 days	364,864	309,780
91 - 120 days	6,042,258	3,193,409
	<b>7,932,969</b>	<b>4,800,527</b>
<b>Total</b>		
Current (0 -30 days)	40,298,062	30,691,819
31 - 60 days	18,114,067	16,053,405
61 - 90 days	12,688,178	11,726,899
91 - 120 days	335,301,800	297,827,383
	406,402,107	356,299,506
Less: Provision for debt impairment	(315,378,714)	(260,896,307)
	<b>91,023,393</b>	<b>95,403,199</b>
<b>Less: Provision for debt impairment</b>		
Current (0 -30 days)	(10,982,815)	(11,177,622)
31 - 60 days	(7,413,504)	(8,247,027)
61 - 90 days	(7,414,880)	(7,384,651)
91 - 120 days	(289,567,515)	(234,087,007)
	<b>(315,378,714)</b>	<b>(260,896,307)</b>
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	24,430,433	13,727,236
31 - 60 days	9,961,705	7,806,381
61 - 90 days	4,769,911	4,342,253
91 - 120 days	55,373,990	71,331,058
	<b>94,536,039</b>	<b>97,206,928</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>10. Consumer debtors (continued)</b>		
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(260,896,307)	(271,383,192)
Contributions to provision	(80,582,120)	(7,319,007)
Debt impairment written off against provision	26,099,713	17,805,892
	<b>(315,378,714)</b>	<b>(260,896,307)</b>

#### Consumer debtors pledged as security

The municipality does not hold any collateral as security.

None of these receivables were pledged as security.

#### Credit quality of consumer debtors

The credit quality of consumer debtors 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: Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

#### Trade receivables

#### Consumer debtors impaired

As at 30 June 2012 consumers debtors of R 315 378 714(2011: R260 896 307) were provided for.

Amounts totalling R (2011:R17 805 892) were written off as uncollectable against the debt impairment account.

These represent 3.55% (2011:3.55%) of the total operating income for the year.

The VAT on impairment of consumers debtors is written back against VAT creditor and amounts to R(2011/2012) and R 23 131 910(2010/2011 respectively).

These amounts best represent the maximum exposure to credit risk at the end of the reporting period.

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,315	5,315
Bank balances	5,486,059	8,127,145
Short-term deposits	2,184,514	27,062,213
	<b>7,675,888</b>	<b>35,194,673</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 11. Cash and cash equivalents (continued)

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restriction exists with the regard to the use of cash.

No portion is due or impaired.

These amounts best represents the maximum exposure to credit risk at the end of the reporting period, without taking into account of any collateral held or credit enhancements.

#### Cash and cash equivalents pledged as collateral

Guarantee: Eskom as electricity deposit	990,000	990,000
Guarantee: Post Office as post deposit	80,000	80,000

#### The economic entity 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 Current Bank Account (primary bank account) 520 000 038	4,035,798	5,629,482	2,893,442	5,405,679	8,127,145	(5,308,368)

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>12. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	9,759,669	17,754,696
- in second to fifth year inclusive	-	9,759,669
	9,759,669	27,514,365
less: future finance charges	(550,327)	(2,678,972)
<b>Present value of minimum lease payments</b>	<b>9,209,342</b>	<b>24,835,393</b>
<b>Present value of minimum lease payments due</b>		
- within one year	9,209,342	15,626,051
- in second to fifth year inclusive	-	9,209,342
	<b>9,209,342</b>	<b>24,835,393</b>
Non-current liabilities	-	9,209,342
Current liabilities	9,209,342	15,631,204
	<b>9,209,342</b>	<b>24,840,546</b>

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

The average lease term is 2-5 years and the average effective borrowing rate was 11.91% interest rates are fixed at the contract date. Some leases have a fixed repayment terms and others escalate between 10% and 15% per annum. No arrangements have been entered into contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

### 13. Conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

#### **Unspent conditional grants and receipts**

Unspent grant DoE	-	10,933,379
Unspent grant MIG	317,857	19,862
Unspent grant Fezile Dabi District Municipality	66,695	66,695
Unspent grant DPLG	5,431,000	-
Unspent grant SETA	826,693	1,186
Unspent grant Provincial Government	694,895	694,895
Unspent grant Financial Management Grant	-	783
Unspent public contributions and donations	66,672	43,061
	<b>7,403,812</b>	<b>11,759,861</b>

#### **Movement during the year**

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>13. Conditional grants and receipts (continued)</b>		
Balance at the beginning of the year	11,759,861	15,567,421
Received during the year	135,120,943	120,503,080
Income recognition during the year	(139,476,992)	(124,310,640)
	<b>7,403,812</b>	<b>11,759,861</b>

See note 21 for the reconciliation of other grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### 14. Provisions Employee Benefits

#### Reconciliation of provisions employee benefits - 2012

	Opening Balance	Additions	Total
Employee benefit cost Medical	22,999,423	5,488,746	28,488,169
Employee Benefits Long Service Awards	11,776,539	691,798	12,468,337
	<b>34,775,962</b>	<b>6,180,544</b>	<b>40,956,506</b>

#### Reconciliation of provisions employee benefits - 2011

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Provision Performance Bonus	765,743	-	(765,743)	-	-
Employee benefit cost Medical	18,097,600	4,901,823	-	-	22,999,423
Employee Benefits Long Service Awards	23,926,824	808,966	-	(12,959,251)	11,776,539
	<b>42,790,167</b>	<b>5,710,789</b>	<b>(765,743)</b>	<b>(12,959,251)</b>	<b>34,775,962</b>

#### Employee benefit cost provision

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>14. Provisions Employee Benefits (continued)</b>		
<b>Post Employment Health Care Benefits</b>		
Balance at beginning of year	22 999 423	18 097 600
Current-service cost	581 061	463 254
Interest cost	1 892 225	1 608 798
Actuarial (Gain)/Loss	4 149 616	3 776 955
Employer Benefit Payments	(1 134 156)	(947 184)
<b>Balance at end</b>	<b>28 488 169</b>	<b>22 999 423</b>

### Continue Medical aid membership

Metsimaholo Municipality employees contribute to accredited medical schemes

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the Municipality's liability in respect of benefits to eligible retirees and retired employees of the Municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

<b>Accrued Liability</b>	<b>(R millions)</b>	<b>(R millions)</b>
<b>Category of Member</b>		
In-service members	11.712	8.955
Continuation members	10.776	14.044
<b>All members</b>		
Total liability	28.488	22.999
Value of asset	0.00	0.000s
<b>Unfunded liability</b>	<b>28.488</b>	<b>22.999</b>



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 14. Provisions Employee Benefits (continued)

Liabilities and experience adjustment made. Table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets	(R millions)	(R millions)
Present value of accrued liability	28.488	22.999
Fair value of plan asset		
<b>Surplus / (deficit)</b>	<b>-28.488</b>	<b>-22.999</b>

Table summarises the experience adjustments for the current period. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and losses	(R millions)
Experience adjustment	
Liabilities: (Gain) / loss	1.604
Assets: Gain / (loss)	0.000

Best estimate of benefits payments expected in next annual period	2012/2103
<b>Opening Accrued liability</b>	<b>28 488 169</b>
Current service cost	736 193
Interest cost	2 060 243
Benefit Vestings	(1 360 152)
Total Annual Expense	1 436 284
<b>Closing Accrued Liability</b>	<b>29 924 453</b>

#### Key Financial Assumptions

The table summarised the financial assumption used.

Assumption	Value p.a
Discount Rate	7.41%
Health care cost inflation rate	6.89%
Non effective discount rate	0.48%

The next contribution rate increase is assumed to occur at 1 January 2013

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90 - ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

				2012 R	2011 R
<b>14. Provisions Employee Benefits (continued)</b>					
			40	6%	6%
			50	2%	2%
			>55	0%	0%
Number eligible members					79
Number of pensioners					54
<b>Summarises the results of the sensitivity analysis.</b>					
<b>Sensitivity Analysis on the Accrued Liability (R Millions)</b>					
<b>Assumption</b>	<b>Change</b>	<b>In-service</b>	<b>Continuation</b>	<b>Total</b>	<b>% change</b>
Central Assumptions		11.712	16.776	28.488	
Health care inflation	1%	14.351	18.403	32.753	15
	-1%	9.639	15.356	24.995	(12)
Post-retirement mortalit	-1 yr	12.152	17.547	29.699	4
Average retirement age	-1 yr	12.438	16.776	29.214	3
Withdrawal Rate	-50%	12.520	16.776	29.295	3
Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69.The liability is expected to increase under this scenario because members are expected to live longer.					
The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 15% higher than that shown.					
<b>Long term Service Awards</b>					
Balance at beginning of year			11 776 539		10 967 573
Current-service cost			1 491 731		1 313 104
Interest cost			677 601		636 469
Actuarial (Gain)/Loss			343 978		247 060
Employer Benefit Payments			(1 821 512)		(1 387 667)
<b>Balance at end of year</b>			<b>12 468 337</b>		<b>11 776 539</b>
<b>Accrued Liability(30/06/2012)</b>					
Value of long-service awards					12 180 806
Retirement gifts					287 531
<b>Accrued liability</b>					<b>12 468 337</b>
<b>Best estimate of benefits payments expected in next annual period</b>				<b>2012/2013</b>	
<b>Opening Accrued liability</b>					<b>12 468 337</b>
Current service cost					1 601 601
Interest cost					641 740
Benefit Vestings					(1 880 903)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>14. Provisions Employee Benefits (continued)</b>		
Total Annual Expense		362 438
<b>Closing Accrued Liability</b>		<b>12 830 775</b>

### Long Service awards

An actuarial valuation has been performed of the Municipality's liability in respect of benefits to eligible employees of the Municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	210	506	716
Average annual salary	123 478	123 655	123 603
Salary-weighted average age	11.1	12.8	12.3

Metsimaholo Municipality offers employees Long Service Awards for every 5 years of services completed. There is two policies in place.

Completed Service (in years)	Long Service Bonuses %Annual Salary	Description
5	4.0%	(5/250+2%) x annual salary
10	7.0%	(10/250+3%) x annual salary
15	10.0%	(15/250+4%) x annual salary
20	11.0%	(15/250+5%) x annual salary
25,30,35,40,45	12.0%	(15/250+6%) x annual salary
735 Employees benefit from this policy		

### Special Leave Pay

78 of the employees receive an additional six days of annual leave once they reach they five years of service.

### Retirement Gifts

275 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Correction of error: refer to note \_\_\_\_\_

Adjustment amounting to R15 834 397 were made in respect of long service awards.

### Key Financial Assumptions

The table summarised the financial assumption used.

Assumption	Value p.a
Discount Rate	5.7%

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 14. Provisions Employee Benefits (continued)

General salary inflation rate(long term)	5.45%
Non effective discount rate	0.24%

The salaries used in the valuation include an assumed increase in July 2012 of 7%.  
The next salary increase was assumed to take place in July 2013.

Average retirement age	65
Mortality during employment	SA 85-90

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Summarises the results of the sensitivity analysis.

### Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Liability	% change
Central Assumptions		12.468	-
General Salary inflation	1%	13.252	6%
	-1%	11.767	-6%
Average retirement age	-2 yrs	11.512	-8%
	2 yrs	13.484	8%
Withdrawal Rates	-50%	14.606	17%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

### 15. Payables from exchange transactions

Trade payables	72,280,415	56,397,531
Payments received in advance - contract in process	5,762,712	5,564,592
Accrued leave pay	9,756,376	8,830,826
Accrued bonus	3,297,870	3,037,691
Other payables	27,018,673	5,820,443
	<b>118,116,046</b>	<b>79,651,083</b>

Fair value of trade and other payables

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>15. Payables from exchange transactions (continued)</b>		
Trade payables	120,519	414,854

[The fair value of the financial liability was determine by accepting the face values of the outstanding capital.

