



# MANGAUNG

*City on the move*

Mangaung Metropolitan Municipality Consolidated  
Formerly Mangaung Local Municipality Consolidated  
Annual Financial Statements  
for the year ended 30 June 2011

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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<b>Legal form of entity</b>	An organ of state within the local sphere of government exercising legislative and executive authority
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
<b>Jurisdiction of entity</b>	Area FS172, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS172
<b>Mayoral committee</b>	
Executive Mayor	Morule FK
Deputy Executive Mayor	Siyonzana MA
	Choene SKM
	Makhanya KNL
	Marais A
	Mokotjo NG
	Moroka LS
	Mzozana NM
	Nzapheza FB
	Phupha NA
	Pongolo XD
	Ramokotjo FP
	Sechoaro CSK
Mayoral Committee Members	
Chief Whip	Sefuthi SM
Speaker	Stander AT

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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\*Bacela GM  
Botes FR  
Choene SKM  
Dennis ME  
Hlujane MD  
Horn W  
Jacobs TA  
Jacobs TB  
Janse v Vuuren DE  
July LR  
Khi ZT  
Lazenby JAA  
Lepoi MJ  
Litabe TK  
Mfazwe TM  
Minnie H  
Moilwa ME  
Mokotjo NG  
Mophethe TA  
Mpakathe TS  
Mtshwane KJ  
Phokoje SD  
Pongolo XD  
Powell JD  
Pretorius JC  
Rametse MA  
Ramokotjo FP  
Ramona TM  
Sechoaro CSK  
Selaledi M  
Siyonzana MA  
Snyman van Deventer E  
Terblanche AP  
Toba AL  
Tsomela MM  
Van Biljon PJJ  
Van der Merwe R  
Zerwick AS

Councillors

\* Re-elected councillors  
\*\* Newly elected councillors  
\*\*\* Term expired and councillors were not re-elected

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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\*\*Britz JF  
Dibeco-Masuku MD  
Dyosiba S  
Eti MJ  
Kaliya SG  
Kuape PA  
Lala TS  
Leech D  
Lekgela LE  
Madela BNV  
Makhele ET  
Makoko P  
Malebo MC  
Mangcotywa ZE  
Manyoni TM  
Maphakisa LE  
Masoetsa LA  
Mathobisa ML  
Matsemelela MV  
Matsoetlane MJ  
Moeng MA  
Mofokeng MJ  
Mogamise ID  
Mogorosi SO  
Mohapi MW  
Mohlouoa MB  
Mokoloko PR  
Moloabi RLAE  
Monnakgori SA  
Mononyane MB  
Moopelo TM  
Moroe TCL  
Moruri MM  
Mosiuoa TA  
Motladile MZ  
Motlatsi HJ  
Mpeqeka MS  
Naile TJ  
Ndamane SS  
Nkoe MJ  
Parkie TD  
Phajane MA  
Phupha NA  
Pretorious C  
Rabela KN  
Rampai CLM  
Ratsiu NA  
Sebothelo ME  
Sekakanyo DM  
Sikoyo ZG  
Thipenyane GTM  
Titi Odilie LM  
Tobie EC  
Van der Westhuizen P  
Van Niekerk HJC  
Viviers BJ  
Ward VW  
Zophe NM

\* Re-elected councillors

\*\* Newly elected councillors

\*\*\* Term expired and councillors were not re-elected

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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\*\*\*Adoons NL  
Chobane PI  
Dithebe GC  
Erasmus JC  
Finger SE  
Fouche GS  
Goliath EK  
Grobbelaar JU  
Human JS  
Jenkinson CE  
Khutlane MS  
Leraisa SP  
Lubbe GD  
Machelebeta PP  
Makae TJ  
Makhanya KNL  
Makhele MM  
Makoa B  
Marais T  
Masoabi AM  
Masoetlane MJ  
Mavuya MA  
Mbage MB  
Mokgothu LG  
Moletsane SG  
Mompoti MR  
Moroka LS  
Morutle FK  
Motaung B  
Mzozana NM  
Nakedi SS  
Nkanyane AN  
Nkikane WT  
Nothnagel J  
Nthako TS  
Nzapheza FB  
Olivier GJ  
Petersen JE  
Phuti DJ  
Ramathebane G  
Ramokone MA  
Saohatse GK  
Seeco MA  
Sefuthi SM  
Soebehle SN  
Somimi PM  
Stander AT  
Tanyane SP  
Van der Merwe JP

\* Re-elected councillors

\*\* Newly elected councillors

\*\*\* Term expired and councillors were not re-elected

**Accounting Officer**

Msibi SJ

**Chief Finance Officer (CFO)**

Taye BR

**Registered office**

Bram Fischer Building  
Cnr Nelson Mandela Street and Markgraaff Street  
Bloemfontein  
9301

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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<b>Business address</b>	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9300
<b>Website</b>	<a href="http://www.mangaung.co.za">www.mangaung.co.za</a>
<b>Controlling entity</b>	Mangaung Metropolitan Municipality
<b>Economic entity</b>	Mangaung Metropolitan Municipality Consolidated
<b>Auditors</b>	The Auditor-General of South Africa
<b>Bankers</b>	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## General Information

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### Attorneys

Bezuidenhouts Attorneys  
Bosiu Attorneys  
EG Coopers Attorneys  
Fourie Attorneys  
Hill, McHardy & Herbst Attorneys  
Kramer Weihmann & Joubert Attorneys  
Mabalane Seobe Attorneys  
NW Phalatsi & Partners Attorneys  
Rosendorff Reitz Barry Attorneys  
Van der Merwe & Sorour Attorneys  
Vermaak & Dennis Attorneys

### Debt collectors

Messrs Alberts  
Messrs Bezuidenhouts  
Messrs Claude Reid  
Messrs Hill, McHardy & Herbst  
Messrs Matsepes  
Messrs Naudes  
Messrs Phatshoane Henney Inc  
Messrs Rosendorff, Reits Barry  
Messrs Stander, Venter & Kleynhans  
Messrs Symington & De Kok  
Messrs Thoabala Attorney  
Messrs Van Wyk & Preller  
Messrs Vermaak & Dennis  
Messrs Vorster & Partners  
Messrs Webbers  
Messrs NICS (National Integrated Credit Solution)

### Enabling legislation

The Division of Revenue Act of 2010  
The Constitution of the Republic of South Africa  
The Municipal Finance Management Act 56 of 2003  
The Municipal Systems Act 32 of 2000

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Index

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

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## Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2011.

### 1. Review of activities

#### Main business and operations

The economic entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Surplus of the economic entity was R 250,470,742 (2010: surplus R 303,619,122).

### 2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 3. Accounting Officer's interest in contracts

None.

### 4. Accounting policies

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board including any interpretations and directives issued by the Accounting Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003)

### 5. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality
Msibi SJ	South African

### 6. Controlling entity

The municipality's controlling entity is Mangaung Metropolitan Municipality.

### 7. Economic entity

The municipality's ultimate controlling entity is Mangaung Metropolitan Municipality Consolidated.

### 8. Interest in controlled entities

Name of controlled entity	Country of incorporation	Loss for the year
Centlec Pty Ltd	South Africa	(117,750,000)

Details of the entity's investment in controlled entities are set out in note 15.

The annual financial statements set out on pages 8 to 108, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2011 and were signed on its behalf by:

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**Msibi SJ**  
Accounting Officer

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

	Notes	Economic entity		Controlling entity	
		2011 R	2010 R	2011 R	2010 R
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	4	40,996,561	54,578,631	9,377,337	11,438,504
Other financial assets	5	20,443,720	14,301,169	33,792,952	27,617,037
Trade and other receivables from exchange transactions	6	82,953,152	83,903,413	58,842,759	80,825,786
Other receivables from non-exchange transactions	7	79,567	395,802	79,567	395,802
VAT receivable	8	2,357,934	19,162,271	-	-
Consumer receivables	9	310,852,120	326,371,687	179,546,376	152,879,297
Cash and cash equivalents	10	246,465,537	47,101,609	231,675,533	46,885,251
		<b>704,148,591</b>	<b>545,814,582</b>	<b>513,314,524</b>	<b>320,041,677</b>
<b>Non-Current Assets</b>					
Heritage assets	11	5,601,720	3,416,928	5,601,720	3,416,928
Investment property	12	42,448,829	42,448,829	42,448,829	42,448,829
Property, plant and equipment	13	5,750,823,299	4,093,668,279	3,078,023,577	2,796,275,379
Intangible assets	14	12,650,818	9,224,708	12,650,818	9,224,708
Investments in controlled entities	15	-	-	100	100
Other financial assets	5	8,893,524	11,570,098	817,198,189	814,073,734
		<b>5,820,418,190</b>	<b>4,160,328,842</b>	<b>3,955,923,233</b>	<b>3,665,439,678</b>
<b>Total Assets</b>		<b>6,524,566,781</b>	<b>4,706,143,424</b>	<b>4,469,237,757</b>	<b>3,985,481,355</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Other financial liabilities	17	2,184,181	1,976,260	2,184,181	1,976,260
Finance lease obligation	18	1,287,310	1,916,360	1,176,310	1,729,914
Trade and other payables from exchange transactions	19	572,459,735	547,956,293	740,853,175	680,676,287
Payables from non-exchange transactions	20	2,558,375	3,660,624	2,558,375	3,660,624
VAT payable	21	78,619,536	87,095,362	78,619,536	87,095,362
Consumer deposits	22	72,132,890	63,476,050	27,464,066	25,107,132
Conditional grants and receipts	23	232,964,135	232,879,568	231,636,753	231,838,776
		<b>962,206,162</b>	<b>938,960,517</b>	<b>1,084,492,396</b>	<b>1,032,084,355</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	17	20,162,975	10,517,382	20,162,975	10,517,382
Finance lease obligation	18	1,909,252	723,766	1,677,641	644,038
Retirement benefit obligation	24	390,671,000	350,917,000	390,671,000	350,917,000
Provisions	25	80,041,978	74,285,678	80,041,978	74,285,678
		<b>492,785,205</b>	<b>436,443,826</b>	<b>492,553,594</b>	<b>436,364,098</b>
<b>Total Liabilities</b>		<b>1,454,991,367</b>	<b>1,375,404,343</b>	<b>1,577,045,990</b>	<b>1,468,448,453</b>
<b>Net Assets</b>		<b>5,069,575,414</b>	<b>3,330,739,081</b>	<b>2,892,191,767</b>	<b>2,517,032,902</b>
<b>Net Assets</b>					

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

		Economic entity		Controlling entity	
	Notes	2011 R	2010 R	2011 R	2010 R
Reserves					
Housing development fund reserve	27	3,650,426	11,202,948	3,650,426	11,202,948
Revaluation reserve	28	589,621,986	587,437,194	589,621,986	587,437,194
Mark-to-market reserve	29	9,333	7,832	9,333	7,832
Self insurance reserve	30	76,090,167	74,606,710	76,090,167	74,606,710
COID reserve	31	10,994,203	14,313,277	10,994,203	14,313,277
Accumulated surplus		4,389,209,299	2,643,171,120	2,211,825,652	1,829,464,941
<b>Total Net Assets</b>		<b>5,069,575,414</b>	<b>3,330,739,081</b>	<b>2,892,191,767</b>	<b>2,517,032,902</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

	Notes	Economic entity		Controlling entity	
		2011 R	2010 R	2011 R	2010 R
<b>Revenue from exchange transactions</b>					
Income from agency services		-	-	116,010,183	107,165,586
Licences and permits		203,192	199,304	203,192	199,304
Rental of facilities and equipment	32	18,030,068	19,589,794	18,030,068	19,589,794
Service charges	33	1,651,933,313	1,356,507,173	516,028,176	429,527,465
		<b>1,670,166,57</b>	<b>1,376,296,27</b>	<b>650,271,61</b>	<b>556,482,14</b>
<b>Revenue from non-exchange transactions</b>					
Fines		1,639,801	1,385,004	1,639,801	1,385,004
Government grants and subsidies	34	888,845,901	854,517,772	881,341,483	853,664,974
Property rates	35	405,477,227	338,503,889	405,477,227	342,459,519
		<b>1,295,962,92</b>	<b>1,194,406,66</b>	<b>1,288,458,51</b>	<b>1,197,509,49</b>
Interest received	36	55,737,152	65,883,503	171,053,805	167,795,985
Other income	37	99,585,104	60,196,106	74,106,698	36,893,354
<b>Total income</b>		<b>3,121,451,758</b>	<b>2,696,782,545</b>	<b>2,183,890,633</b>	<b>1,958,680,985</b>
<b>Expenditure</b>					
Bulk purchases	38	(1,001,262,650)	(778,971,917)	(250,218,544)	(187,207,256)
Contracted services	39	(97,467,583)	(110,136,500)	(90,449,590)	(106,352,832)
Debt impairment	40	(235,642,307)	(93,235,427)	(153,159,547)	(82,710,130)
Depreciation and amortisation	41	(278,427,761)	(168,618,340)	(135,527,740)	(123,386,074)
Employee related costs	42	(753,679,311)	(696,626,543)	(751,853,208)	(693,059,728)
Finance costs	43	(64,842,138)	(50,495,554)	(41,102,415)	(41,039,433)
General expenses	44	(283,505,638)	(350,585,019)	(249,663,746)	(280,156,549)
Grants and subsidies paid	45	(8,662,688)	(3,557,577)	(26,662,688)	(42,000,502)
Impairment loss	47	(1,073,762)	-	-	-
Remuneration of councillors	46	(22,625,637)	(21,904,381)	(22,625,637)	(21,904,381)
Repairs and maintenance		(121,058,480)	(118,865,107)	(94,332,877)	(93,725,752)
<b>Total Expenditure</b>		<b>(2,868,247,955)</b>	<b>(2,392,996,365)</b>	<b>(1,815,595,992)</b>	<b>(1,671,542,637)</b>
Loss on disposal of assets and liabilities		(2,656,000)	-	-	-
Loss on foreign exchange		-	(167,058)	-	(167,058)
<b>Surplus for the year</b>		<b>250,547,803</b>	<b>303,619,122</b>	<b>368,294,641</b>	<b>286,971,290</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

	Housing development fund reserve R	Revaluation reserve R	Mark-to-market reserve R	Self insurance reserve R	COVID reserve R	Total reserves R	Accumulated surplus R	Total net assets R
<b>Economic entity</b>								
Opening balance as previously reported	21,376,064	584,022,037	6,160	73,132,814	13,654,505	692,191,580	2,427,400,258	3,119,591,838
Adjustments								
Fundamental errors affecting net assets	-	-	-	-	-	-	(79,692,889)	(79,692,889)
Change in accounting policy	-	-	-	-	-	-	(16,310,103)	(16,310,103)
<b>Balance at 01 July 2009 as restated</b>	<b>21,376,064</b>	<b>584,022,037</b>	<b>6,160</b>	<b>73,132,814</b>	<b>13,654,505</b>	<b>692,191,580</b>	<b>2,331,397,266</b>	<b>3,023,588,846</b>
Changes in net assets								
Revaluation: Land and buildings	-	3,415,157	-	-	-	3,415,157	-	3,415,157
Insurance claims processed	-	-	-	(824,014)	(1,688,128)	(2,512,142)	2,626,426	114,284
Transfers	(10,173,116)	-	-	-	-	(10,173,116)	10,173,116	-
Contributions	-	-	-	2,297,910	2,346,900	4,644,810	(4,644,810)	-
Fair value gain / (loss)	-	-	1,672	-	-	1,672	-	1,672
Net income (losses) recognised directly in net assets	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	8,154,732	3,531,113
Surplus/(deficit) for the period	-	-	-	-	-	-	303,619,122	303,619,122
Total recognised income and expenses for the period	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	311,773,854	307,150,235
Total changes	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	311,773,854	307,150,235
<b>Balance at 01 July 2010</b>	<b>11,202,948</b>	<b>587,437,194</b>	<b>7,832</b>	<b>74,606,710</b>	<b>14,313,277</b>	<b>687,567,961</b>	<b>4,129,350,621</b>	<b>4,816,918,582</b>
Changes in net assets								
Revaluation: Land and buildings	-	2,184,792	-	-	-	2,184,792	-	2,184,792
Insurance claims processed	-	-	-	(1,031,205)	(5,853,301)	(6,884,506)	6,884,303	(203)
Transfers	(7,552,522)	-	-	-	-	(7,552,522)	7,552,522	-
Contributions	-	-	-	2,514,662	2,534,227	5,048,889	(5,048,889)	-
Fair value gain / (loss)	-	-	1,501	-	-	1,501	-	1,501
Net income (losses) recognised directly in net assets	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	9,387,936	2,186,090
Surplus/(deficit) for the period	-	-	-	-	-	-	250,470,742	250,470,742

## Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

### Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R	R	R
Total recognised income and expenses for the period	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	259,858,678	252,656,832
Total changes	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	259,858,678	252,656,832
<b>Balance at 30 June 2011</b>	<b>3,650,426</b>	<b>589,621,986</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,994,203</b>	<b>680,366,115</b>	<b>4,389,209,299</b>	<b>5,069,575,414</b>
Notes		28	29	30	31			

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COID reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R	R	R
<b>Controlling entity</b>								
<b>Balance at 01 July 2009</b>	<b>21,376,064</b>	<b>584,022,037</b>	<b>6,160</b>	<b>73,132,814</b>	<b>13,654,505</b>	<b>692,191,580</b>	<b>1,534,338,919</b>	<b>2,226,530,499</b>
Changes in net assets								
Revaluations: Land and buildings	-	3,415,157	-	-	-	3,415,157	-	3,415,157
Fair value gain / (loss)	-	-	1,672	-	-	1,672	-	1,672
Transfers	(10,173,116)	-	-	-	-	(10,173,116)	10,173,116	-
Contributions	-	-	-	2,297,910	2,346,900	4,644,810	(4,644,810)	-
Insurance claims processed	-	-	-	(824,014)	(1,688,128)	(2,512,142)	2,626,426	114,284
Net income (losses) recognised directly in net assets	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	8,154,732	3,531,113
Surplus/(deficit) for the period	-	-	-	-	-	-	286,971,290	286,971,290
Total recognised income and expenses for the period	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	295,126,022	290,502,403
Total changes	(10,173,116)	3,415,157	1,672	1,473,896	658,772	(4,623,619)	295,126,022	290,502,403
<b>Balance at 01 July 2010</b>	<b>11,202,948</b>	<b>587,437,194</b>	<b>7,832</b>	<b>74,606,710</b>	<b>14,313,277</b>	<b>687,567,961</b>	<b>1,834,143,075</b>	<b>2,521,711,036</b>
Changes in net assets								
Revaluation: Land and buildings	-	2,184,792	-	-	-	2,184,792	-	2,184,792
Fair value gain / (loss)	-	-	1,501	-	-	1,501	-	1,501
Transfers	(7,552,522)	-	-	-	-	(7,552,522)	7,552,522	-
Contributions	-	-	-	2,514,662	2,534,227	5,048,889	(5,048,889)	-
Insurance claims processed	-	-	-	(1,031,205)	(5,853,301)	(6,884,506)	6,884,303	(203)
Net income (losses) recognised directly in net assets	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	9,387,936	2,186,090
Surplus/(deficit) for the period	-	-	-	-	-	-	368,294,641	368,294,641
Total recognised income and expenses for the year	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	377,682,577	370,480,731

## Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

### Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R	R	R
Total changes	(7,552,522)	2,184,792	1,501	1,483,457	(3,319,074)	(7,201,846)	377,682,577	370,480,731
<b>Balance at 30 June 2011</b>	<b>3,650,426</b>	<b>589,621,986</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,994,203</b>	<b>680,366,115</b>	<b>2,211,825,652</b>	<b>2,892,191,767</b>
Notes		28	29	30	31			