## 16. VAT payable

Tax refunds payables	-	10,254,403
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VAT is payable on the payment basis. VAT is only declared to SARS on receipt of payment from consumers.A claim for refund(R5 115 828) of VAT was made against SARS and the fefund is still awaited.

## 17. Consumer deposits

Rates	10,647,537	9,558,303
Guarantees held in lieu of electricity and water deposits	45,300	45,300

## 18. 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
Other financial liabilities	7,403,812	7,403,812
Trade and other payables	118,116,047	118,116,047
Long term payables	9,209,342	9,209,342
Consumer deposits	10,647,537	10,647,537
Operating Lease Liability	389,364	389,364
	<b>145,766,102</b>	<b>145,766,102</b>

### 2011

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>18. Financial liabilities by category (continued)</b>		
	Financial liabilities at amortised cost	Total
Other financial liabilities	11,759,861	11,759,861
Trade and other payables	79,651,083	79,651,083
Long Term Payables	15,631,204	15,631,204
Consumer Deposits	9,558,303	9,558,303
VAT	10,254,403	10,254,403
	<b>126,854,854</b>	<b>126,854,854</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>19. Property rates</b>		
<b>Rates received</b>		
Residential	56,660,075	51,896,074
Commercial	7,387,775	6,920,214
State	5,759,207	5,624,745
Industries	18,021,699	16,541,038
Farms	7,489,350	5,317,219
Less: Income forgone	(8,666,227)	(9,256,508)
	<b>86,651,879</b>	<b>77,042,782</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>19. Property rates (continued)</b>			
<b>Sasolburg / Zamdela</b>			
Residential:			
- Sasolburg	0.00612 cents per Rand		
- Zamdela	0.00612 cents per Rand		
Commercial	0.01224 cents per Rand		
Light Industries	0.030623 cents per Rand		
Heavy Industries	0.030623 cents per Rand		
State	0.01224 cents per Rand		
<b>Deneysville/Refengkgotso/Phomolong</b>			
Residential:			
Deneysville	0.00612 cents per Rand		
Businesses	0.01224 cents per Rand		
State	0.01224 cents per Rand		
Refengkgotso	0.00612 cents per Rand		
<b>Oranjeville / Metsimaholo</b>			
Residential:			
-Oranjeville	0.00612 cents per Rand		
Businesses	0.01224 cents per Rand		
Metsimaholo :			
Residential	0.00612 cents per Rand		
Businesses	0.01224 cents per Rand		
State Property	0.01224 cents per Rand		
<b>Farmland</b>			
Residential	0.00306 cents per Rand		
Businesses	0.00612 cents per Rand		
Industries	0.01530 cents per Rand		
Private owned towns, Body Corporate,			
Sectional Titles	0.00306 cents per Rand		
Mining	0.01530 cents per Rand		
Agricultural	0.00153 cents per Rand		
<b>Valuations R'000)</b>			
Residential		8,937,025	9,510,746
Commercial		604,772	609,706
State		472,985	484,020
Municipal		385,673	389,658
Small holdings and farms		863,183	631,810
Heavy/Light industries		842,660	1,016,700
Churches		94,805	93,733



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>19. Property rates (continued)</b>		
Public Benefit Organisation/Service Infrastructure	59,253	64,871
Allocated,unregister stands	1,529,687	1,950,969
5year: Tax Holiday	65,206	-
	<b>13,855,249</b>	<b>14,752,213</b>

Rates are levied on a monthly basis, except farmland that is levied on an annual basis.  
Interest at prime plus 1% is levied on rates outstanding after due date for payment.

The phase in approach to tax private development and agricultural land was approved for 3 years ending June 2011,in line with the COGTA regulations issued in December 2007.

The following properties are exempted from Property Rates:

Properties owned by religious body or organisation and residential property occupied by a minister of religion in full time of service of such a church.

Road Reserves

Railway Reserves

The new general valuation will be implemented on 1 July 2013.

### 20. Service charges

Sale of electricity	139,120,242	131,977,373
Sale of water	141,716,660	122,371,982
Sewerage and sanitation charges	18,995,886	17,759,286
Refuse removal	25,259,262	23,112,041
	<b>325,092,050</b>	<b>295,220,682</b>

<b>Forgone Income</b>	<b>(34 960 105)</b>	<b>(28 668 638)</b>
Water	(20 106 615)	(15 227 482)
Electricity	(13 428 599)	(11 757 742)
Sewerage and sanitation	(1 424 891)	(1 683 414)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>21. Government grants and subsidies</b>		
Equitable share	88,125,000	79,048,032
District Municipality - Fezile Dabi	-	97,000
Municipal Infrastructure grant	34,914,421	39,545,824
Department of Water Affairs	784,000	1,120,000
Financial management grant	1,450,783	1,000,000
Department of Energy	12,296,788	2,749,604
Municipal systems improvement grant	790,000	750,000
Other Grants	1,116,000	-
	<b>139,476,992</b>	<b>124,310,460</b>

### Equitable Share

Equitable share was received in terms of section 214(1) of the Constitution (Act No. 108 of 1996).

A Council Resolution was taken to use some of the grant for free basic services to residents.

Households receive 6kl water, 50 kWh electricity and basic sewer per month plus 4kl water, additional sewer, refuse and R60 per month on Rates to approved indigents.

### Department of Energy

Balance unspent at beginning of year	10,933,379	10,682,983
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(12,296,788)	(2,749,604)
Other	(1,636,591)	-
	-	<b>10,933,379</b>

Installation of electricity in the Municipality's area, financed by the Department of Energy. Funds of R3 561 00 was withheld from Equitable Share allocation due to slow spending on projects financed from Department of Energy.

### Municipal Infrastructural Grant

Balance unspent at beginning of year	19,862	3,639,101
Current-year receipts	38,843,000	32,296,001
Conditions met - transferred to revenue	(34,914,412)	(39,545,823)
Other	(3,630,583)	3,630,583
	<b>317,857</b>	<b>19,862</b>

Funds received for intallation of infrastructure

### District Municipality: Fezile Dabi

Balance unspent at beginning of year	66,695	66,695
Current-year receipts	-	97,000
Conditions met - transferred to revenue	-	(97,000)

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>21. Government grants and subsidies (continued)</b>		
	<b>66,695</b>	<b>66,695</b>
Contribution received from Fezile Dabi Districts Municipality on the Integrated Development Plan		t
<b>Department of Co operative Governance</b>		
Current-year receipts	5,431,000	-
Funds received for intallation of infrastructure		
<b>Department of Water Affairs</b>		
Current-year receipts	784,000	1,120,000
Conditions met - transferred to revenue	(784,000)	(1,120,000)
	-	-
<b>Sector Education Training Authority Grant</b>		
Balance unspent at beginning of year	1,186	1,186
Current-year receipts	825,507	-
	<b>826,693</b>	<b>1,186</b>
The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division.		
<b>Provincial Government</b>		
Balance unspent at beginning of year	694,895	1,134,395
Conditions met - transferred to revenue	-	(439,500)
	<b>694,895</b>	<b>694,895</b>
Funds for waterworks at laboratory. Funds for development programs. Funds received from Housing award to purchase computers		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	783	-
Current-year receipts	1,450,000	1,000,000
Conditions met - transferred to revenue	(1,450,783)	(999,217)
	-	<b>783</b>
The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.		

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>21. Government grants and subsidies (continued)</b>		
<b>Municipal System Improvement Grant</b>		
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(790,000)	(750,000)
	-	-

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems. t

#### Other government grants

Current-year receipts	1,116,000	-
Conditions met - transferred to revenue	(1,116,000)	-
	-	-

Appointment of workers on the Extended Public Works Program

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 22. Public contributions and donations

#### Reconciliation of conditional contributions

Balance unspent at beginning of year	43,061	43,061
Current year receipts	23,611	-
	<b>66,672</b>	<b>43,061</b>

Funds were recieved from Sasol for the installation of traffic lights.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>23. Other income</b>		
Billboards	196,543	194,847
Building plan fees	293,798	219,841
Cemetery fees	189,691	194,223
Clearance certificates	229,429	177,187
Connection fees	1,539,801	2,226,329
Entrance fees	762,059	1,167,428
Fire services rendered	104,423	159,610
Legal cost Recovery	1,923,880	1,334,277
Lost library books	4,280	2,792
Non - payment fees for services terminated	3,068,259	1,545,819
Other Revenue	586,130	385,073
Photo copies	135,920	110,240
Private telephone calls	190,310	361,133
Refuse dumpyard	464,125	487,203
Tender Deposits	87,510	121,097
Training income	98,113	344,408
	<b>9,874,271</b>	<b>9,031,507</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>24. General expenses</b>		
Advertising	1,041,078	602,035
Auditors remuneration	2,976,678	3,336,769
Bank charges	1,555,425	1,270,424
Computer expenses	1,128,014	490,604
Conferences and delegations	980,868	624,567
Connection Charges	365,956	554,846
Consulting and professional fees	10,385,149	8,108,376
Electricity	7,846	83,711
Entertainment	340,255	505,653
Fuel and oil	5,343,409	3,836,573
Insurance	2,045,841	1,463,828
Lease rentals on operating lease	7,789,866	208,758
License fees	261,471	164,385
Magazines, books and periodicals	25,666	235,621
Marketing	45,545	82,500
Medical staff verification	320,726	12,277
Other expenses	7,128,255	6,054,411
Postage and courier	1,215,904	1,139,929
Printing and stationery	1,085,345	1,159,342
Promotions	28,749	239,821
Research and development costs	1,200	-
Seeds Trees Scrubs Topdressing	-	4,298
Sewer Treatment)	11,394,661	10,970,601
Skills Development Levy	1,373,794	1,151,841
Stocks and materials	1,124,494	1,090,334
Subscriptions and membership fees	1,487,148	815,271
Telephone and fax	2,540,586	3,118,221
Training	87,607	435,870
Travel and subsistence	672,370	599,272
Uniforms	1,355,982	478,687
	<b>64,109,888</b>	<b>48,838,825</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>25. Employee related costs</b>		
Basic	95,003,952	84,758,106
Medical aid - company contributions	8,844,167	7,936,634
UIF contributions	942,456	585,045
Leave pay provision charge	8,100,055	6,960,822
Group Insurance	233,735	221,006
Post-employment benefits - Pension - Defined contribution plan	16,474,202	13,822,826
Overtime payments	12,535,451	12,530,325
Long-service awards	1,533,548	617,408
Transport allowance	5,933,485	4,118,319
Housing benefits and allowances	854,394	703,064
Stanby allowances	1,891,980	1,548,779
Contribution Post retirement	1,339,130	1,844,649
	<b>153,686,555</b>	<b>135,646,983</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	538,551	741,870
Car Allowance	151,738	235,599
Travel, motor car, accommodation, subsistence and other allowances	78,092	3,558
Acting Allowance	437,803	18,875
Other( Leave sold)	190,572	115,951
	<b>1,396,756</b>	<b>1,115,853</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	648,114	595,942
Car Allowance	228,954	237,478
Other	34,528	34,528
	<b>911,596</b>	<b>867,948</b>
<b>Remuneration of Director Technical Services and Infrastructure</b>		
Annual Remuneration	581,435	544,581
Car Allowance	153,184	149,237
Contributions to UIF, Medical and Pension Funds	5,184	-
Travel, motor car, accommodation, subsistence and other allowances	5,791	-
Other	82,443	83,256
	<b>828,037</b>	<b>777,074</b>
<b>Remuneration of Director Organisational Development and Corporate Services</b>		
Annual Remuneration	648,115	595,944
Car Allowance	227,607	229,278

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>25. Employee related costs (continued)</b>		
Other(housing and travelling allowances)	35,435	34,525
	<b>911,157</b>	<b>859,747</b>
<b>Remuneration of Director Social Services</b>		
Acting Allowance	461,751	488,440
<b>Remuneration of Director Economic Development</b>		
Acting Allowance	384,461	421,500
<b>26. Remuneration of Councillors</b>		
Executive Mayor	689,477	623,852
Deputy Executive Mayor	321,298	-
Mayoral Committee Members	3,957,364	3,209,880
Speaker	487,801	499,673
Councillors	6,460,173	5,403,867
	<b>11,916,113</b>	<b>9,737,272</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties.		
<b>27. Investment revenue</b>		
<b>Finance income</b>		
Unit trusts	59,064	52,249
Interest received - other	2,357,394	5,883,582
	<b>2,416,458</b>	<b>5,935,831</b>
<b>28. Fair value adjustments</b>		
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(1,967,529)	(1,926,178)
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	62,691,064	67,247,374
Intangible assets	19,575	112,112
	<b>62,710,639</b>	<b>67,359,486</b>



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Finance costs</b>		
Finance leases	2,497,108	4,332,337
Current borrowings	-	63,005
Other interest paid	814,839	249,343
	<b>3,311,947</b>	<b>4,644,685</b>

## 31. Auditors' remuneration

Fees	2,976,678	3,336,769
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## 32. Operating lease

### Operating Lease Government Garage

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of seven years and rentals fixed for the full term of the lease.