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

	Notes	Economic entity		Controlling entity	
		2011 R	2010 R	2011 R	2010 R
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		-	30,985,715	-	30,985,715
Grants		895,726,445	668,917,774	880,223,445	663,690,774
Interest income received		10,864,908	150,176,343	9,975,908	149,617,341
Cash receipts from customers		2,129,147,350	1,671,430,052	1,038,382,416	687,970,550
Other receipts		100,162,685	145,647,028	100,162,685	145,647,028
		<b>3,135,901,388</b>	<b>2,667,156,912</b>	<b>2,028,744,454</b>	<b>1,677,911,408</b>
<b>Payments</b>					
Employee costs		(557,228,972)	(784,034,579)	(453,295,752)	(682,241,154)
Suppliers		(1,409,279,578)	(865,051,401)	(701,626,210)	(224,778,078)
Finance costs		(142,317,612)	(131,329,000)	-	-
Other payments		(1,102,249)	(294,690,902)	(1,102,249)	(290,205,139)
		<b>(2,109,928,411)</b>	<b>(2,075,105,882)</b>	<b>(1,156,024,211)</b>	<b>(1,197,224,371)</b>
<b>Net cash flows from operating activities</b>	<b>48</b>	<b>1,025,972,977</b>	<b>592,051,030</b>	<b>872,720,243</b>	<b>480,687,037</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	13	(727,460,320)	(699,250,308)	(687,183,320)	(631,618,543)
Proceeds from sale of property, plant and equipment	13	2,656,000	-	-	(455,090)
Purchase of other intangible assets	14	(3,426,110)	-	(3,426,110)	(18,900)
Proceeds from sale of financial assets		(7,425,733)	(63,436,835)	(7,425,736)	(75,497,202)
Purchase of heritage assets	11	(301,508)	(659,528)	(301,508)	(659,528)
Proceeds from sale of heritage assets	11	410,181	656,385	410,181	656,385
Finance income		-	8,568,971	-	8,568,971
<b>Net cash flows from investing activities</b>		<b>(735,547,490)</b>	<b>(754,121,315)</b>	<b>(697,926,493)</b>	<b>(699,023,907)</b>
<b>Cash flows from financing activities</b>					
Proceeds from other financial liabilities		-	-	11,829,774	-
Repayment of other financial liabilities		(102,158,736)	(90,763,058)	(1,976,260)	(1,785,058)
Movement in other liability 2		-	-	-	31,105,226
Proceeds from loans		13,436,389	18,787,000	-	-
Finance lease payments		998,741	(682,016)	1,124,037	(572,114)
Net cash flows of discontinued operations		-	-	2,356,934	1,217,359
Finance cost		(3,337,953)	(2,652,283)	(3,337,953)	(2,652,283)
<b>Net cash flows from financing activities</b>		<b>(91,061,559)</b>	<b>(75,310,357)</b>	<b>9,996,532</b>	<b>27,313,130</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

		Economic entity		Controlling entity	
	Notes	2011 R	2010 R	2011 R	2010 R
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>199,363,928</b>	<b>(237,380,642)</b>	<b>184,790,282</b>	<b>(191,023,740)</b>
Cash and cash equivalents at the beginning of the year		47,101,609	284,482,251	46,885,251	237,908,991
<b>Cash and cash equivalents at the end of the year</b>	10	<b>246,465,537</b>	<b>47,101,609</b>	<b>231,675,533</b>	<b>46,885,251</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Reporting municipality

Mangaung Metropolitan Municipality ("the economic entity") is a local government institution in Bloemfontein in the Mangaung area. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

### 2. Presentation of annual financial statements

#### 2.1 Statement of compliance

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The annual financial statements were authorised for issue on 30 September 2011.

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

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

These accounting policies are consistent with the previous period.

#### 2.2 Going concern assumption

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 2.5 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Significant judgements include:

##### **Trade receivables, loans and other receivables**

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.5 Use of estimates and judgements (continued)

The impairment for trade receivables, loans and other 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.

#### **Available-for-sale financial assets**

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### **Allowance for slow moving, damaged and obsolete inventory**

An allowance is made for slow-moving, damaged and obsolete inventory to write 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 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 end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the provisions note.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

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

The municipal entity 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 the individual assets, to determine the remaining period over which the asset will be used. This estimate is based on industry norm. Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

The present value of the post retirement 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 or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity 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 and medical aid obligations. In determining the appropriate discount rate, the entity 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 post retirement benefits note.

#### **Effective interest rate and deferred payment terms**

The entity used the prime interest rate adjusted for rates used by main suppliers or creditors to discount future cash flows.

### 2.6 Consolidation

#### **Basis of consolidation**

Consolidation of controlled entities

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.6 Consolidation (continued)

a single entity.

The consolidated annual financial statements of the economic entity incorporate the annual financial statements of the municipality which is the controlling entity, and all its controlled entities. Controlled entities are entities, including an unincorporated entity such as a partnership controlled by the controlling entity. Controlled entities include municipal controlled entities and special purpose entities.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

### 2.7 Investments in controlled entities

#### Economic entity annual financial statements

The economic entity annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

#### Municipality annual financial statements

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried at cost.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

### 2.8 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on acquisition date.

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.8 Property, plant and equipment (continued)

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 at acquisition date. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets 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 and service costs essential to day to day maintenance. 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.

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

#### Depreciation and impairment

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

Land is not depreciated and depreciation commence when the asset is ready for intended use.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.8 Property, plant and equipment (continued)

The useful lives for the current and previous financial year are as follows:

Item	Estimated useful life
Buildings	30-40
Machinery	5
Furniture and fixtures	5-15
Motor vehicles	4-10
Office equipment	3-5
IT equipment	3
Infrastructure assets	
· Electricity plant transmission and distribution network	5-60
Community assets	
· Recreational facilities	20-30
Specialised plant and equipment	3-5
Other leased assets - Equipment	5
Finance leases - 3G cards	3
Finance leases - Cell phones	2
Security	3-5
Specialised vehicles	10-15
Roads and storm water	15-30
Quarries	20-30
Landfill sites	15
Water and sewerage network	15-20
Housing	30
Other property, plant and equipment	3-5

The residual value, 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.

#### Derecognition

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.9 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Subsequent to initial recognition Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

<b>Item</b>	<b>Estimated useful life</b>
Computer software, other	3 years

Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the municipality is able to charge the public for the use of the infrastructure to the end of the concession period.

### 2.10 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn long-term rentals yields and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

At initial recognition, the group measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.10 Investment property (continued)

#### Fair value

Subsequently investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### 2.11 Heritage assets

The entity displays wild animals primarily for the conservation of endangered species as well as for education purposes. The entity also displays orchids in the orchid house which are kept and cared for in the Orchid Greenhouse, for the same reasons. The service potential embodied in the zoo and nature reserve animals and the orchids mainly arises from the benefit to preserve the specific asset for present and future generations.

#### Initial recognition

Biological and other assets recognised as heritage assets are initially recognised and measured at its cost. When the asset is acquired through a non-exchange transaction, its cost is measured at its fair value at the date of acquisition.

#### Subsequent measurement

Heritage assets of the entity are subsequently measured at fair value. It is not expected that the fair values will differ significantly from year to year, based on the condition, breeding and age of the animals currently kept by the entity. Fair value assessments therefore will be done every five years.

#### Impairment

The heritage assets of the entity shall not be depreciated but will be assessed at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalue amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

#### Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 2.12 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

#### Initial recognition and measurement

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

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.12 Financial instruments (continued)

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

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

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Loans to entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

#### Available-for-sale financial assets

Fair value adjustments on available-for-sale financial instruments are recognised in the Mark-to-market reserve.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Subsequent measurement

##### Loans and receivables

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Amortised cost refers to the initial carrying amount, plus interest and less repayments.

##### Held-to-maturity investments

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

##### Available-for-sale financial asset

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payables. The interest rate specific to consumer deposits are 4% per annum.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.12 Financial instruments (continued)

#### Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investments, such as available for sale investments are based on current bid prices.

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

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the economic entity's accounting policy for borrowing costs.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

#### Impairment of financial assets

The economic entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the

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### 2.12 Financial instruments (continued)

asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The economic entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 2.13 Inventories

inventory are initially measured at cost except where inventory are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventory are measured at the lower of cost and net realisable value.

inventory are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

The cost of inventory 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 inventory is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventory having a similar nature and use to the entity.

When inventory are sold, the carrying amounts of those inventory are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventory to net realisable value and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

### 2.14 Impairment

Cash-generating assets are those assets held by the entity 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).

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.

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:

- the period of time over which an asset is expected to be used by the entity; or

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### 2.14 Impairment (continued)

- the number of production or similar units expected to be obtained from the asset by the entity.

#### Identification

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

The economic 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 economic entity estimates the recoverable amount of the asset.

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

#### Value in use

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

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

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### 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 economic entity 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 cash-generating unit are affected by internal transfer pricing, the economic entity 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
- 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

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### 2.14 Impairment (continued)

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

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

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

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

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

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

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

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

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

#### 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.

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### 2.15 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

#### Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

#### Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

#### Service charges

Service charges relating to distribution of 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, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on historical information.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

#### Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised based on consumption, except where a reliable estimate cannot be made after every reasonable effort to gather the appropriate information had been made. In these instances revenue is recognised at the point-of-sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Interest

##### Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

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### Revenue from exchange transactions (continued)

Rental income from operating leases is recognised on a straight line basis over the lease term.

#### Other

Tariff charges

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

Housing rental and instalments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

### Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

### Rates and taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Receipt of community services in exchange for a fine is not recognised as revenue.

### Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.



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### Revenue from non-exchange transactions (continued)

#### Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

### 2.16 Provisions

Provisions are recognised when:

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

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

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

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

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

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

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

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

#### Onerous contracts

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

#### Restructuring

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised but disclosure is made in the notes to the financial statements.

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment

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### 2.16 Provisions (continued)

includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### 2.17 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.

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 bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

#### Defined contribution plans

The economic entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. 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 losses and unrecognised past service costs.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised 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.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity 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 surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a

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### 2.17 Employee benefits (continued)

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 losses and unrecognised past service costs. Actuarial gains or losses are recognised in the statement of financial performance in the period that they occur.

Actuarial assumptions are include in the note of defined benefit obligation plan.

### 2.18 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.

#### Finance leases - municipality as lessee

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

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

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

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases

#### Operating leases - municipality as lessee

Operating lease payments are recognised in surplus or deficit 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 either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

#### Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue 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 either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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### 2.19 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 entity 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. 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 entity 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.

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

### 2.20 Donations and grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

### 2.21 Tax

#### Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 2.22 Translation of foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

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### 2.22 Translation of foreign currencies (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 2.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 2.24 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) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

### 2.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position until such expenditure is recovered or written off as irrecoverable.

### 2.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality should maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires, in terms of Section 14(4)(d)(ii)(aa) – read with, inter alia, Section 16(2) – that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the municipality for housing development in accordance with the National Housing Policy.