Contingent rental of R2 007 818 (2011: R87 920) was paid during the year.

### Operating leases - lessee (Abrahamsrust)

Operating lease payments represent rentals payable by the entity for rental of property situated on Abrahamsrust.

The entity has a 50 year lease option that expires on 31 March 2017.

## 33. Contracted services

Specialist Services	7,253,672	4,956,832
Other Contractors	8,699,760	7,352,154
	<b>15,953,432</b>	<b>12,308,986</b>

### Specialist Services

Security Services	<b><u>7 253 672</u></b>	<b><u>4 956 832</u></b>
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### Other Contractor

Cash security	365 281	366 755
Cleaning Services	1 451 853	1 291 541
Electricity pre paid service	3 230 361	2 280 401
Disconnection and re-connection of services	237 335	131 524
Printing Services	1 180 148	1 491 012
Delivery of summonses/traffic fines	2 234 782	1 790 921
	<b><u>8 699 760</u></b>	<b><u>7 352 154</u></b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>34. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Equitable Share	17,656,410	15,299,288
Grant In Aid	33,746	110,000
	<b>17,690,156</b>	<b>15,409,288</b>

Contribution to SAMSR National Games. Doanations to netball team of Lehutso Public School. Donations were given to students. A wreath flower was purchased for a funeral  
Equipment was purchased and donated to schools.  
Equitable share is used to subsidise registered indigents.

## 35. Bulk purchases

Electricity	125,554,459	96,124,262
Water	78,826,255	64,729,630
	<b>204,380,714</b>	<b>160,853,892</b>

Additional text

## 36. Cash generated from operations

(Deficit) surplus	(58,893,426)	29,065,521
<b>Adjustments for:</b>		
Depreciation and amortisation	62,710,639	67,359,486
Loss on sale of assets and liabilities	409,000	5,042,939
Gain on sale of non-current assets and disposal groups	83,465	128,398
Surplus inventory	(165,577)	(139,662)
Debt impairment	79,875,482	10,231,347
Movements in operating lease assets and accruals	389,364	-
Movements in provisions	6,180,544	5,710,789
Transfer PPE to Inventory	-	10,417,034
Transfer PPE to Inventory	1,185,728	719,781
Gains on stock written off	-	(10,417,034)
<b>Changes in working capital:</b>		
Inventories	35,273,502	537,383
Receivables from exchange transactions	(4,892,412)	(2,045,112)
Consumer debtors	(75,495,676)	(40,379,000)
Payables from exchange transactions	37,279,220	10,664,019
VAT receivable / payable (Amend as appropriate)	(13,948,681)	2,488,769
Conditional grants and receipts	(4,356,049)	(3,807,560)
Consumer deposits	1,089,234	1,217,592
	<b>66,724,357</b>	<b>86,794,690</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>37. Capital commitments</b>		
<b>37.1 Commitments in respect of capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	85,198,146	16,613,398
<b>This expenditure will be financed from</b>		
• Government grants	85,198,146	16,613,398
<b>37.2 Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	2,015,307	1,107,793
- in second to fifth year inclusive	2,340,464	3,013,502
- later than five years	-	317,772
	<b>4,355,771</b>	<b>4,439,067</b>

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of seven years and rentals fixed for the full term of the lease.

Contingent rental of R1 645 220(2011/12) and R87 920(2010/11) were paid during the years.

### Operating leases - lessee (Abrahamsrust)

Minimum lease payments due

- within one year	1	1
- in second to fifth year inclusive	4	5
- later than five years	-	-
	<u>5</u>	<u>6</u>

Operating lease payments represent rentals payable by the entity for rental of property situated on Abrahamsrust.

The entity has a 50 year lease option that expires on 31 March 2017.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>38. Contingencies</b>		
<b>Contingent liabilities</b>		
Housing Loans		
Guarantees for housing loans to employees at financial institutions	29 103	29 103
Case: Axton Matrix Construction cc		923 815
The case is not yet settled. The Municipality is appealing the court order.		
The Matter is currently in High Court.		
The following cases are pending and information is not available to supply reliable figures:		
Siza Mekaar Construction cc		
The Municipality was summonsed for the payment of services rendered on electricity projects. The matter in Free State High Court and is at pleading stage.		
L M Segoati		
Civil suit against the Municipality by a previous employee. Court ruled in favour of Plaintiff.		
Determination of quantam is still pending.		
Aqua Agri Solution cc		
The case is not yet settled. The Municipality is defending the case.		
The Matter is currently in High Court.		
Alse Investment (PTY)Ltd		
Civil action against the Municipality, based on breach of contract signed for disposal of land.		
Mr Edward Short		
Delictual Claim. Matters in pleading stage.		
DPI Plastics PTY (LTD) (Incedon)		
Contractual matter. Assets of municipality were attached by the Sheriff		
M Mokoena		
Defendent erectd a wall in contravention with title deed conditions of property. Magistrate Court issued summons against Mr Mokoena. Defendent can not be located.		
African Oxygen Limited (Afrox)		
Contractual matter. Summonse issued against municipality. Notice was given by municipality to defend the case.		
JM Industrial (PTY) LTD		
Contractual matter. Judgement against municipality. Municipaliy's property has been attached but not yet removed.		

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 39. 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;
- 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.

#### Relationships

Councillor's interest

Asazi Funeral Parlour  
Asazi Inn  
BATJHE ba kopane  
Belperizm project management services  
Grey Construction  
Living Fountain of Waters  
Momsic cc  
Phepeng Construction  
S.B.P.M  
SOXI Electronics and IT Centre  
Thete Consulting Engineers and Project Managers  
Teane and Thekiso Consulting Engineers  
Gaboilelwe Trading Two  
Refer to note 32  
Refer to note 22

Director's interest

Post employment benefit plan for employees  
Executive Council Members

#### Related party balances

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012	2011
	R	R

#### 39. Related parties (continued)

##### Related party transactions

##### Purchases from (sales to) related parties

Modise Meat Suppliers	-	27,740
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At the time of preparation on the Financial Statements no transactions were incurred with the above related parties.

[Disclose the relationship of the individual if not a member or senior management]

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>40. Change in estimate</b>		
<b>41. Prior period errors</b>		
The correction of errors results in adjustments for the 2012 year as set out below:		
1) Property, plant and equipment paid against bulk purchase and not capitalised		
The comparative figure for the year prior to 2012 has been restated as follows:		
Increase in PPE	89 991	
Net effect on Statement of Financial Position	<b><u>89 991</u></b>	
Decrease in Bulk purchase electricity	(89 991)	
Net effect on Statement of Financial Performance	<b><u>(89 991)</u></b>	
2) Corrections of allocation of payments.		
The comparative figure for the year prior to 2012 has been restated as follows:		
Increase Accumulated Surplus (before 2011)	(81 535)	
Increase in Consumer Debtors	633 566	
Net effect on Statement of Financial Position	<b><u>552 031</u></b>	
Decrease in Fines	300	
Increase in connection charges	(552 278)	
Increase in sale of copies	(53)	
Net effect on Statement of Financial Performance	<b><u>(552 031)</u></b>	
3) Provision corrected for Long service awards (Employee benefits)		
Increase in Accumulated surplus (employee cost) (before 2011)	(12 959 251)	
Decrease in Provision Employee Benefit	15 834 397	
Net effect on Statement of Financial Position	<b><u>(2 875 146)</u></b>	
Decrease in Employee Remuneration	(1 793 901)	
Decrease in Loss of actuarial valuation	(1 081 245)	
Net effect on Statement of Financial Performance	<b><u>2 875 146</u></b>	
4) Unallocated shortage were transfer		
Increase in Accumulated surplus (before 2011)	(88 905)	
Increase in Other receivables	88 905	
Net effect on Statement of Financial Position	<u>-</u>	
5) Unknown credits were transfer		
Increase in Accumulated surplus (before 2011)	(745 035)	
Decrease in Other payables	745 035	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>41. Prior period errors (continued)</b>		
Net effect on Statement of Financial Position	<u>-</u>	
6)Water consumption adjusted		
Decrease in Accumulated surplus( before 2011)	2 001 506	
Decrease in Consumer debtors	(2 289 418)	
Net effect on Statement of Financial Position	<u>(287 912)</u>	
Decrease in Service Charges Water	287 912	
Net effect on Statement of Financial Performance	<u><b>287 912</b></u>	
7)Electricity connection adjusted		
Decrease in Accumulated surplus( before 2011)	174 000	
Decrease in Consumer debtors	(174 000)	
Net effect on Statement of Financial Position	<u>-</u>	
8)Performance Bonus incorrectly provided		
Decrease in Trade and other payables	765 743	
Net effect on Statement of Financial Position	<u>765 743</u>	
Decrease in Performance bonus	(765 743)	
Net effect on Statement of Financial Performance	<u><b>(765 743)</b></u>	
9)Correction on Accrued Finance Leases		
Increase in Accrued finance lease	(43)	
Increase in Lease liability	(5 153)	
Decrease in Accumulated surplus	5 196	
Net effect on Statement of Financial Position	<u>-</u>	
10)Provision for UIF of Councillors		
Increase in Trade and other Payables	-	
Decrease in Trade and other payables	198 759	
Net effect on Statement of Financial Position	<u><b>198 759</b></u>	
Decrease Councillor remuneration UIF	(198 759)	
Net effect onStatement of Financial Performance	<u><b>(198 759)</b></u>	
11) Departmental Charges not levied/ cleared in prior year		
Increase in trade and other receivables from exchange transactions	25 973	
Net effect on Statement of Financial Position	<u><b>25 973</b></u>	
Increase in Departmental Charges	(24 321)	
Increase in Rates	(1 652)	
Net effect on Accumulated surplus	<u><b>(25 973)</b></u>	



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>41. Prior period errors (continued)</b>		
12) Payment of leave days paid out		
Decrease in Trade and other payables	39 330	
Net effect on Statement of Financial Position	<b><u>39 330</u></b>	
Decrease in Leave paid	(39 330)	
Net effect on Accumulated surplus	<b><u>(39 330)</u></b>	
13) Adjust accruals		
Decrease in Trade and other payables	1 045 543	
Accumulated surplus (before 2011)	216 227	
Net effect on Statement of Financial Position	<b><u>1 261 770</u></b>	
Bulk purchase	(70)	
Decrease in General expenditure	(1 273 549)	
Increase in Employee Remuneration	33 853	
Decrease in Maintenance vehicles	(5 696)	
Increase in telephone calls	(16 308)	
Net effect on Statement of Financial Performance	<b><u>(1 261 770)</u></b>	
14) Provision for leave		
Increase in Provision leave Other payables	(55 502)	
Net effect on Statement of Financial Position	<b><u>(55 502)</u></b>	
Increase in Contribution leave	55 502	
Net effect on Statement of Financial Performance	<b><u>55 502</u></b>	
15) Change fair value		
Decrease Other Financial Assets (long term receivables)	(1 705 690)	
Net effect on Statement of Financial Position	<b><u>(1 705 690)</u></b>	
Decrease Interest on debtors	1 705 691	
Net effect on Statement of Financial Performance	<b><u>1 705 691</u></b>	
16) Reclassification Departmental charges		
Decrease Departmental income	2 863 223	
Decrease of Departmental expenditure (General expenditure)	(2 863 223)	
Net effect on Statement of Financial Performance	<b><u>-</u></b>	
17) Movement in disclosures:		
17.1) Fruitless and wasteful expenditure (refer to note 49)	(272 362)	
17.2) Unauthorised expenditure (refer to note 48)	1 031 276	
17.3) Irregular expenditure (refer to note 50)	25 657 059	
The correction of the error(s) results in adjustments as follows:		

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>41. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
Property, plant and equipment	-	89,887
Other Financial Assets	-	(1,705,690)
Receivables from exchange transactions	-	(1,829,852)
Trade and Other receivables	-	114,878
Opening Accumulated Surplus or Deficit	-	(11,477,797)
Payables	-	2,738,865
Current Lease Obligation	-	(5,153)
Employee Benefits	-	15,834,506
TOTAL	-	3,759,639
<b>Statement of financial performance</b>		
Property Rates	-	(1,652)
Service Charges	-	3,151,135
Fines	-	300
Discounting	-	1,705,691
Other Income	-	(568,639)
Employee Cost	-	(2,708,378)
Bulk Purchase	-	(90,061)
Loss actuarial valuation	-	(1,081,245)
Repair and Maintenance	-	(5,696)
General Expenditure	-	(41,610,934)
TOTAL	-	3,759,639

## 42. Comparative figures

Certain comparative figures have been reclassified for fairer presentation of the information due to prior period errors. .

## 43. Risk management

[Note: The disclosure below is illustrative and only an example. The municipality will need to update based on their policies.]

### Financial risk management

### Credit risk

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 43. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Only approved major financial institutions are utilised. An extensive investment policy and delegated authority is approved by Council and is adhered to.

Minimal cash on hand is kept in the form of receipts and cashier floats. The daily income is collected by a collection service and sufficient categories of safes and strong rooms are utilised to keep cash until collection. There are security services at the building.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The collection of arrears is a priority. The credit control and debt collection policy is reviewed annually to ensure the credit risk is managed. The Council budgets for adequate working capital and a bad debt write off policy is being developed.

Deposits are levied with new connections. The indigent register is regularly reviewed and updated. A credit collection section is functioning and any arrear accounts duly followed up. Action is taken timeously against defaulters. Proceeds of the sale of property is attached for amounts owed during the transfer of properties by issuing clearance certificates as required.

Cash, fidelity and money handlers insurance are taken out annually to ensure adequate risk cover exist.

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### Liquidity risk

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 43. Risk management (continued)

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitment, investments and credit facilities.

Cash flow forecasts are prepared monthly and adequate utilised borrowing facilities are monitored. The cash flow of the Council is managed on a daily basis and any problems are communicated to the management and members of the Mayoral Committee in time to ensure arrangements with major suppliers can be reached. The situation was managed and Council took drastic action to improve the matter. A Budget and Loss Control Committee was established to ensure proper management of the cash flow and budget.

A data cleansing project is in the process to improve the liquidity of the Municipality.

The Revenue Enhancement Strategy was approved by Council and currently being implemented.

The general liquidity of the Council is managed by a bank and investment policy with properly defined duties and responsibilities supported by adequate delegated authority by the Council.

The exposure of Council's risk to liquidity is due to the non payment of receivables. There are insufficient consumer deposits to cover outstanding trade receivables. These will be addressed through the data cleansing exercise.

The Council has the following financial instruments that can be cashed in on a very short notice to relieve cash flow matters that cannot be addressed in the normal course of business.

- Paid up annuity
- Shares Sanlam Ltd
- Non paid up annuity

-Approved additional credit facility available

In terms of Section 137 and 139 of the Municipal Financial Management Act, (Act no 56 of 2003) provision is made for provincial intervention when serious financial problems are experienced.

The above instruments are available if the current funds are not enough to cover the future commitments and are sufficient to cover any normal liquidity risk of the Council.

The Council is empowered to perform tariff adjustments and budget for any unforeseen operational changes in the nature of the Council's business subject to applicable regulations.

The table below analyses the municipality's financial liabilities and net -settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2012	Less than 1 year	Between 1 and 5 years	Later than 5 years
Annuity loans	0		
Finance lease obligations	9 209 342		
Trade and other payables	125 519 859		
VAT	0		

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012	2011
		R	R
<b>43. Risk management (continued)</b>			
Consumer deposits	10 647 537		
At June 30, 2011	Less than 1 year	Between 1 and 5 years	Later than 5 years
Annuity loans	0		
Finance lease obligations	15 631 204	9 209 342	
Trade and other payables	91 410 944		
VAT	10 254 403		
Consumer deposits	9 558 303		

### ***Interest rate risk***

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

#### **Fixed rate instruments**

Financial Assets: R123 111 (2011: R12 631 857)

Financial Liabilities: R 0 (2011:R9 209 342 )

#### **Variable rate instruments**

Financial Assets: R16 270 580 (2011: R11 490 498)

Financial Liabilities: R9 209 342(2011: R15 361 204)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings at variable rate were denominated in the Rand.

### ***Risk from enviromental assets***

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 43. Risk management (continued)

The Council is not exposed to financial risks arising from changes in any purchased biological bulk services.

The Council operates two water purification plants as well as two sewer purification plants in Oranjeville and Deneysville which is considered an ecologically sensitive and national key resource area. (upper and lower Vaal Dam). The Council has established a disaster management committee and forum to ensure any disaster can be managed. The main bulk services for the area is purchased and these resources are negotiated through a national negotiation forum that ensures that bulk service purchase price increases are fair. The sewer purification for the Sasolburg and Zamdela services is purchased from SASOL group. The annual price increase is forwarded to the consumers to ensure that financial risk is managed. No joint or separate responsibility for sewer outfall exists on the Sasolburg and Zamdela plant.

The Council reviews its water and sewer purification prices annually, considering the need for active financial risk management.

The Council operates seven cemeteries. The Council is in process to procure adequate land for these cemeteries to ensure the major financial risk relating to cemeteries are catered for.

The Council operates three demarcated refuse removal sites. The operation of these sites are considered adequate and current studies are underway to ensure that the sustainability, operation and rehabilitation of these sites are adequate. These studies will ensure that adequate financial risks are identified and managed.

The financial risk for storm water is managed through the non acceptance of any risk for down flow storm water in title deeds and the inclusion of operational and financial risk controls in the title deeds of all stands and the town planning scheme.

Adequate (R100 million) public liability insurance is secured annually from the insurers of the Council.

The recoverability of long-term debtors, with a carrying value of R245 are considered to be irrecoverable and adequately provided for.

### 44. Events after the reporting date

- Key management are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>45. Unauthorised expenditure</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	83,749,949	65,075,358
Unauthorised expenditure - current year	2,938,677	18,674,591
Approval by Council or Condoned	(625,581)	-
	<b>86,063,045</b>	<b>83,749,949</b>

Incident	Actions taken		
Employees	Staff appointed in positions that are not on approved structure Report to Council	2 559 273	1 407 033
Employees	Staff act in positions that are not on approved structure Report to Council	365 704	444 968
Office of Municipal Manger	Depreciation increase on update of Asset register Compliance GRAP standard To be reported to Council		2 129 211
Finance	Depreciation increase on update of Asset register Compliance GRAP standard (Assets, provision for leave) ( Off set depreciation) To be reported to Council		11 618 906
LED	Depreciation increase on update of Asset register Compliance GRAP standard (Asset register) Loss on demolishment of hostel To be reported to Council		3 074 473
Lennoxely Investment Holding	Payment for accomodation for netball team without an order	13 700	
<b>Total</b>		<b><u>2 938 677</u></b>	<b><u>18 674 591</u></b>

**The following unauthorised expenditure was approved by Council:**

Valuation Roll (2006/2007)	Additional appointment (Mr Notsi was not part of contract) 499 265
	Amount irrecoverable and be written off

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>45. Unauthorised expenditure (continued)</b>			
Fencing of dumpsite (2008/2009)	Variation order to unforeseen circumstance. Amount irrecoverable and be written off	126 316	
		<b><u>625 581</u></b>	

### The following unauthorised expenditure was condoned at the Council meeting of 25 July 2012.

2008/2009	Bad debts	56 080 683	
	Provisions	1 494 531	
	General Expenditure	1 822 436	
	Finance Cost	3 987 835	
2010/2011			
Office of Municipal Manger	Depreciation increase on update of Asset register	2 129 211	
Finance	Compliance GRAP standard		
	Depreciation increase on update of Asset register	11 618 906	
	Compliance GRAP standard (Assets,provision for leave)		
	( Off set depreciation)		
LED	Depreciation increase on update of Asset register	3 074 473	
	Compliance GRAP standard (Asset register)		
	Loss on demolishment of hostel		
<b>Total</b>		<b><u>80 208 075</u></b>	

## 46. Fruitless and wasteful expenditure

### Reconciliation of fruitless and wasteful expenditure

Opening balance	5,530,570	5,172,396
Fruitless and wasteful expenditure - current year	1,123,341	358,174
Condoned or written off by Council	(86,227)	-
	<b><u>6,567,684</u></b>	<b><u>5,530,570</u></b>

Incident	Actions taken		
Interest on Auditor General	Arrangements made for payments Report to council	202 807	214 206
Ms T M Tladi	Motor vehicle damaged during strike To be recovered from SAMWU		17 359
Ms P Tshabalala	Motor vehicle damaged during strike To be recovered from SAMWU		740



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>46. Fruitless and wasteful expenditure (continued)</b>			
TELKOM	Interest Late payment Report to Council	18 582	14 118
Huge Telekom	Interest Late payment Report to Council		105
ESKOM	Interest Late payment Report to Council	3 443	310
Free State Province	Interest on licence fees Report to Council	8 844	1 228
Inca Fin	Interest on copy cost(BHR) Report to Council		228
ESKOM	Interest Housing O/V Report to Council		31
STONES Plant Hire	Interest to Service provider To be reported to Council		2 748
Marena Printers	Budget books(wrong document submitted) Report to Council		62 616
Employees	Employees that participate in the SAMWU strike during January 2011. No information available to determine the amount to be reported to Council		
Chromatic Productions	Show never took place although payment was made Report to Council		5 000
Lundi	Artist did not perform at theatre To be reported to Council		35 088
Executive Mayor	Expenditure does not meet requirements of credit card policy To be reported to Council		1 372
Speaker	Expenditure does not meet requirements of credit card policy To be reported to Council		289
Water Institute of Africa	Payment for late registration To be reported to Council		2 736
SALCORP	Hours worked by 4 researchers on production of news bulletin not verified	88 000.	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>46. Fruitless and wasteful expenditure (continued)</b>			
Cape Media Corporation	Employees did not attend conference	28 500.	
Post Office	Post Office	40	
SALGBC	Payment as per directive award. Dispute on non-compliance of clause 11 of Wage Agreement collective	1 250	
F J Motloung	Arbitration award to Mr F J Motloung of 166 030.85 as the suspension imposed was procedurally and substantively unfair	166 031	
J M Industries	Cost and interest in terms of late payment to J M Industrial (PTY) LTD as per warrant of execution	24 680	
Minolta	Interest on copy cost(BHR)	624	
HP	Interest on non paymnet of Datacentrix	573 946	
Roodt	Interest on late payment	6 594	
<b>Total</b>		<b><u>1 123 341</u></b>	<b><u>358 174</u></b>

### The following fruitless and wasteful expenditure was approved by Council:

2009/2010

Interest Eskom	1 423
Interest and penalties on VAT	63 332
Interest Telkom	12 750
Interest Huge Telkom	5 605
Interest Auditor General	3 117
	<b><u>86 227</u></b>