### 2.27 Accumulated surplus

#### Mark-to-market reserve

This reserve comprises of all fair value adjustments on available-for-sale financial instruments (unlisted shares). When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus/ (deficit)

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.27 Accumulated surplus (continued)

#### Self insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund should be invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

#### Compensation for Occupational Injuries and Diseases (COID) Reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

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

### 2.28 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 2.28 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit under (a). If a revaluation is necessary, all assets of that class are revalued.

### 2.29 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

#### 1.1 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 in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

#### 1.2 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The economic entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer and Council members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
		2011	2010	2011	2010
		R	R	R	R

### 3. New standards and interpretations

#### 3.1 Standards issued and not yet effective

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

The GRAP standards below will be applied by the economic entity 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 economic entity. 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 economic entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

#### **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 economic entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

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

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

#### **GRAP 103: Heritage Assets**

Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items means that they are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 3. New standards and interpretations (continued)

A heritage asset is recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition.

The municipality has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at their cost or revalued amount less accumulated impairment. These assets are not depreciated.

The impact of the standard is set out in note Changes in Accounting Policy.

#### **GRAP 25: Employee benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

The standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### **GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>4. Inventories</b>				
Consumable stores	3,322,080	4,273,803	3,322,080	4,273,803
Electricity maintenance materials	31,619,224	43,140,134	-	-
Fuel - Petrol and diesel	894,610	1,172,074	894,610	1,172,074
Water in pipes	286,708	286,708	286,708	286,708
Water in reservoirs	880,339	880,339	880,339	880,339
Water maintenance materials	3,993,600	4,825,573	3,993,600	4,825,580
	<b>40,996,561</b>	<b>54,578,631</b>	<b>9,377,337</b>	<b>11,438,504</b>
Cost of inventories expensed	5,341,386	607,073,823	3,023,386	5,355,570
<b>Inventory pledged as security</b>				
No inventory was pledged as security for any financial liability for the reporting period.				
<b>5. Other financial assets</b>				
<b>Available-for-sale</b>				
Unlisted shares - OVK Limited	11,868	10,367	11,868	10,367
<b>Loans and receivables</b>				
Centlec Pty Ltd - Advances	-	-	149,779,678	163,617,713
Centlec Pty Ltd - Shareholders loan	-	24,819	676,453,637	657,303,374
Erven loans	18,545,375	17,602,970	18,545,375	17,602,970
Housing selling scheme loans	45,861,900	42,731,900	45,861,900	42,731,900
Kopanong Local Municipality	2,590,899	2,849,556	-	-
Mohokare Local Municipality	1,337,754	1,462,598	-	-
Naledi Local Municipality	650,765	764,610	-	-
Study loans	49,599	49,599	49,599	49,599
Vehicle loans	950,255	975,093	950,255	975,093
Loans and receivables - impairments	(40,661,171)	(40,600,245)	(40,661,171)	(40,600,245)
	<b>29,325,376</b>	<b>25,860,900</b>	<b>850,979,273</b>	<b>841,680,404</b>
<b>Total other financial assets</b>	<b>29,337,244</b>	<b>25,871,267</b>	<b>850,991,141</b>	<b>841,690,771</b>
<b>Non-current assets</b>				
Available-for-sale	11,868	10,367	11,868	10,367
Loans and receivables	8,881,656	11,559,731	817,186,321	814,063,367
	<b>8,893,524</b>	<b>11,570,098</b>	<b>817,198,189</b>	<b>814,073,734</b>
<b>Current assets</b>				
Loans and receivables	20,443,720	14,301,169	33,792,952	27,617,037
	<b>20,443,720</b>	<b>14,301,169</b>	<b>33,792,952</b>	<b>27,617,037</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 5. Other financial assets (continued)

#### Details of loans and receivables

##### *Erven loans*

Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

##### *Housing selling scheme loans*

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

##### *Kopanong Local Municipality*

The capital advances provided bears interest at 10% (2010: 10%) and are repayable in monthly instalments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Mohokare Local Municipality*

The capital advances provided bears interest at 10% (2010: 10%) and are repayable in monthly instalments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Naledi Local Municipality*

The capital advances provided bears interest at 10% (2010: 10%) and are repayable in monthly instalments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Study loans*

Staff members qualified for interest free study loans under the approved study scheme of the entity. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA.

##### *Vehicle loans*

Permanent staff obtained loans at 8.5% (2010: 10%) interest per annum repayable over a period of 3 to 6 years. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA. Other staff loans bear interest of prime plus 1% and are repayable over a period of 3 to 6 years.

#### Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

#### 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:

- Class 1 - Unlisted shares

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 5. Other financial assets (continued)

#### Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The table below analyses financial assets carried at fair value by valuation method. The different levels have been defined as follows:

Level 1 - quoted prices unadjusted in active markets for identical assets.

Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets either directly as prices or indirectly derived from prices.

Level 3 - inputs which are not based on observable market data.

#### Level 1

Class 1 - Unlisted shares	11,868	10,367	11,868	10,367
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For debt securities classified as available-for-sale, the maximum exposure to credit risk at the reporting date is the fair value.

#### Reconciliation of provision for impairment of loans and receivables

##### Erven loans

Opening balance	8,334,174	6,280,082	8,334,174	6,280,082
Current year impairment contribution	-	2,054,092	-	2,054,092
	<b>8,334,174</b>	<b>8,334,174</b>	<b>8,334,174</b>	<b>8,334,174</b>

##### Housing selling scheme loans

Opening balance	31,326,876	37,475,309	31,326,876	37,475,309
Current year impairment contribution	-	(6,148,433)	-	(6,148,433)
	<b>31,326,876</b>	<b>31,326,876</b>	<b>31,326,876</b>	<b>31,326,876</b>

##### Study loans

Opening balance	49,599	59,599	49,599	59,599
Current year impairment contribution	-	(10,000)	-	(10,000)
	<b>49,599</b>	<b>49,599</b>	<b>49,599</b>	<b>49,599</b>

##### Vehicle loans

Opening balance	889,59	648,62	889,596	648,629
Current year impairment contribution	60,65	240,96	60,659	240,967
	<b>950,25</b>	<b>889,59</b>	<b>950,255</b>	<b>889,596</b>

The creation and release of provision for impairment receivables have been included in expenses in surplus or deficit (note 47). Unwinding of discount is included in note 43 in surplus or deficit. Amounts charged to the allowance account are

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 5. Other financial assets (continued)

generally written off when there is no expectation of recovering additional cash.

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

None of the loans and receivables were pledged as security for any financial liability and no securities are held for any of the loans and receivables.

### 6. Trade and other receivables from exchange transactions

Deferred lease income	47,054,521	44,433,162	47,054,521	44,433,162
Interest on investments	597,953	303,687	597,953	303,687
Kopanong Local Municipality	4,209,729	124,184	-	-
Mohokare Local Municipality	4,837,005	1,137,491	-	-
Naledi Local Municipality	2,837,784	481,795	-	-
Other receivables	12,225,875	1,334,157	-	-
Outstanding health claims	-	1,537,952	-	1,537,952
Staff leave day receivable	1,555,514	781,575	1,555,514	781,575
Sundry receivables	44,281,627	65,405,724	44,281,627	65,405,724
Sundry receivables - Impairment	(34,646,856)	(31,636,314)	(34,646,856)	(31,636,314)
	<b>82,953,152</b>	<b>83,903,413</b>	<b>58,842,759</b>	<b>80,825,786</b>

#### Trade and other receivables pledged as security

None of the receivables were pledged as security for any financial liability.

#### 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.

None of the financial assets that are fully performing have been renegotiated in the last year.

#### Trade and other receivables impaired

The amount of the provision was R (34,646,856) as of 30 June 2011 (2010: R 31,636,314).

#### Reconciliation of impairment of trade and other receivables

Opening balance	31,636,314	28,345,488	31,636,314	28,345,488
Impairment - current year	3,010,542	3,290,826	3,010,542	3,290,826
	<b>34,646,856</b>	<b>31,636,314</b>	<b>34,646,856</b>	<b>31,636,314</b>

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>7. Other receivables from non-exchange transactions</b>				
Government grants and subsidies	-	274,867	-	274,867
Insurance claims	79,567	120,935	79,567	120,935
	<b>79,567</b>	<b>395,802</b>	<b>79,567</b>	<b>395,802</b>
<b>Other receivables from non-exchange transactions pledged as security</b>				
None of the receivables were pledged as security for any financial liability.				
The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.				
<b>8. VAT receivable</b>				
VAT receivable	2,357,934	19,162,271	-	-
VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.				
<b>9. Consumer receivables</b>				
<b>Gross balances</b>				
Rates	299,966,920	320,614,002	299,966,920	320,614,002
Electricity	253,972,844	223,565,193	-	2,070,612
Water	492,078,280	411,709,499	492,078,280	411,709,499
Sewerage	151,539,834	182,268,000	151,539,834	182,268,000
Housing rental	19,456,932	17,379,847	19,456,932	17,379,847
Unallocated deposits	220,252	(11,546,808)	220,252	(11,546,808)
	<b>1,217,235,062</b>	<b>1,143,989,733</b>	<b>963,262,218</b>	<b>922,495,152</b>
<b>Less: Provision for debt impairment</b>				
Rates	(248,573,335)	(264,410,857)	(248,573,335)	(264,410,857)
Electricity	(122,667,100)	(48,002,191)	-	-
Water	(391,025,657)	(339,537,452)	(391,025,657)	(339,537,452)
Sewerage	(125,577,062)	(150,316,698)	(125,577,062)	(150,316,698)
Housing rental	(18,539,788)	(15,350,848)	(18,539,788)	(15,350,848)
	<b>(906,382,942)</b>	<b>(817,618,046)</b>	<b>(783,715,842)</b>	<b>(769,615,855)</b>
<b>Net balance</b>				
Rates	51,393,585	56,203,145	51,393,585	56,203,145
Electricity	131,305,744	175,563,002	-	2,070,612
Water	101,052,623	72,172,047	101,052,623	72,172,047
Sewerage	25,962,772	31,951,302	25,962,772	31,951,302
Housing rental	917,144	2,028,999	917,144	2,028,999
Unallocated deposits	220,252	(11,546,808)	220,252	(11,546,808)