### **47. Irregular expenditure**

Opening balance	89,368,829	32,261,233
Irregular Expenditure - current year	27,373,419	56,159,152
Amounts condoned or written off by Council	(1,108,455)	-
	<b>115,633,793</b>	<b>88,420,385</b>

Irregular expenditure previous and current year  
**Incident**                      **Actions taken text**

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Minolta	Photocopiers tender procedure not followed		6 347 766
	Investigation in process		
	Report to Council		
Various service	Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier.		
	Baitseanape Investments		118 000
	Corporate Base Mangement		191 800
	C-Sonke Investments		142 033
	K B T OURS		107 000
	Marena Printing		1 884 897
	Rentokil		293 665
	MKS Management Services		2 092 527
	G4S		424 426
	KEKEFA Trading Enterprise		453 492
	Motsoeneng Taxis		309 000
Tshwanelo Trading Enterprise	Awards to service provider who is in the service of the State. Report to Council		1 202 579
Abelanang trading & projects	Awards to service provider who is in the service of the State. Report to Council		185 928
Chippa Waste	Appointment made without following proper procurement procedures Report to Council		701 250
Mothepe General Services	Appointment made without following proper procurement procedures Report to Council		765 343
J M Industries	Appointment made without following proper procurement procedures To be reported to Council		95 968
STONES Plant Hire	Appointment made without following proper procurement procedures Report to Council		140 297

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Modise Meat Suppliers	Purchased from a related party To be reported to Council		27 740
Various service providers	Awards to service providers who are in the service of the State. To be reported to Council		
	Midnight Star Trading		13 398
	Hae At Home Guest House		620
	Kgotla Training & Development		23 200
	Tanani H Trading & Projects		940
	Matsapa Trading		90 800
	Thalabodima Trading		100 000
	Macbolann Computer Stores		328 530
	Motawane Events		5 000
Datacentrix	Debit order exceeds contract with Datacentrix/ Computer Ink and Media solutions Report to Council	13 012 892	13 012 892
Lebea & Ass.Attorneys	The service provider was appointed without following procurement procedures		26 390
Lesaka Consulting Engineers	Appointment of a professional service provider for planning, design and supervision of Metsimaholo roads and storm water phase 1. Procurement procedures not followed		1 387 066
Deloitte & Touche Consulting (Pty) Ltd	Disclosure of information not done		123 787
Motsoeneng Trading and Projects	Coordinate the young professional lunch with the premier The service provider was appointed without following procurement procedures, only one quotation was received		269 427
Stormy Seasons Trading & Projects	The service provider was appointed without following procurement procedures		75 488
Melato Attorneys	The service provider was appointed without following procurement procedures, only one quotation was received		61 802
Nkaiseng Attorneys	The service provider was appointed without following procurement procedures, only one quotation was received		25 552

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Nobleman Switchgear Cc	An emergency of substation; deviation		108 000
Iceburg Trading 650	The service provider was appointed without following procurement procedures, only one quotation was received		176 610
Victorompie	Supply and delivery of Executive diaries The bidder did not submit compulsory documents		141 117
Junma Tractors SA (Pty) Ltd	1x59 kw four wheel drive tractor Procurement procedures not followed		173 684

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Merbombo Project C.C	Bulk Water Supply Amelia/Mooidraai Water Reservoir Amelia The preferential pointing system was incorrect calculated		271 748
Leblanc Jasco (Pty) Ltd	High mast Lights MIG Insufficient documentation to substantiate the bid		451 761
Vikna Risimanti Consulting Civils	Water Network Refengkgotso No proof that accounting officer approved specifications prior to publication.		498 064
Inkokheli Business Enterprise	Hiring of construction Plant/Equipment The advert should have been signed by the Accounting Officer prior to the invitation of bidders		5 150 672
Isuntu Projects CC	Acquisition of service provider to clean storm water concrete pipes and pressure pipe cleaner The advert should have been signed by the Accounting Officer prior to the invitation of bidders		1 010 479
Tshwaneleho trading enterprise	Supply and delivery of cold asphalt premix (25kg) Bags The advert should have been signed by the Accounting Officer prior to the invitation of bidders		1 328 588
Mokemedi Engineering	Appointment of professional service provider: Electrica engineering work The advert should have been signed by the Accounting Officer prior to the invitation of bidders		574 208
Millenium pumps	Supply and delivery of Ultra V Series horizontal self rimming centrifugal pump The advert should have been signed by the Accounting Officer prior to the invitation of bidders		422 511
Tats Electrical Services Pty Ltd	The construction of 20 MVA, 88/11 KV Leitrim substation for the Leitrim, Gortin & Amelia developments The advert should have been signed by the Accounting Officer prior to the invitation of bidders		1 200 267

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Roshqott Pty Ltd	The construction of 20 MVA, 88/11 KV Leitrim substation for the Leitrim, Gortin & Amelia developments The advert should have been signed by the Accounting Officer prior to the invitation of bidders		417 306
Kabe consulting	Appointment of an engineering consulting firm for planning, design and supervision of Vaalpark taxi rank. The advert should have been signed by the Accounting Officer prior to the invitation of bidders		602 638
Mlokothwa Construction & Management services	Construction of new interlocking of the paved roads and storm water drainage system for streets with paving blocks. The advert should have been signed by the Accounting Officer prior to the invitation of bidders		4 288 550
Botshelo trading	Supply and delivery of tents, mobile toilets, steel tables and plastic chairs. The advert should have been signed by the Accounting Officer prior to the invitation of bidders		139 211
Price Waterhouse Coopers	Development of a GRAP, IFRS compliant fixed asset register. The advert should have been signed by the Accounting Officer prior to the invitation of bidders		643 405
Mokemedi Engineering	High mast Lights MIG The advert should have been signed by the Accounting Officer prior to the invitation of bidders		336 092
Mlokotha Construction & Management	Water Reservoir Amelia The advert should have been signed by the Accounting Officer prior to the invitation of bidders		3 718 974
Rebaone Electrical & Construction	High mast Lights MIG The advert should have been signed by the Accounting Officer prior to the invitation of bidders		1 617 938
Jampe Construction CC	Construction Refenkgotso Cemetery The advert should have been signed by the Accounting Officer prior to the invitation of bidders		1 246 220

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Motsoane Taxis	The service provider did not submit tax clearance certificate		30 000
Tsoabizi Trading & Projects	The service provider did not submit tax clearance certificate		12 560
Melato Attorneys	The service provider did not submit tax clearance certificate		23 295
Centralec (Pty) Ltd	DIR49401 : 16MM BCEW The service provider did not submit tax clearance certificate		5 244
Human Communications (Pty) Ltd	The service provider did not submit tax clearance certificate		8 207
Vodacom	The service provider did not submit tax clearance certificate		11 792
Buhle Events and Projects Management	Master desk 2000x1000. The service provider did not submit tax clearance certificate		38 190
Ilifa Africa Engineers (Pty) Ltd	Water Reservoir Amelia The service provider did not submit tax clearance certificate.		132 885



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
M W M General Contractor	The company had no tax clearance certificate and company was closed.		26 220
Maselepe Trading & Projects SS	The service provider did not submit tax clearance certificate		16 800
Industrial Man Cc	The service provider did not submit tax clearance certificate		24 430
R Bredenhann	The service provider did not submit tax clearance certificate		29 150
African Directory Services (Pty) Ltd	The service provider did not submit tax clearance certificate		20 109
Monarch Training (Pty) Ltd	The service provider did not submit tax clearance certificate		19 369
Centralec (Pty) Ltd	DIR53545 : 125 Watts M/Vapour Lamps The service provider is not listed on the database register		8 640
Spargo Mica Hardware	DIR54304 : 150L Franke Geyser The service provider is not listed on the database register		4 386
Seibod Gas	DIR49323 : Claw Safety Boots Fo meter.		5 897
Meriting Food Services	DIR50048: Finger Meals & Mineral water The service provider is not listed on the database register		6 200
M G Matekane	The service provider is not listed on the database register		4 200
Vodacom	The service provider is not listed on the database register		5 399
Green Garden	The service provider is not listed on the database register		4 298
J J Loggenberg	The service provider is not listed on the database register		3 196
Cape Town Lodge	The service provider is not listed on the database register		7 800
J G Loots & Seuns Vervoer	The service provider is not listed on the database register		6 667

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
C4S Cash Solutions	C4S COLLECTION OF CASH FROM Municipality. The service provider is not listed on the database register		10 284
Midnight Star Trading 185 Cc	The service provider is not listed on the database register		5 190
Aves Cyber Security (Pty) Ltd	The service provider is not listed on the database register		22 101
Martin Mzuwana Architects designers	Appointment of a professional service provider - Review of the Metsimaholo spatial development framework 2011 - 2012. The service provider is not listed on the database register		120 000