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>9. Consumer receivables (continued)</b>				
	<b>310,852,120</b>	<b>326,371,687</b>	<b>179,546,376</b>	<b>152,879,297</b>
<b>Rates</b>				
Current (0 -30 days)	39,361,328	25,189,041	39,361,328	25,189,041
31 - 60 days	9,234,848	11,516,104	9,234,848	11,516,104
61 - 90 days	10,046,558	9,885,187	10,046,558	9,885,187
90+ days	241,324,186	274,023,670	241,324,186	274,023,670
Less provision for impairment	(248,573,335)	(264,410,857)	(248,573,335)	(264,410,857)
	<b>51,393,585</b>	<b>56,203,145</b>	<b>51,393,585</b>	<b>56,203,145</b>
<b>Electricity</b>				
Current (0 -30 days)	96,448,000	10,234,000	-	-
31 - 60 days	27,072,000	18,835,000	-	-
61 - 90 days	14,363,000	9,233,000	-	-
90+ days	117,751,238	176,169,612	-	2,070,612
Unallocated deposits	-	9,476,000	-	-
Less provision for impairment	(122,667,100)	(48,002,191)	-	-
Less discounting adjustment to debtors	(1,661,394)	(382,419)	-	-
	<b>131,305,744</b>	<b>175,563,002</b>	<b>-</b>	<b>2,070,612</b>
<b>Water</b>				
Current (0 -30 days)	69,810,359	47,378,897	69,810,359	47,378,897
31 - 60 days	22,360,671	26,295,398	22,360,671	26,295,398
61 - 90 days	17,155,373	17,721,772	17,155,373	17,721,772
90+ days	362,542,890	307,254,537	362,542,890	307,254,537
Less provision for impairment	(391,025,657)	(339,537,452)	(391,025,657)	(339,537,452)
Metering adjustment at year end	20,208,987	13,058,895	20,208,987	13,058,895
	<b>101,052,623</b>	<b>72,172,047</b>	<b>101,052,623</b>	<b>72,172,047</b>
<b>Sewerage</b>				
Current (0 -30 days)	16,502,520	-	16,502,520	-
31 - 60 days	4,295,220	-	4,295,220	-
61 - 90 days	4,420,961	-	4,420,961	-
90+ days	126,321,133	182,268,000	126,321,133	182,268,000
Less provision for impairment	(125,577,062)	(150,316,698)	(125,577,062)	(150,316,698)
	<b>25,962,772</b>	<b>31,951,302</b>	<b>25,962,772</b>	<b>31,951,302</b>
<b>Housing rental</b>				
Current (0 -30 days)	336,159	414,132	336,159	414,132
31 - 60 days	260,577	236,032	260,577	236,032
61 - 90 days	265,483	221,072	265,483	221,072



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>9. Consumer receivables (continued)</b>				
90+ days	18,594,713	16,508,611	18,594,713	16,508,611
Less provision for impairment	(18,539,788)	(15,350,848)	(18,539,788)	(15,350,848)
	<b>917,144</b>	<b>2,028,999</b>	<b>917,144</b>	<b>2,028,999</b>
<b>Unallocated deposits</b>				
90+ days	220,252	(11,546,808)	220,252	(11,546,808)
<b>Summary of debtors by customer classification</b>				
<b>Consumers/Households</b>				
Current (0 -30 days)	52,894,359	46,670,418	52,894,359	46,670,418
31 - 60 days	32,226,321	23,501,775	32,226,321	23,501,775
61 - 90 days	26,850,351	18,550,975	26,850,351	18,550,975
90+ days	665,124,158	618,776,250	665,124,158	618,776,250
	777,095,189	707,499,418	777,095,189	707,499,418
Less: Provision for debt impairment	(687,166,203)	(653,253,099)	(687,166,203)	(653,253,099)
	<b>89,928,986</b>	<b>54,246,319</b>	<b>89,928,986</b>	<b>54,246,319</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	29,091,335	22,014,496	29,091,335	22,014,496
31 - 60 days	9,920,113	11,381,651	9,920,113	11,381,651
61 - 90 days	7,826,108	7,059,434	7,826,108	7,059,434
90+ days	104,897,742	83,153,436	104,897,742	83,153,436
	151,735,298	123,609,017	151,735,298	123,609,017
Less: Provision for debt impairment	(56,475,065)	(55,176,569)	(56,475,065)	(55,176,569)
	<b>95,260,233</b>	<b>68,432,448</b>	<b>95,260,233</b>	<b>68,432,448</b>
<b>National and provincial government</b>				
Current (0 -30 days)	3,132,071	3,859,581	3,132,071	3,859,581
31 - 60 days	2,050,563	2,925,624	2,050,563	2,925,624
61 - 90 days	1,805,536	1,995,407	1,805,536	1,995,407
90+ days	46,117,599	62,798,543	46,117,599	62,798,543
	53,105,769	71,579,155	53,105,769	71,579,155
Less: Provision for debt impairment	(40,074,573)	(45,835,339)	(40,074,573)	(45,835,339)
	<b>13,031,196</b>	<b>25,743,816</b>	<b>13,031,196</b>	<b>25,743,816</b>
<b>Total</b>				
Current (0 -30 days)	85,117,765	72,544,495	85,117,765	72,544,495
31 - 60 days	44,196,998	37,809,050	44,196,998	37,809,050

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>9. Consumer receivables (continued)</b>				
61 - 90 days	36,481,995	27,605,816	36,481,995	27,605,816
90+ days	816,139,499	780,079,077	816,139,499	780,079,077
Metering adjustment at year end - water	20,208,987	13,058,895	20,208,987	13,058,895
	1,002,145,244	931,097,333	1,002,145,244	931,097,333
Less: Provision for debt impairment	(906,382,942)	(817,618,046)	(783,715,842)	(769,615,855)
Add: Unallocated deposits	220,252	(11,546,808)	220,252	(11,546,808)
Add: Electricity	253,921,954	224,439,208	(50,890)	2,944,627
Transferred to trade and other receivables from exchange transactions	(1,000,121)	-	(1,000,121)	-
Transferred to other financial assets	(38,052,267)	-	(38,052,267)	-
	<b>310,852,120</b>	<b>326,371,687</b>	<b>179,546,376</b>	<b>152,879,297</b>
<b>Less: Provision for debt impairment</b>				
90+ days	(906,382,942)	(817,618,046)	(783,715,842)	(769,615,855)
<b>Reconciliation of debt impairment provision</b>				
Balance at beginning of the year	(817,618,046)	(686,370,934)	(769,615,855)	(686,370,934)
Contributions to provision	(14,099,896)	(120,722,112)	(14,099,987)	(83,244,921)
Debt impairment written off against provision	(74,665,000)	(10,525,000)	-	-
	<b>(906,382,942)</b>	<b>(817,618,046)</b>	<b>(783,715,842)</b>	<b>(769,615,855)</b>

### Consumer debtors pledged as security

None of the debtors were pledged as security for any financial liability.

None of the financial assets that are fully performing have been renegotiated in the last year.

### Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 906,382,942 (2010: R 817,618,045) were impaired and provided for.

The amount of the provision was R 906,382,942 as of 30 June 2011 (2010: R 817,618,045).

### Reconciliation of impairment of consumer debtors

Opening balance	(817,618,046)	(686,370,934)	(769,615,855)	(686,370,934)
Current year contribution	(14,099,896)	(120,722,112)	(14,099,987)	(83,244,921)
Amounts written off as uncollectible	(74,665,000)	(10,525,000)	-	-
	<b>(906,382,942)</b>	<b>(817,618,046)</b>	<b>(783,715,842)</b>	<b>(769,615,855)</b>

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

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	47,515,992	20,403,851	32,725,988	20,187,493
Cash on hand	54,869	54,869	54,869	54,869
Short-term deposits	198,894,676	26,642,889	198,894,676	26,642,889
	<b>246,465,537</b>	<b>47,101,609</b>	<b>231,675,533</b>	<b>46,885,251</b>

### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the 31 COID reserve.	10,994,203	10,318,261	10,994,203	10,318,261
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The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

### The economic entity had the following bank accounts

Account description and number	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA - Primary account - 470 000 465	25,572,621	9,713,167	79,463,381	28,426,476	10,453,390	80,361,320
ABSA - Fresh produce market - 470 001 348	2,697,541	3,382,869	3,093,304	2,697,541	3,382,869	3,093,304
ABSA - 2010 World cup - 406 787 886	-	5,311,349	57,566,021	-	5,311,349	57,566,021
ABSA - Direct deposits banktel - 470 001 380	-	-	-	1,601,971	1,039,885	-
ABSA - Cheque account - 405 883 3582	14,790,004	216,358	46,573,260	14,790,004	216,358	46,573,260
<b>Total</b>	<b>43,060,166</b>	<b>18,623,743</b>	<b>186,695,966</b>	<b>47,515,992</b>	<b>20,403,851</b>	<b>187,593,905</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 11. Heritage assets

Economic entity	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Heritage assets	5,601,720	-	5,601,720	3,416,928	-	3,416,928

  

Controlling entity	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Heritage assets	5,601,720	-	5,601,720	3,416,928	-	3,416,928

#### Reconciliation of heritage assets - Economic entity - 2011

	Opening balance	Additions	Disposals	Revaluation	Total
Heritage assets	3,416,928	301,508	(410,181)	2,293,465	5,601,720

#### Reconciliation of heritage assets - Economic entity - 2010

	Opening balance	Additions	Disposals	Transfers	Revaluation	Total
Heritage assets	-	659,528	(656,385)	3,239,590	174,195	3,416,928

#### Reconciliation of heritage assets - Controlling entity - 2011

	Opening balance	Additions	Disposals	Revaluation	Total
Heritage assets	3,416,928	301,508	(410,181)	2,293,465	5,601,720

#### Reconciliation of heritage assets - Controlling entity - 2010

	Opening balance	Additions	Disposals	Transfers	Revaluation	Total
Heritage assets	-	659,528	(656,385)	3,239,590	174,195	3,416,928

#### Pledged as security

None of the assets were pledged as security for any financial liability.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
		2011	2010	2011	2010
		R	R	R	R

### 11. Heritage assets (continued)

#### Methods and assumptions used in determining fair value

The numbers of the Kwaggafontein Reserve animals were determined via an aerial game count, while the numbers of the Naval Hill Reserve animals were determined via on foot head count. For the Kwaggafontein Game Reserve and the Naval Hill Reserve the valuation figures are based on the 2011 game auction's averages. These figures does not allow for the possibility of trophy's that might be present even though the aerial game count, done by professionals in this industry, does not show a high possibility of trophies being present.

A number of Zoo animals were verified through physical inspection of the animals and the valuation of the Zoo animals considered the following:

- Inbreeding , the genes, whether animals are sterilized, age of the animal, common availability of the animal type, novelty values where no market price exist e.g. Some of the snakes and animals hand-raised versus tame. During the valuation of the snakes their temperament was also taken into account.
- The birds of prey at the Zoo are kept for rehabilitation and therefore no value was placed on this, as it has a novelty attraction only.

The valuation of the orchids were done by physically inspecting the plants and verifying the amounts as stated on the stock sheets of the entity's Greenhouse and in the Orchid House.

There are no contractual commitments for the acquisition, maintenance and restoration of heritage assets at year end.

There are no heritage assets used for more than one purpose.

Revaluations were done on 30 June 2011 based on the market price for such assets by an independent valuator. The condition of the asset, the age and where applicable the breeding of the asset were all considered in determining the fair values.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 12. Investment property

Economic entity	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	42,448,829	-	42,448,829	42,448,829	-	42,448,829

  

Controlling entity	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	42,448,829	-	42,448,829	42,448,829	-	42,448,829

#### Reconciliation of investment property - Economic entity - 2011

	Opening balance	Total
Investment property	42,448,829	42,448,829

#### Reconciliation of investment property - Economic entity - 2010

	Opening balance	Total
Investment property	42,448,829	42,448,829

#### Reconciliation of investment property - Controlling entity - 2011

	Opening balance	Total
Investment property	42,448,829	42,448,829

#### Reconciliation of investment property - Controlling entity - 2010

	Opening balance	Total
Investment property	42,448,829	42,448,829

#### Pledged as security

None of the properties were pledged as security for any financial liability.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 13. Property, plant and equipment

Economic entity	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plant and machinery	9,104,834,823	(3,355,152,038)	5,749,682,785	5,088,943,245	(997,499,851)	4,091,443,394
Capitalised leased assets	8,813,469	(7,672,955)	1,140,514	8,048,702	(5,823,817)	2,224,885
<b>Total</b>	<b>9,113,648,292</b>	<b>(3,362,824,993)</b>	<b>5,750,823,299</b>	<b>5,096,991,947</b>	<b>(1,003,323,668)</b>	<b>4,093,668,279</b>

  

Controlling entity	2011			2010		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Plant and machinery	4,226,504,883	(1,150,840,820)	3,075,664,063	3,793,755,362	(999,390,736)	2,794,364,626
Capitalised leased assets	8,813,469	(6,453,955)	2,359,514	7,185,872	(5,275,119)	1,910,753
<b>Total</b>	<b>4,235,318,352</b>	<b>(1,157,294,775)</b>	<b>3,078,023,577</b>	<b>3,800,941,234</b>	<b>(1,004,665,855)</b>	<b>2,796,275,379</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Plant and machinery	4,091,443,394	491,352,264	(2,656,250)	823,183,418	346,359,959	5,749,682,785
Capitalised leased assets	2,224,885	2,299,597	(580,563)	-	(2,803,405)	1,140,514
	<b>4,093,668,279</b>	<b>493,651,861</b>	<b>(3,236,813)</b>	<b>823,183,418</b>	<b>343,556,554</b>	<b>5,750,823,299</b>

#### Reconciliation of property, plant and equipment - Economic entity - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Plant and machinery	3,157,922,950	630,347,182	8,015,090	(567,622,428)	862,780,600	-	4,091,443,394
Capitalised leased assets	3,166,768	1,271,361	-	-	-	(2,213,244)	2,224,885
	<b>3,161,089,718</b>	<b>631,618,543</b>	<b>8,015,090</b>	<b>(567,622,428)</b>	<b>862,780,600</b>	<b>(2,213,244)</b>	<b>4,093,668,279</b>

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

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Plant and machinery	2,794,364,626	451,486,435	-	(650,603,900)	480,416,902	3,075,664,063
Capitalised leased assets	1,910,753	2,208,160	(580,563)	-	(1,178,836)	2,359,514
	<b>2,796,275,379</b>	<b>453,694,595</b>	<b>(580,563)</b>	<b>(650,603,900)</b>	<b>479,238,066</b>	<b>3,078,023,577</b>



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand

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

#### Reconciliation of property, plant and equipment - Controlling entity - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Plant and machinery	2,457,419,816	630,347,182	455,090	(629,675,001)	335,817,539	2,794,364,626
Capitalised leased assets	2,303,768	1,271,361	-	-	(1,664,376)	1,910,753
	<b>2,459,723,584</b>	<b>631,618,543</b>	<b>455,090</b>	<b>(629,675,001)</b>	<b>334,153,163</b>	<b>2,796,275,379</b>

#### Pledged as security

None of the property, plant and equipment are pledged as security, except for finance leased assets.

A GRAP compliant asset register is still in progress. Refer to appendix B and C for more detail on property, plant and equipment.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 14. Intangible assets

Economic entity	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software - other	14,278,654	(1,627,836)	12,650,818	10,852,544	(1,627,836)	9,224,708

  

Controlling entity	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software - other	14,278,654	(1,627,836)	12,650,818	10,852,544	(1,627,836)	9,224,708

#### Reconciliation of intangible assets - Economic entity - 2011

	Opening balance	Additions	Total
Computer software, other	9,224,708	3,426,110	12,650,818

#### Reconciliation of intangible assets - Economic entity - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	9,567,297	18,900	(361,489)	9,224,708

#### Reconciliation of intangible assets - Controlling entity - 2011

	Opening balance	Additions	Total
Computer software, other	9,224,708	3,426,110	12,650,818

#### Reconciliation of intangible assets - Controlling entity - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	9,567,297	18,900	(361,489)	9,224,708

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 15. Investments in controlled entities

Name of company	Held by	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Centlec Pty Ltd	Mangaung Metropolitan Municipality	100 %	100 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses.

A company, Centlec Pty Ltd, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

The financial information of these two entities are consolidated in this set of financial statements as the economic entity.

### 16. Financial assets by category

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

#### Economic entity - 2011

	Loans and receivables	Non-financial instruments	Held to maturity investments	Available-for-sale	Total
Cash and cash equivalents	47,570,861	-	198,894,676	-	246,465,537
Consumer receivables	310,852,120	-	-	-	310,852,120
Other financial assets - Current portion	20,443,720	-	-	-	20,443,720
Other financial assets - Non-current portion	8,881,656	-	-	11,868	8,893,524
Other receivables from non-exchange transactions	-	79,567	-	-	79,567
Trade and other receivables from exchange transactions	82,953,152	-	-	-	82,953,152
VAT receivable	6,632,343	-	-	-	6,632,343
	<b>477,333,852</b>	<b>79,567</b>	<b>198,894,676</b>	<b>11,868</b>	<b>676,319,963</b>

#### Economic entity - 2010

	Loans and receivables	Non-financial instruments	Held to maturity investments	Available-for-sale	Total
Cash and cash equivalents	20,458,720	-	26,642,889	-	47,101,609
Consumer receivables	326,371,688	-	-	-	326,371,688
Other financial assets - Current portion	14,301,169	-	-	-	14,301,169
Other financial assets - Non-current portion	11,559,731	-	-	10,367	11,570,098
Other receivables from non-exchange transactions	-	395,802	-	-	395,802
Trade and other receivables from exchange transactions	83,903,413	-	-	-	83,903,413
VAT receivable	19,162,271	-	-	-	19,162,271

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity		
	2011	2010	2011	2010	
	R	R	R	R	
<b>16. Financial assets by category (continued)</b>	<b>475,756,992</b>	<b>395,802</b>	<b>26,642,889</b>	<b>10,367</b>	<b>502,806,050</b>

### Controlling entity - 2011

	Loans and receivables	Non-financial instruments	Held to maturity investments	Available-for-sale	Total
Cash and cash equivalents	32,780,857	-	198,894,676	-	231,675,533
Consumer receivables	179,546,376	-	-	-	179,546,376
Other financial assets - Current portion	33,792,952	-	-	-	33,792,952
Other financial assets - Non-current portion	817,186,321	-	-	11,868	817,198,189
Other receivables from non-exchange transactions	-	79,567	-	-	79,567
Trade and other receivables from exchange transactions	58,842,759	-	-	-	58,842,759
	<b>1,122,149,265</b>	<b>79,567</b>	<b>198,894,676</b>	<b>11,868</b>	<b>1,321,135,376</b>

### Controlling entity - 2010

	Loans and receivables	Non-financial instruments	Held to maturity investments	Available-for-sale	Total
Cash and cash equivalents	20,242,362	-	26,642,889	-	46,885,251
Consumer receivables	152,879,298	-	-	-	152,879,298
Other financial assets - Current portion	27,617,037	-	-	-	27,617,037
Other financial assets - Non-current portion	814,063,367	-	-	10,367	814,073,734
Other receivables from non-exchange transactions	-	395,802	-	-	395,802
Trade and other receivables from exchange transactions	80,825,786	-	-	-	80,825,786
	<b>1,095,627,850</b>	<b>395,802</b>	<b>26,642,889</b>	<b>10,367</b>	<b>1,122,676,908</b>

### 17. Other financial liabilities

#### Measured at amortised cost

DBSA Bloemfontein - Sewer 8001/104	4,421,980	4,372,878	4,421,980	4,372,878
DBSA Bloemfontein - Water 8001/104	4,038,737	5,799,214	4,038,737	5,799,214
DBSA Mangaung - 1529/102	2,184,181	1,976,260	2,184,181	1,976,260
DBSA - FS1034	11,702,258	345,290	11,702,258	345,290
	<b>22,347,156</b>	<b>12,493,642</b>	<b>22,347,156</b>	<b>12,493,642</b>

These loans are from The Development Bank of South Africa and repayments are made either monthly or on a six monthly basis. The last loan will be redeemed at 30 March 2026 and the loans bear interest between 6% and 14%.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 17. Other financial liabilities (continued)

The entity did not default on any of the non-current borrowings, whether it be on the capital or the interest portions and none of the terms attached to the non-current borrowings were renegotiated.

Refer to Appendix A for more details.