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Agobel Productions	Tourism celebrations, one quotation	28 500	
Mrs M M Lebeko	Tourism celebrations, one quotation	29 400	
RV Events Management cc	Tourism celebrations, two quotation	22 500	
Lefatshe la rona trading	Appointment of a service provider to provide catering and sound system for the event of wellness day	85 750	
Dream finders	Appointment of a service provider to provide catering services, tents, tables and chairs for Groenpunt Arts and culture rehabilitation jazz festival held on the 30 October 2011	38 200	
Stormy Seasons Trading and Projects	Appointment of an event coordinator to facilitate the executive mayor's inauguration ceremony	350 154	
ATN PRODUCTIONS	DVD, DISC PROJECTOR SCREEN AND MUSIC SYSTEM (for Ntai memorial lecture) In terms of regulation 18 of the SCM all the requirements above R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained.	55 000	
EHLATHINI MUSIC ENTERTAINMENT	GOSPEL LIVE PERFORMANCE AND PURCHASING OF CD'S In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed. The memo doesn't even state the reasons for the procurement.	22 000	
ELGIMA TRADING CC	CATERING AND PERFORMANCE (Mayor's donation) No indication as to how was this service provider contracted. The quotations were not sourced from the municipal database.	15 800	
MOTSOENENG TRADING AND PROJECT	TRANSPORT AND CATERING FOR MANDELA DAY ACTIVITY (Lunch for the elders of Zamdela) The correct SCM procedures were not followed,	25 000	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
	only two quotations were submitted.		
J.S KHAMBULE TRADING AND TRANSPORT SERVICES	TRANSPORT SERVICES In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed. The memo doesn't even state the reasons for the procurement.	3 300.	
SEDGARS	T Shirts for Ntai memorial lecture In terms of regulation 18 of the SCM all the requirements above R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained	45 600	
Agobel Productions	Filming of Premier's graduates programme and Mayor's inauguration programme In terms of regulation 18 of the SCM all the requirements above R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained.	30 000	
Cash Build	Building Material as Donation In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed. The memo doesn't even state the reasons for the procurement.	5 903	
Mofokeng Trading & Tours	Transportation of unemployed graduates from Refengkgotso to Boiketlong (Premier's invite) The service providers are not listed on our database	3 360	
ATN Productions	DVD at Stonehaven for special programme for pensioner In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed.	15 000	
Bosele Security	Security services during the Mayor's-Inauguration In terms of regulation 18 of the SCM all the requirements above	59 500	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
	R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained.		
JS KHAMBULE	Transportation from Barrage to Sasolburg for the inauguration of the Executive Mayor In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed.	3 600	
Stormy Seasons Trading and Project	In addition of items for facilitation of executive mayor's inauguration ceremony The correct SCM procedures were not followed.	180 005	
Thulani Trading	Repair of motor gate at mechanical workshop The service providers are not listed on our database.	14 000	
ICEBURG Trading	Supply and Delivery of golf shirts In terms of regulation 18 of the SCM all the requirements above R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained.	51 900	
JS KHAMBULE	Transportation for disabled people from Zamdela to Bloemfontein In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (vat inclusive) three quotations must be submitted. The correct SCM procedures were not followed.	6 000	
Bosele Security	Mayor's monthly security The correct SCM procedures were not followed when appointing the service provider.	178 800	
Bosele(Mataung & Mashinini	Mayor's monthly security The correct SCM procedures were not followed when appointing the service provider.	447 000	
ONE OFF DESIGN	SUPPLY, INSTALL & COMMISSIONING OF CCTV SURVEILLANCE SYSTEM AT CHRIS HANI PAY POINT SUPPLY, INSTALLATION AND COMMISSIONING OF ACCESS CONTROL	74 533	
		65 260	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
	SYSTEM CIVIC CENTRE The correct SCM procedures were not followed.		
ONE OFF DESIGN	SUPPLY, INSTALLATION & COMMISSIONING OF SECURITY SURVEILLANCE SYSTEM: FINANCIAL SERVICES The correct SCM procedures were not followed.	199 853	
Lexus Security	Appointment of Security guards at all pay points within Metsimaholo Supply chain processes were not followed with regards to the appointment of the service provider and according to SCM The security services has been long outsourced and to this effect a contract was concluded in 2008.	131 060	
SMR Security	Repair of alarm system at all pay points in Metsimaholo In terms of regulation 18 of the SCM all the requirements above R30 000.00 (vat inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained.	41 630	
Siyabuselela trading	Fencing services in Vaalpark The correct SCM procedure was not followed.	205 243	
Ntja Molefi trading and transport	Catering for tourism day celebration Quotation for the same event were obtained by the department amounting to R 58 005.00. The correct SCM procedure were not followed	28 800	
Tsentle events company	Catering for tourism day celebration Quotation for the same event were obtained by the department amounting to R 58 005.00. The correct SCM procedure were not followed	29 205	
Ndobela Attorneys	Mediation : Prominent Corporate Services CC / Boiketlong Tenants Legal Opinion : Mr PP Seshea	305 566	
Leba & Associated Attorneys	Metsimaholo // IMATU obo Kriel/SAMWU / URGENT APPLICATION Metsimaholo // WFJ Coertzen	391 465	
Nkaiseng Commercial	Termination of Service provider – Niel De Klerk Contract review	30 239 46 862	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
& Labour Attorneys	Drafting of Delegation of Powers for the Manager in the MM and the Speakers Office.	108 300	
	Civil Matter : Niel De Klerk	71 224	
	Vetting of Suppliers on SCM database	199 500	
Nkaiseng Commercial & Labour Attorneys	Drafting of Lease agreements and SLA's Compliance Register	188 100 235 741	
Majavu INC	Civil Matters : SizaMekaar Construction CC, Subway Trading and Investment	473 963	
Moroka Attorneys	The correct SCM procedure were not followed	326 296	
Motsoeneng Trading Projects	Catering for office of Mayor. They did obtain own quotations	84 750	
Nando's Sasolburg	Catering for office of Mayor.	12 019	
Makhadzo Trading Projects	The correct SCM procedure were not followed	65 000	
Bosele	Service was for safe guarding and patrol at the municipality and Executive Mayor Parlour. The appointment of the security company was not done in line prescribed the Supply Chain Management regulations	44 700	
Motsoening Trading and Taxis	Transport of community to Bethlehem for Freedom Day celebrations. SCM regulations were not followed	80 400	
Zaliocube	Transport of staff to Heilbron for a funeral. Three quotations were not obtained as required per Supply Chain Management policy.	16 800	
Morwenyane Transport	Transport of staff to Arlington for a funeral. Only Supply Chain Management can sources quotations from the database and departments are not allowed to obtain their own quotations	2 500	
Morwenyane Transport	Transport of staff to the Eastern Cape for a funeral. Only Supply Chain Management can sources quotations from the database and departments are not allowed to obtain	23 600	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
	their own quotations.		
Motsoeneng Taxis	Transport of women to the celebration of international women's month (March) at Zomba Stadium in Namahadi. Supply Chain Management procedures were not followed.	58 890	
Basia Tours	Transport of staff to Bethelhem Hospital and back. Three quotations should be obtained	2 600	
Isamon Integretaed Services	The facilitation of Youth Summit. In terms of the Supply Chain Management procedures the tender must be advertised in newspaper for 14 days. The proper tender process was not followed	285 000	
Sello Office Media	Proceurement procedures not followed	198 500	
Rebathwere Security	No agreement in terms of numbers, rates and period.	153 428	
Hlaba's Consulting Media	Quotations obtained in contradiction with SCM Regulations and section 117 of MFMA.	6 200	
Multi Waste Florida	Lease of trucks Cleansing	712 320	
Spargo Mica Hardware	Supplier not on database Only one 1 quotation	25 751	
Puisand	Only 1 quotation No deviation report	14 500	
Lema Printing and Media house	Only 1 quotation	45 000	
Gous Vertue & Associates	Supplier not on database Only one 1 quotation	29 900	
Supply Cor	Public safety uniform I Quotation, no tax clearance certificate	57 023 132 497	
Motsoeneng Taxis	Transport to PROVINCIAL MEETING Not advertised on notice board. No deviation report No declaration of interest	166 360	



## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
Motsoeneng Taxis	SCM	33 772	
Mooi Vaal Media	SCM	5 262	
Ayanda Mbanga	Not 3 quotations No deviation report No tax clearance	29 736	
VML TREADING	Supplier not on database	103 880	
Silverton Radio	Supplier not on database	25 836	
Omhole Construction	Upgrading water works. Supplier not on database	60 403	
Destiny B&B Conference Facility	Catering and decoration for Ex Mayor inauguration Advert not on Notice board	150 000	
Glamour Marketing	Quarterly report SCM. No advertising	189 000	
Dombi Trading	Supply calenders and diaries i	97 293	
Teriskano Trading	Fencing Oranjeville. Not advertise on website and no tax clearance	87 780	
Equity Office Automation/ Nashua Vaal	Multifunctional Printers. Service provider not on Database	53 010	
Mzu-Mass Architects, Urban designers and Town Planners	Review Spatial development framework. No tender	136 800	
Esemble Trading 2053cc	Public safety uniform. Not advertise on website and notice board	120 122	
Stormy Seasons Trading and projects	Register of suppliers on database. Not advertise on website and no SCM report	76 925	
Motsoeneng Trading	Transport Funeral.	38 500	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>			
projects	No advert and tax certificate		
Naledi Industrial Hardware	No advert, tax clearance or SCM report	53 000	
Rentokil	No tender. SCM procedures not followed	202 380	
Bosele(Mataung & Mashinin Construction &Projects trading)	No tender. SCM procedures not followed	1 595 600	
Sasolburg Monitoring and Response unit	SCM procedures not followed	58 995	
P P Nhlapo IT service	SCM procedures not followed	62 090.	
Ukwazi Force	No tender. SCM procedures not followed	1 883 530	
Paukltime Trading & projects	Not on website and advert not signed by MM	61 000	
Deviations were not reported quarterly to the accounting officer antoher officer designated by the accounting officer and reported to the next meeting of the council			
	Spiph transformers (PTY) LTD	26 188	
	Vaal office supplies CC	2 007	
	Bell equipment CO.SA (PTY)LTD	8 880	
Three quotations/ deviation not approved by the delegated offical			
	Selebala painting and projects	29 000	
	Builders market vaal	2 975	
	MSF IT solutions CC	3 962	
	A & D graphics	5 821	
No Advert on notice board			
	Batloung Technologies CC	66 930	
<b>TOTAL</b>		<b><u>27 373 419</u></b>	<b><u>56 159 152</u></b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>47. Irregular expenditure (continued)</b>		
<b>The following irregular expenditure was approved by Council:</b>		
Jacobsco      Inadequate quotations	722 041	
Amount irrecoverable and be written off		
Measures introduced to rectify and prevent further incurrence of this expenditure		
Zenfer              No tender	388 414	
Amount irrecoverable and be written off		
Measures introduced to rectify and prevent further incurrence of this expenditure		
	<b><u>1 108 455</u></b>	
<b>48. Presentation of budget information</b>		
<b>48.1 Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net (deficit) surplus per the statement of financial performance	(58,893,426)	29,065,521
<b>Adjusted for:</b>		
Fair value adjustments	2,345,162	1,926,178
Impairments recognised / reversed	37,759,289	(29,768,653)
Loss/gain on demolish of hostel	350,803	5,042,939
Loss on Actuarial Valuation	4,493,594	5,105,260
Surplus/deficit on inventory	(82,115)	(11,264)
Revenue deviation	78,099,165	13,649,902
Expenditure deviation	(80,642,960)	(41,565,823)
<b>Net deficit per approved budget</b>	<b>(16,570,488)</b>	<b>(16,555,940)</b>
<b>49. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1,473,309	797,731
Amount paid - current year	(1,473,309)	(797,731)
	-	-
<b>Audit fees</b>		
Opening balance	2,446,327	2,030,792
Current year audit fee	3,392,612	3,847,551
Interest	202,807	214,205
Amount paid - current years	(4,013,675)	(3,646,221)
	<b>2,028,071</b>	<b>2,446,327</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>49. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year subscription / fee	20,893,495	29,649,768
Amount paid - current year	(20,893,495)	(29,649,768)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	39,790,081	35,332,759
Amount paid - current year	(39,790,081)	(35,332,759)
	-	-
<b>VAT</b>		
VAT receivable	3,694,278	-
VAT payable	-	10,254,403
	<b>3,694,278</b>	<b>10,254,403</b>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

VAT claim from municipality of R 5 115 828 is still outstanding

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S Holt (Acc no 794737) Arrangements	-	5,130	5,130
M W Khonto (Acc no 528629)	-	8,105	8,105
M D Nthebe (Acc no 104154)	-	73,369	73,369
T J Mofokeng (Acc no 511539)	-	5,581	5,581
D N Motloun (Acc no 510127)	-	7,402	7,402
M Msimanga (Acc no 556692)	-	19,340	19,340
	-	<b>118,927</b>	<b>118,927</b>

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R	
<b>49. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
L R Chebase (Acc no 601490) Handed Over	-	18,816	18,816
S Holt (Acc no 794737) Arrangements)	-	6,151	6,151
M W Khonto (Acc no 528629)	-	7,968	7,968
S B Khunou (Acc no 103351) Indigent	-	760	760
M D Nthebe (Acc no 104154)	-	69,399	69,399
T J Mofokeng (Acc no 511539)	-	4,614	4,614
M M Mosia (Acc no 55731)	-	5,747	5,747
D N Motloun (Acc no 510127) Arrangements	-	4,824	4,824
S Moreki (Acc no 526465) Owner deceased	-	10,614	10,614
M Msimanga (Acc no 556692) Handed over	-	14,673	14,673
J M Phepheng Lelahla (Acc no 102107)	-	3,754	3,754
C S Phoofolo (Acc no 560704) Arrangements	-	7,933	7,933
M S Poho (Acc no 512681)	-	1,433	1,433
N A Radebe (Acc no 526972)	-	1,669	1,669
M N Sejaki (Acc no 6012077) Arrangements	-	31,217	31,217
M A Tamane (Acc no 551238) Arrangements	-	1,865	1,865
	-	<b>191,437</b>	<b>191,437</b>

These councillor's account were in arrears for more than 90 days at the reporting date or during the year.