#### Non-current liabilities

At amortised cost	20,162,975	10,517,382	20,162,975	10,517,382
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#### Current liabilities

At amortised cost	2,184,181	1,976,260	2,184,181	1,976,260
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<b>22,347,156</b>	<b>12,493,642</b>	<b>22,347,156</b>	<b>12,493,642</b>
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# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>18. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	1,471,624	2,103,084	1,299,137	1,896,184
- in second to fifth year inclusive	2,121,804	833,752	1,852,815	747,062
	<b>3,593,428</b>	<b>2,936,836</b>	<b>3,151,952</b>	<b>2,643,246</b>
less: future finance charges	(396,866)	(296,710)	(298,001)	(269,294)
<b>Present value of minimum lease payments</b>	<b>3,196,562</b>	<b>2,640,126</b>	<b>2,853,951</b>	<b>2,373,952</b>
<b>Present value of minimum lease payments due</b>				
- within one year	1,287,644	1,916,360	1,176,310	1,729,914
- in second to fifth year inclusive	1,908,918	723,766	1,677,641	644,038
	<b>3,196,562</b>	<b>2,640,126</b>	<b>2,853,951</b>	<b>2,373,952</b>
Non-current liabilities	1,909,252	723,766	1,677,641	644,038
Current liabilities	1,287,310	1,916,360	1,176,310	1,729,914
	<b>3,196,562</b>	<b>2,640,126</b>	<b>2,853,951</b>	<b>2,373,952</b>

It is economic entity's policy to lease certain equipment under finance leases.

The maximum lease term is 5 years and the average borrowing rate is between 9% and 15%. Certain leases have fixed repayment terms and other escalate on average by 10% per annum.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

None of the terms attached to the existing finance lease obligations were renegotiated and the entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

No arrangements have been entered into for contingent rent.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>19. Trade and other payables from exchange transactions</b>				
Accrued audit fees	-	-	-	(1)
Accrued bonus	16,456,173	14,416,174	16,456,175	14,416,172
Accrued expense - leases	170,889	93,827	-	-
Accrued leave pay	50,573,497	47,251,932	50,500,417	47,219,380
Accrued operating expenses	4,961,287	-	-	-
Centlec Pty Ltd - Intercompany loan	-	-	378,731,992	314,627,575
Deferred interest	6,974,177	6,583,496	6,974,177	6,583,496
Deferred lease expenditure	257,141	124,783	257,141	124,783
Mantsopa Local Municipality	903,405	1,039,417	-	-
Other payables	2,838,173	4,414,236	1,817,008	3,285,388
Payments received in advance	132,080,943	83,763,576	132,080,943	83,763,576
Retention's	27,785,256	25,132,321	27,785,256	25,132,321
Salary control	1,061,155	-	1,061,155	-
Trade payables	328,397,639	365,136,531	125,188,911	185,523,597
	<b>572,459,735</b>	<b>547,956,293</b>	<b>740,853,175</b>	<b>680,676,287</b>

### Fair value of trade and other payables

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 40 days (2010: 40 days).

The terms were not renegotiated before the financial statements were authorised for issue.

### 20. Payables from non-exchange transactions

Deposits	451,156	441,127	451,156	441,127
Other payables	2,107,219	3,219,497	2,107,219	3,219,497
	<b>2,558,375</b>	<b>3,660,624</b>	<b>2,558,375</b>	<b>3,660,624</b>

### 21. VAT payable

VAT payable	78,619,536	87,095,362	78,619,536	87,095,362
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VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

### 22. Consumer deposits

Accrued interest payable	2,702,170	942,630	2,702,170	942,630
Electricity	44,668,824	38,368,918	-	-
Water	24,761,896	24,164,502	24,761,896	24,164,502
	<b>72,132,890</b>	<b>63,476,050</b>	<b>27,464,066</b>	<b>25,107,132</b>

Guarantees held in lieu of water deposits	6,013,517	5,659,252	6,013,517	5,659,252
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# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>22. Consumer deposits (continued)</b>				
Included in deposits is an accrual of interest at an effective interest rate of 4% per annum (2010: 4%), which is paid to consumers when the deposits are refunded.				
<b>23. Conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
2010 World cup - Host city operation grant	-	19,000,000	-	19,000,000
2010 World cup - Stadia provincial grant	7,842,755	16,622,725	7,842,755	16,622,725
COGTA - Fire suppression grant	82,817	82,817	82,817	82,817
DBSA - Capacity building programme grant	234,104	234,104	234,104	234,104
DME grant - Centlec Pty Ltd	362,548	-	-	-
DWAF - Water services operating and transfer subsidy grant	-	2,025,822	-	2,025,822
Demand side management grant - Centlec Pty Ltd	964,834	1,040,792	-	-
Financial management grant	12,623	61,718	12,623	61,718
Local government and housing grant - Graslands area	3,965,043	3,965,043	3,965,043	3,965,043
Local government and housing grant - White city hostels	42,308	1,215,190	42,308	1,215,190
Motheo - Contribution environmental health grant	10,680,301	13,786,458	10,680,301	13,786,458
Motheo - Tourism grant	10,750	-	10,750	-
Motheo - Upgrading of roads grant	1,259,252	-	1,259,252	-
Municipal accreditation project funding - Housing grant	3,422,275	3,422,331	3,422,275	3,422,331
Municipal infrastructure grant	62,931,480	38,703,738	62,931,480	38,703,738
Municipal systems improvement grant	-	685,145	-	685,145
Provincial grant - Batho roads project	26,423,367	-	26,423,367	-
Provincial grant - CCTV	130,851	130,851	130,851	130,851
Provincial grant - Grassland area	4,500,000	4,500,000	4,500,000	4,500,000
Provincial grant - Hlasela project - Batho car wash	150,000	150,000	150,000	150,000
Provincial grant - Hlasela project - lphahamilseng centre	3,703	3,703	3,703	3,703
Provincial grant - Hlasela project - Lehlohonolo music group	-	7,200	-	7,200
Provincial grant - Hlasela project - Re Ba I Kemetseng Bomme	100,000	100,000	100,000	100,000
Provincial grant - Land use scheme	-	748,686	-	748,686
Provincial grant - Planning and surveying	493,144	574,210	493,144	574,210
Provincial grant - Township establishment - Caleb Motshabi	147,239	1,343,791	147,239	1,343,791
Provincial grant - Upgrade housing in Batho	1,749,275	2,083,399	1,749,275	2,083,399
Public transport infrastructure and systems fund grant	100,115,219	121,120,549	100,115,219	121,120,549
Restructuring grant	-	123,685	-	123,685
Provincial grant - Du Plessis/Muller intersection	554,640	578,732	554,640	578,732
Urban renewal grant	280,553	568,879	280,553	568,879
Urban settlement development grant	6,505,054	-	6,505,054	-
	<b>232,964,135</b>	<b>232,879,568</b>	<b>231,636,753</b>	<b>231,838,776</b>

See note 34 for the reconciliation of other grants from National and Provincial Government.



# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 23. Conditional grants and receipts (continued)

The amounts will be recognised as revenue when the qualifying expenditure is incurred.

No grants were withheld due to unfilled conditions.

Refer to Appendix F for the disclosure of grants in terms of the MFMA.

### 24. Retirement benefits

#### Defined benefit plan obligation

The defined benefit plans disclosed below are represented by medical aid for retired employees and pension payments for both retired and current employees. The entity pays 60% of the medical aid contributions of retired employees who were in the service of the Council on or before 1 October 1981, as well as a pension to retired employees based on certain criteria to be met, set out in the Entity's Conditions of Service.

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(383,957,000)	(348,224,000)	(383,957,000)	(348,224,000)
Present value of the defined benefit obligation-partially or wholly funded	(6,714,000)	(2,693,000)	(6,714,000)	(2,693,000)
	<b>(390,671,000)</b>	<b>(350,917,000)</b>	<b>(390,671,000)</b>	<b>(350,917,000)</b>

#### Movements for the year

Opening balance	350,917,000	297,121,000	350,917,000	297,121,000
Benefits paid	(6,473,000)	(5,894,000)	(6,473,000)	(5,894,000)
Net expense recognised in the statement of financial performance	46,227,000	59,690,000	46,227,000	59,690,000
	<b>390,671,000</b>	<b>350,917,000</b>	<b>390,671,000</b>	<b>350,917,000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	21,278,000	18,556,000	21,278,000	18,556,000
Interest cost	35,058,000	29,709,000	35,058,000	29,709,000
Net actuarial (gains) losses	(10,109,000)	11,425,000	(10,109,000)	11,425,000
	<b>46,227,000</b>	<b>59,690,000</b>	<b>46,227,000</b>	<b>59,690,000</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 24. Retirement benefits (continued)

#### Key assumptions used

Assumptions used on last valuation on 30 June 2011.

Discount rates used	9.05 %	9.50 %	9.05 %	9.50 %
Expected increase in healthcare costs	7.70 %	7.75 %	7.70 %	7.75 %
Expected increase in pension	5.70 %	5.75 %	5.70 %	5.75 %
Expected increase in salaries	13.00 %	13.00 %	13.00 %	13.00 %
Inflation rate	5.80 %	5.80 %	5.80 %	5.80 %
Medical cost trend rates	7.00 %	7.00 %	7.00 %	7.00 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %	10.00 %	10.00 %
Net discount rate	1.25 %	1.62 %	1.25 %	1.62 %
Expected retirement age in years	55 years	55 years	55 years	55 years

#### Inflation sensitivities

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(461,835,000)	(334,479,000)	(461,835,000)	(334,479,000)
Effect on the aggregate of the service cost	(18,120,000)	(11,435,000)	(18,120,000)	(11,435,000)
Effect on the aggregate of the interest cost	(42,254,000)	(30,440,000)	(42,254,000)	(30,440,000)

Amounts for the current and previous four years are as follows:

	2011 R	2010 R	2009 R	2008 R	2007 R
Defined benefit obligation	(390,671,000)	(350,917,000)	(297,121,000)	-	-
Experience adjustments on plan liabilities	28,072,000	(7,856,000)	-	-	-

The entity obtained an actuarial valuation for the first time on the defined benefit obligations plans on 30 June 2009.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 25. Provisions

#### Reconciliation of provisions - Economic entity - 2011

	Opening Balance	Expenditure incurred	Discounting	Total
Rehabilitation of landfill sites	69,629,772	5,222,233	-	74,852,005
Rehabilitation of quarry sites	4,655,906	141,884	392,183	5,189,973
	<b>74,285,678</b>	<b>5,364,117</b>	<b>392,183</b>	<b>80,041,978</b>

#### Reconciliation of provisions - Economic entity - 2010

	Opening Balance	Expenditure incurred	Discounting	Total
Rehabilitation of landfill sites	65,688,464	3,941,308	-	69,629,772
Rehabilitation of quarry sites	4,171,411	348,330	136,165	4,655,906
	<b>69,859,875</b>	<b>4,289,638</b>	<b>136,165</b>	<b>74,285,678</b>

#### Reconciliation of provisions - Controlling entity - 2011

	Opening Balance	Expenditure incurred	Discounting	Total
Rehabilitation of landfill sites	69,629,772	5,222,233	-	74,852,005
Rehabilitation of quarry sites	4,655,906	141,884	392,183	5,189,973
	<b>74,285,678</b>	<b>5,364,117</b>	<b>392,183</b>	<b>80,041,978</b>

#### Reconciliation of provisions - Controlling entity - 2010

	Opening Balance	Expenditure incurred	Discounting	Total
Rehabilitation of landfill sites	65,688,464	3,941,308	-	69,629,772
Rehabilitation of quarry sites	4,171,411	348,330	136,165	4,655,906
	<b>69,859,875</b>	<b>4,289,638</b>	<b>136,165</b>	<b>74,285,678</b>

#### **Rehabilitation of landfill sites**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 28 of 2002. The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques.