#### 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 .

#### Incident

Quotations received outside the official procurement processes	27,373,411	57,107,596
----------------------------------------------------------------	------------	------------

#### 50. Actual operating expenditure versus budgeted operating expenditure

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

#### 51. Actual capital expenditure versus budgeted capital expenditure

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

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

	2012 R	2011 R
<b>52. Debt impairment</b>		
Contributions to debt impairment provision	79,875,482	10,231,347
Trade and other receivables from exchange transactions	80 582 121	7 319 006
Other receivables from non-exchange transactions	(706 639)	1 281 223
Other Financial assets	0	(718)
Provision Bad debt VAT adjustment		-
Mayoral Trust		315 979
Selling Scheme Zamdela		1 315 857
<b>TOTAL</b>	<b><u>79 875 482</u></b>	<b><u>10 231 347</u></b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

				2012 R	2011 R		
<b>53. Statement of comparative and actual information</b>							
<b>2012</b>							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of budget
<b>Financial Performance</b>							
Property rates	79,008,000	84,208,140		84,208,140	86,651,879	(2,443,739)	
Service charges	363,537,000	363,537,920		363,537,920	325,092,050	38,445,870	
Investment revenue	2,200,000	2,100,000		2,100,000	2,416,458	(316,458)	
Transfers recognised - operational	134,299,000	143,485,000		143,485,000	139,476,992	4,008,008	
Other own revenue	96,758,000	80,017,280		80,017,280	36,781,568	43,235,712	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>675,802,000</b>	<b>673,348,340</b>		<b>673,348,340</b>	<b>590,418,947</b>	<b>82,929,393</b>	
Employee costs	(177,844,000)	(179,533,000)	-	(179,533,000)	(158,580,313)	(20,952,687)	
Remuneration of councillors	(12,402,370)	(12,402,370)	-	(12,402,370)	(11,916,113)	(486,257)	
Debt impairment	(42,000,000)	(42,000,000)		(42,000,000)	(79,875,482)	37,875,482	
Depreciation and asset impairment	(45,036,620)	(70,805,180)		(70,805,180)	(62,710,639)	(8,094,541)	
Finance charges	(18,703,000)	(15,476,110)	-	(15,476,110)	(3,311,947)	(12,164,163)	
Materials and bulk purchases	(205,841,000)	(212,841,000)	(179,650)	(213,020,650)	(204,380,714)	(8,639,936)	
Transfers and grants	(24,002,000)	(24,002,000)	-	(24,002,000)	(17,690,156)	(6,311,844)	
Other expenditure	149,973,000	(141,461,840)	179,650	(141,282,190)	(111,390,219)	(29,891,971)	
<b>Total expenditure</b>	<b>(375,855,990)</b>	<b>(698,521,500)</b>	<b>-</b>	<b>(698,521,500)</b>	<b>(649,855,583)</b>	<b>(48,665,917)</b>	
<b>Surplus/(Deficit)</b>	<b>299,946,010</b>	<b>(25,173,160)</b>		<b>(25,173,160)</b>	<b>(59,436,636)</b>	<b>34,263,476</b>	

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### 53. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised - capital and contributed assets	-	49,857,890		49,857,890	-	49,857,890	- %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>299,946,010</b>	<b>24,684,730</b>		<b>24,684,730</b>	<b>(59,436,636)</b>	<b>84,121,366</b>	<b>(241)%</b>	<b>(20)%</b>
Surplus on Inventory	-	-		-	165,577	(165,577)	DIV/0 %	DIV/0 %
Other	-	-		-	773,431	(773,431)	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>299,946,010</b>	<b>24,684,730</b>		<b>24,684,730</b>	<b>(58,497,628)</b>	<b>83,182,358</b>	<b>(237)%</b>	<b>(20)%</b>



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## 53. Statement of comparative and actual information (continued)

		Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>									
Total capital expenditure	278,227,290	101,077,050	-	101,077,050	56,391,275	44,685,775	56 %	20 %	
<b>Sources of capital funds</b>									
Transfers recognised - capital	179,167,620	52,834,280		52,834,280	45,861,342	6,972,938	87 %	26 %	
Public contributions and donations	15,000,000	-		-	-	-	DIV/0 %	- %	
Borrowing	47,000,000	19,000,000		19,000,000	-	19,000,000	- %	- %	
Internally generated funds	37,059,670	30,142,770		30,142,770	5,264,965	24,877,805	17 %	14 %	
<b>Total sources of capital funds</b>	<b>278,227,290</b>	<b>101,977,050</b>		<b>101,977,050</b>	<b>51,126,307</b>	<b>50,850,743</b>	<b>50 %</b>	<b>18 %</b>	
<b>Cash flows</b>									
Net cash from (used) operating	171,194,000	58,538,000		58,538,000	66,724,357	(8,186,357)	114 %	39 %	
Net cash from (used) investing	(250,727,000)	(85,626,000)		(85,626,000)	(78,611,938)	(7,014,062)	92 %	31 %	
Net cash from (used) financing	30,138,000	14,976,000		14,976,000	(15,631,204)	30,607,204	(104)%	(52)%	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(49,395,000)</b>	<b>(12,112,000)</b>		<b>(12,112,000)</b>	<b>(27,518,785)</b>	<b>15,406,785</b>	<b>227 %</b>	<b>56 %</b>	

## Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2012

### Notes to the Annual Financial Statements

					2012 R	2011 R
<b>53. Statement of comparative and actual information (continued)</b>						
Cash and cash equivalents at the beginning of the year	35,195,000	35,195,000		35,195,000	35,194,673	327
Cash and cash equivalents at year end	(14,200,000)	23,083,000		23,083,000	7,675,888	15,407,112

## **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

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
Land and buildings														
Land (Separate for AFS purposes)	66,363,698	-	-	-	-	-	66,363,698	-	-	-	-	-	-	66,363,698
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	130,292,375	574,018	-	-	-	-	130,866,393	(90,055,501)	-	-	(6,017,191)	-	(96,072,692)	34,793,701
	196,656,073	574,018	-	-	-	-	197,230,091	(90,055,501)	-	-	(6,017,191)	-	(96,072,692)	101,157,399
Infrastructure														
Roads, Pavements & Bridges	687,161,341	9,823,391	-	-	-	-	696,984,732	(415,636,939)	-	-	(21,571,468)	-	(437,208,407)	259,776,325
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	206,558,661	13,604,147	-	-	-	-	220,162,808	(94,232,869)	-	-	(6,046,308)	-	(100,279,177)	119,883,631
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	386,549,966	14,058,998	-	-	-	-	400,608,964	(235,784,673)	-	-	(7,020,959)	-	(242,805,632)	157,803,332
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	186,833,516	8,847,634	-	-	-	-	195,681,150	(84,255,081)	-	-	(2,925,292)	-	(87,180,373)	108,500,777
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85,719	-	-	-	-	-	85,719	(62,689)	-	-	(3,129)	-	(65,818)	19,901
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	2,621,735	1,102,433	-	-	-	-	3,724,168	(482,119)	-	-	(54,867)	-	(536,986)	3,187,182
	1,469,810,938	47,436,603	-	-	-	-	1,517,247,541	(830,454,370)	-	-	(37,622,023)	-	(868,076,393)	649,171,148
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

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
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
	<b>561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,000</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>														
General vehicles	22,429,027	-	-	-	-	-	22,429,027	(14,079,123)	-	-	(2,860,826)	-	(16,939,949)	5,489,078
Plant & equipment	12,355,765	2,854,816	-	-	-	-	15,210,581	(7,556,657)	-	-	(1,374,729)	-	(8,931,386)	6,279,195
Computer Equipment	7,804,042	11,499	-	-	-	-	7,815,541	(3,956,190)	-	-	(1,184,645)	-	(5,140,835)	2,674,706
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	5,702,575	249,372	-	-	-	-	5,951,947	(3,848,410)	-	-	(702,635)	-	(4,551,045)	1,400,902
Office Equipment - Leased	52,213,995	-	-	-	-	-	52,213,995	(26,124,198)	-	-	(12,929,014)	-	(39,053,212)	13,160,783
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>100,505,404</b>	<b>3,115,687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,621,091</b>	<b>(55,564,578)</b>	<b>-</b>	<b>-</b>	<b>(19,051,849)</b>	<b>-</b>	<b>(74,616,427)</b>	<b>29,004,666</b>

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

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
<b>Total property plant and equipment</b>														
Land and buildings	196,656,073	574,018	-	-	-	-	197,230,091	(90,055,501)	-	-	(6,017,191)	-	(96,072,692)	101,157,399
Infrastructure	1,469,810,938	47,436,603	-	-	-	-	1,517,247,541	(830,454,370)	-	-	(37,622,023)	-	(868,076,393)	649,171,148
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	100,505,404	3,115,687	-	-	-	-	103,621,091	(55,564,578)	-	-	(19,051,849)	-	(74,616,427)	29,004,664
	<b>1,767,533,415</b>	<b>51,126,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,818,659,723</b>	<b>(976,074,449)</b>	<b>-</b>	<b>-</b>	<b>(62,691,063)</b>	<b>-</b>	<b>1,038,765,512</b>	<b>779,894,211</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	341,671	-	-	-	-	-	341,671	(302,522)	-	-	(19,575)	-	(322,097)	19,574
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>341,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>341,671</b>	<b>(302,522)</b>	<b>-</b>	<b>-</b>	<b>(19,575)</b>	<b>-</b>	<b>(322,097)</b>	<b>19,574</b>
<b>Investment properties</b>														
Investment property	43,724,480	35,300,282	-	-	-	-	79,024,762	-	-	-	-	-	-	79,024,762
	<b>43,724,480</b>	<b>35,300,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,024,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,024,762</b>
<b>Total</b>														
Land and buildings	196,656,073	574,018	-	-	-	-	197,230,091	(90,055,501)	-	-	(6,017,191)	-	(96,072,692)	101,157,399
Infrastructure	1,469,810,938	47,436,603	-	-	-	-	1,517,247,541	(830,454,370)	-	-	(37,622,023)	-	(868,076,393)	649,171,148
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	100,505,404	3,115,687	-	-	-	-	103,621,091	(55,564,578)	-	-	(19,051,849)	-	(74,616,427)	29,004,664
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	341,671	-	-	-	-	-	341,671	(302,522)	-	-	(19,575)	-	(322,097)	19,574
Investment properties	43,724,480	35,300,282	-	-	-	-	79,024,762	-	-	-	-	-	-	79,024,762
	<b>1,811,599,566</b>	<b>86,426,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,898,026,156</b>	<b>(976,376,971)</b>	<b>-</b>	<b>-</b>	<b>(62,710,638)</b>	<b>-</b>	<b>1,039,087,609</b>	<b>858,938,547</b>

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**  
**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
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	72,702,887	-	(6,339,189)	-	-	-	66,363,698	-	-	-	-	-	-	66,363,698
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	150,624,862	-	(20,332,487)	-	-	-	130,292,375	(97,204,968)	13,167,621	-	(6,018,154)	-	(90,055,501)	40,236,874
	<b>223,327,749</b>	<b>-</b>	<b>(26,671,676)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,656,073</b>	<b>(97,204,968)</b>	<b>13,167,621</b>	<b>-</b>	<b>(6,018,154)</b>	<b>-</b>	<b>(90,055,501)</b>	<b>106,600,572</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	666,349,302	20,812,039	-	-	-	-	687,161,341	(393,708,908)	-	-	(21,928,031)	-	(415,636,939)	271,524,402
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	197,656,156	8,902,505	-	-	-	-	206,558,661	(88,309,572)	-	-	(5,923,297)	-	(94,232,869)	112,325,792
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	380,513,400	6,036,566	-	-	-	-	386,549,966	(228,827,297)	-	-	(6,957,376)	-	(235,784,673)	150,765,293
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	181,082,043	5,751,473	-	-	-	-	186,833,516	(81,333,380)	-	-	(2,921,701)	-	(84,255,081)	102,578,435
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85,719	-	-	-	-	-	85,719	(58,060)	-	-	(4,629)	-	(62,689)	23,030
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	650,101	1,971,634	-	-	-	-	2,621,735	(417,109)	-	-	(65,010)	-	(482,119)	2,139,616
	<b>1,426,336,721</b>	<b>43,474,217</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,469,810,938</b>	<b>(792,654,326)</b>	<b>-</b>	<b>-</b>	<b>(37,800,044)</b>	<b>-</b>	<b>(830,454,370)</b>	<b>639,356,568</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
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
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
	<b>561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561,000</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>														
General vehicles	22,429,027	-	-	-	-	-	22,429,027	(10,112,893)	-	-	(3,966,230)	-	(14,079,123)	8,349,904
Plant & equipment	11,937,349	418,416	-	-	-	-	12,355,765	(6,019,806)	-	-	(1,536,851)	-	(7,556,657)	4,799,108
Computer Equipment	7,804,042	-	-	-	-	-	7,804,042	(2,395,381)	-	-	(1,560,809)	-	(3,956,190)	3,847,852
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	5,381,212	321,363	-	-	-	-	5,702,575	(2,963,525)	-	-	(884,885)	-	(3,848,410)	1,854,165
Office Equipment - Leased	52,213,995	-	-	-	-	-	52,213,995	(10,643,796)	-	-	(15,480,402)	-	(26,124,198)	26,089,797
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>99,765,625</b>	<b>739,779</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,505,404</b>	<b>(32,135,401)</b>	<b>-</b>	<b>-</b>	<b>(23,429,177)</b>	<b>-</b>	<b>(55,564,578)</b>	<b>44,940,826</b>



**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
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
<b>Total property plant and equipment</b>														
Land and buildings	223,327,749	-	(26,671,676)	-	-	-	196,656,073	(97,204,968)	13,167,621	-	(6,018,154)	-	(90,055,501)	106,600,572
Infrastructure	1,426,336,721	43,474,217	-	-	-	-	1,469,810,938	(792,654,326)	-	-	(37,800,044)	-	(830,454,370)	639,356,568
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	99,765,625	739,779	-	-	-	-	100,505,404	(32,135,401)	-	-	(23,429,177)	-	(55,564,578)	44,940,826
	<b>1,749,991,095</b>	<b>44,213,996</b>	<b>(26,671,676)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,767,533,415</b>	<b>(921,994,695)</b>	<b>13,167,621</b>	<b>-</b>	<b>(67,247,375)</b>	<b>-</b>	<b>(976,074,449)</b>	<b>791,458,966</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	341,671	-	-	-	-	-	341,671	(190,410)	-	-	(112,112)	-	(302,522)	39,149
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>341,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>341,671</b>	<b>(190,410)</b>	<b>-</b>	<b>-</b>	<b>(112,112)</b>	<b>-</b>	<b>(302,522)</b>	<b>39,149</b>
<b>Investment properties</b>														
Investment property	45,680,398	-	(1,955,918)	-	-	-	43,724,480	-	-	-	-	-	-	43,724,480
	<b>45,680,398</b>	<b>-</b>	<b>(1,955,918)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,724,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,724,480</b>
<b>Total</b>														
Land and buildings	223,327,749	-	(26,671,676)	-	-	-	196,656,073	(97,204,968)	13,167,621	-	(6,018,154)	-	(90,055,501)	106,600,572
Infrastructure	1,426,336,721	43,474,217	-	-	-	-	1,469,810,938	(792,654,326)	-	-	(37,800,044)	-	(830,454,370)	639,356,568
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	99,765,625	739,779	-	-	-	-	100,505,404	(32,135,401)	-	-	(23,429,177)	-	(55,564,578)	44,940,826
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	341,671	-	-	-	-	-	341,671	(190,410)	-	-	(112,112)	-	(302,522)	39,149
Investment properties	45,680,398	-	(1,955,918)	-	-	-	43,724,480	-	-	-	-	-	-	43,724,480
	<b>1,796,013,164</b>	<b>44,213,996</b>	<b>(28,627,594)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,811,599,566</b>	<b>(922,185,105)</b>	<b>13,167,621</b>	<b>-</b>	<b>(67,359,487)</b>	<b>-</b>	<b>(976,376,971)</b>	<b>835,222,599</b>

Metsimaholo Local Municipality  
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

## Metsimaholo Local Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

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
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,811,599,565	86,426,588	-	-	-	-	1,898,026,153	(976,376,973)	-	-	(62,710,637)	-	1,039,087,610	858,938,543

## Metsimaholo Local Municipality

### Appendix D

Segmental Statement of Financial Performance for the year ended	
Prior Year	Current Year

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
4,500	21,106,953	(21,102,453)	Executive & Council/Mayor and Council	-	26,042,526	(26,042,526)
127,003,849	69,254,849	57,749,000	Finance & Admin/Finance	144,564,733	86,660,876	57,903,857
517,930	3,466,682	(2,948,752)	Planning and Development/Economic Development/Plan	497,886	3,989,137	(3,491,251)
-	-	-	Health/Clinics	-	-	-
457,589	21,305,330	(20,847,741)	Comm. & Social/Libraries and archives	419,262	23,897,633	(23,478,371)
6,490,133	3,198,827	3,291,306	Housing	3,848,836	2,666,491	1,182,345
4,668,720	25,043,141	(20,374,421)	Public Safety/Police	4,667,476	30,154,907	(25,487,431)
1,939,838	5,066,394	(3,126,556)	Sport and Recreation	1,428,147	6,485,570	(5,057,423)
-	-	-	Environmental Protection/Pollution Control	-	-	-
80,306,789	101,058,555	(20,751,766)	Waste Water Management/Sewerage	78,836,856	114,652,846	(35,815,990)
-	-	-	Road Transport/Roads	-	-	-
152,637,531	103,957,058	48,680,473	Water/Water Distribution	186,760,832	165,463,968	21,296,864
154,840,942	137,227,010	17,613,932	Electricity /Electricity Distribution	167,450,437	177,595,392	(10,144,955)
-	-	-	Other/Air Transport	-	37,345	(37,345)
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>528,867,821</b>	<b>490,684,799</b>	<b>38,183,022</b>		<b>588,474,465</b>	<b>637,646,691</b>	<b>(49,172,226)</b>
<b>Municipal Owned Entities</b>						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Other charges</b>						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
528,867,821	490,684,799	38,183,022	Municipality	588,474,465	637,646,691	(49,172,226)
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

**Metsimaholo Local Municipality**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
			<b>Rand</b>			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>528,867,821</b>	<b>490,684,799</b>	<b>38,183,022</b>	<b>Total</b>	<b>588,474,465</b>	<b>637,646,691</b>	<b>(49,172,226)</b>

**Metsimaholo Local Municipality**  
**Appendix E(1)**

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

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
<b>Revenue</b>					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	86,651,880	84,208,140	2,443,740	2.9	
Service charges	325,092,050	363,537,920	(38,445,870)	(10.6)	Refuse and sewer targets not met
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	4,256,976	4,739,990	(483,014)	(10.2)	Rental at hostels problems with tenants
Interest received (trading)	17,799,106	14,175,000	3,624,106	25.6	Defaulters increase
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	4,433,971	4,707,650	(273,679)	(5.8)	
Licences and permits	66,438	150,000	(83,562)	(55.7)	Decrease in service required
Government grants & subsidies	139,476,992	143,484,990	(4,007,998)	(2.8)	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	9,874,272	42,574,400	(32,700,128)	(76.8)	Transfer from accumulated surplus was provided on the budget
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	

**Metsimaholo Local Municipality**  
**Appendix E(1)**

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

	Current year 2011 Act. Bal.	Current year 2011 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Interest received - investment	-	-	-	-	
Interest received - other	2,357,394	2,100,000	257,394	12.3	Growth in share price
Dividends received	59,064	-	59,064	-	
	<b>590,068,143</b>	<b>659,678,090</b>	<b>(69,609,947)</b>	<b>(10.6)</b>	
<b>Expenses</b>					
Personnel	(158,580,314)	(179,533,310)	20,952,996	(11.7)	New structure approved late in year and not all vacancies filled
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(11,916,114)	(12,402,370)	486,256	(3.9)	
Administration	-	-	-	-	
Transfer payments	-	-	-	-	
Depreciation	(62,691,063)	(70,805,180)	8,114,117	(11.5)	Capital project not completed as anticipated.
Impairment	-	-	-	-	
Amortisation	(19,575)	-	(19,575)	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(3,311,947)	(11,702,670)	8,390,723	(71.7)	Loan was not yet taken up
Debt impairment	(79,875,481)	(42,000,000)	(37,875,481)	90.2	Debtors increased.
Collection costs	-	-	-	-	
Repairs and maintenance	-	-	-	-	
- Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	(24,373,311)	(32,319,260)	7,945,949	(24.6)	Management of available cash
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(204,380,714)	(212,661,350)	8,280,636	(3.9)	
Contracted Services	(15,953,432)	(14,742,960)	(1,210,472)	8.2	
Grants and subsidies paid	(17,690,155)	(24,002,240)	6,312,085	(26.3)	Less IGG approved than anticipate.
Cost of housing sold	-	-	-	-	
General Expenses	(64,109,881)	(84,683,440)	20,573,559	(24.3)	Management of available cash
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	<b>(642,901,987)</b>	<b>(684,852,780)</b>	<b>41,950,793</b>	<b>(6.1)</b>	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	(409,000)	-	(409,000)	-	
Gain or loss on exchange differences	(4,493,594)	-	(4,493,594)	-	
Fair value adjustments	(1,967,529)	-	(1,967,529)	-	
Gains or losses on biological assets and agricultural produce	350,803	-	350,803	-	

**Metsimaholo Local Municipality**  
**Appendix E(1)**

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

	<b>Current year 2011 Act. Bal.</b>	<b>Current year 2011 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Income from equity accounted investments	165,577	-	165,577	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	(83,465)	-	(83,465)	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	(6,437,208)	-	(6,437,208)	-
Net surplus/ (deficit) for the year	(59,271,052)	(25,174,690)	(34,096,362)	135.4



**Metsimaholo Local Municipality**  
**Appendix E(2)**

**Budget Analysis of Capital Expenditure as at 30 June 2012**

	<b>Additions</b>	<b>Revised</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant</b>
	<b>Rand</b>	<b>Budget</b>	<b>Rand</b>	<b>%</b>	<b>variances from budget</b>
		<b>Rand</b>			
<b>Municipality</b>					
Executive & Council/Mayor and Council	661	1,401	740	<b>53</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Finance & Admin/Finance	335	523	188	<b>36</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Planning and Development/Economic Development/Plan	-	3	3	<b>100</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	1,102	3,612	2,510	<b>69</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Housing	-	-	-	-	
Public Safety/Police	2	1,776	1,774	<b>100</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Sport and Recreation	96	79	(17)	<b>(22)</b>	
Environmental Protection/Pollution Control	-	2,235	2,235	<b>100</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Waste Water Management/Sewerage	8,848	14,673	5,825	<b>40</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Road Transport/Roads	9,827	13,700	3,873	<b>28</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Water/Water Distribution	14,539	23,735	9,196	<b>39</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Electricity /Electricity Distribution	13,632	24,432	10,800	<b>44</b>	Capital from own funds kept to bare essentials due to cash flow constrains
Other/Air Transport	2,084	15,808	13,724	<b>87</b>	Capital from own funds kept to bare essentials due to cash flow constrains
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	<b>51,126</b>	<b>101,977</b>	<b>50,851</b>	<b>50</b>	
<b>Municipal Owned Entities</b>					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	<b>56,391</b>	<b>166,669</b>	<b>110,278</b>	<b>66</b>	
<b>Other charges</b>					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	

Metsimaholo Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
MIG		-	13,416	8,981	16,446	-	-	5,828	6,555	6,203	16,328	-	-	-	-	-	No roll over approved	Yes	
DOE		-	-	-	-	-	-	1,999	739	3,089	6,467	-	-	10,683	-	-		Yes	???????
MSIG		-	790	-	-	-	-	-	322	-	468	-	-	-	-	-		Yes	
WSOG		-	261	261	-	262	-	241	139	798	110	-	-	-	-	-		Yes	
FMG		-	1,450	-	-	-	-	202	201	437	609	-	-	-	-	-		Yes	
		-	15,917	9,242	16,446	262	-	8,270	7,956	10,527	23,982	-	-	10,683	-	-			

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

Note: The above figures have been rounded to the nearest one thousand rands (R'000).