Landfills consist of:

- Botshabelo landfill site
- Bloemfontein Northern landfill site
- Bloemfontein Southern landfill site
- Thaba Nchu landfill site

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 25. Provisions (continued)

The final restoration of landfill sites are expected to be over a period of 15 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report.

Engineers were appointed during 2008/09 to provide a detailed report of closure costs for the sites as at 30 June 2009. The estimated closure costs were also provided for previous financial years. The costs as per the engineer's report is therefore adjusted annually in terms of inflation rate parameters. A 7.5% (2010: 6%) increase was applied for the current reporting period.

#### **Rehabilitation of quarry sites**

In terms of the Mineral and Petroleum Resources Development Act, 28 of 2002, it is required from the entity to execute the environmental management program to restore the quarry sites after its useful life. Provision has been made for this cost based on the present value of future cash flows arising from the rehabilitation cost expected as at 31 May 2016. Discount rates used for the present value calculation was based on inflation rate and high usage and amounts to 10%.

The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques.

Quarries consist of:

- Petra Quarry
- Cecilia Quarry
- Sunnyside Quarry
- Thaba Nchu Quarries
- Botshabelo Quarries

The rehabilitation of quarries is expected to be over a period of 20-30 years, being the estimated useful lives of the quarries. No uncertainties were used in the calculation of the rehabilitation cost.

The calculation of rehabilitation of quarries is based on the estimated use per annum plus the total area to be rehabilitated from the previous year, multiplied with the estimated restoration cost per unit and increased annually by using an appropriate discounting factor. The calculation is cumulative and thus equates to the present value of restoration costs as at the reporting date.

### 26. Financial liabilities by category

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

#### **Economic entity - 2011**

	Financial liabilities at amortised cost	Total
Consumer deposits	72,132,890	72,132,890
Finance lease obligation - Current portion	1,287,310	1,287,310
Finance lease obligation - Non-current portion	1,832,190	1,832,190
Other financial liabilities - Non-current portion	20,162,975	20,162,975
Other financial liabilities - Current portion	2,184,181	2,184,181
Payables from non-exchange transactions	2,558,375	2,558,375
Trade and other payables from exchange transactions	572,459,735	572,459,735
VAT payable	78,619,536	78,619,536
	<b>751,237,192</b>	<b>751,237,192</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 26. Financial liabilities by category (continued)

#### Economic entity - 2010

	Financial liabilities at amortised cost	Total
Consumer deposits	63,476,050	63,476,050
Finance lease obligation - Current portion	1,916,360	1,916,360
Finance lease obligation - Non-current portion	723,766	723,766
Other financial liabilities	1,976,260	1,976,260
Other financial liabilities - Non-current portion	10,517,382	10,517,382
Payables from non-exchange transactions	3,660,624	3,660,624
Trade and other payables from exchange transactions	547,956,293	547,956,293
VAT payable	87,095,362	87,095,362
	<b>717,322,097</b>	<b>717,322,097</b>

#### Controlling entity - 2011

	Financial liabilities at amortised cost	Total
Consumer deposits	27,464,066	27,464,066
Finance lease obligation - Current portion	1,176,310	1,176,310
Other financial liabilities - Current portion	2,184,181	2,184,181
Finance lease obligation	1,677,641	1,677,641
Other financial liabilities	20,162,975	20,162,975
Payables from non-exchange transactions	2,558,375	2,558,375
Trade and other payables	740,853,175	740,853,175
VAT payable	78,619,536	78,619,536
	<b>874,696,259</b>	<b>874,696,259</b>

#### Controlling entity - 2010

	Financial liabilities at amortised cost	Total
Consumer deposits	25,107,132	25,107,132
Finance lease obligation - Current portion	1,729,914	1,729,914
Other financial liabilities - Current portion	1,976,260	1,976,260
Finance lease obligation	644,038	644,038
Other financial liabilities	10,517,382	10,517,382
Payables from non-exchange transactions	3,660,624	3,660,624
Trade and other payables	680,676,288	680,676,288
VAT payable	87,095,362	87,095,362
	<b>811,407,000</b>	<b>811,407,000</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 27. Housing development fund reserve

Opening balance	11,202,948	21,376,064	11,202,948	21,376,064
Transfers	(7,552,522)	(10,173,116)	(7,552,522)	(10,173,116)
	<b>3,650,426</b>	<b>11,202,948</b>	<b>3,650,426</b>	<b>11,202,948</b>

#### The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	14,535,024	11,405,024	14,535,024	11,405,024
Housing rental receivables	917,144	2,028,999	917,144	2,028,999
<b>Assets</b>	<b>15,452,168</b>	<b>13,434,023</b>	<b>15,452,168</b>	<b>13,434,023</b>
Excess over fund reserve	11,801,742	2,231,075	11,801,742	2,231,075
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>3,650,426</b>	<b>11,202,948</b>	<b>3,650,426</b>	<b>11,202,948</b>

The housing development fund was established in terms of the Housing Act of 1997. Loans from national and provincial government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a housing development fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the housing development fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the fund. Monies standing to the credit of the fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 28. Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

Opening balance	587,437,194	584,022,037	587,437,194	584,022,037
Contributions	2,184,792	3,415,157	2,184,792	3,415,157
	<b>589,621,986</b>	<b>587,437,194</b>	<b>589,621,986</b>	<b>587,437,194</b>

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	2011	2010	2011	2010
	R	R	R	R

### 29. Mark-to-market reserve

The fair value adjustment assets available-for-sale reserve comprises all fair value adjustments on available-for-sale financial instruments (OVK Limited unlisted shares). When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

Available-for-sale financial instruments	7,832	6,160	7,832	6,160
Fair value gain	1,501	1,672	1,501	1,672
	<b>9,333</b>	<b>7,832</b>	<b>9,333</b>	<b>7,832</b>

### 30. Self-insurance reserve

The entity has a self-insurance reserve to set aside amounts to offset potential losses or claims, which are not insured externally.

The balance of the self-insurance reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit).

The balance of the self-insurance fund should be invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus/(deficit).

Opening balance	74,606,710	73,132,814	74,606,710	73,132,814
Contributions	2,514,662	2,297,910	2,514,662	2,297,910
Insurance claims processed	(1,031,205)	(824,014)	(1,031,205)	(824,014)
	<b>76,090,167</b>	<b>74,606,710</b>	<b>76,090,167</b>	<b>74,606,710</b>

### 31. COID reserve

The Compensation for Occupational Injuries and Diseases Act 130 of 1993 is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the Compensation for Occupational Injuries and Disease reserve is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Contributions are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve fund is adequate to offset potential claims.

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

The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty. Refer to note 10

Opening balance	14,313,277	13,654,505	14,313,277	13,654,505
Contributions	2,534,227	2,346,900	2,534,227	2,346,900

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	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>31. COID reserve (continued)</b>				
Insurance claims processed	(5,853,301)	(1,688,128)	(5,853,301)	(1,688,128)
	<b>10,994,203</b>	<b>14,313,277</b>	<b>10,994,203</b>	<b>14,313,277</b>
<b>32. Rental of facilities and equipment</b>				
<b>Premises</b>				
Premises	812,317	750,186	812,317	750,186
Venue hire	1,500,270	1,345,740	1,500,270	1,345,740
	<b>2,312,587</b>	<b>2,095,926</b>	<b>2,312,587</b>	<b>2,095,926</b>
<b>Facilities and equipment</b>				
Deferred lease income	2,621,360	3,082,508	2,621,360	3,082,508
Rental of equipment	270,234	211,176	270,234	211,176
Rental of facilities	12,324,305	13,362,485	12,324,305	13,362,485
Rental of other	501,582	837,699	501,582	837,699
	<b>15,717,481</b>	<b>17,493,868</b>	<b>15,717,481</b>	<b>17,493,868</b>
	<b>18,030,068</b>	<b>19,589,794</b>	<b>18,030,068</b>	<b>19,589,794</b>
<b>33. Service charges</b>				
Sale of electricity	1,135,905,137	926,979,708	-	-
Sale of water	371,903,715	303,100,248	371,903,715	303,100,248
Sewerage and sanitation charges	138,781,242	127,253,044	138,781,242	127,253,044
Refuse removal	5,343,219	4,593,428	5,343,219	4,593,428
Less - Fair value adjustment	-	(5,419,255)	-	(5,419,255)
	<b>1,651,933,313</b>	<b>1,356,507,173</b>	<b>516,028,176</b>	<b>429,527,465</b>



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	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>34. Government grants and subsidies</b>				
2010 World cup - Host city operating grant	19,000,000	50,096,750	19,000,000	50,096,750
2010 World cup - Stadia development grant	-	36,390,066	-	36,390,066
2010 World cup - Stadia provincial grant	8,779,971	3,662,778	8,779,971	3,662,778
COGTA - Fire suppression grant	-	2,177,844	-	2,177,844
DBSA 2010 World cup soccer grant	-	2,000,000	-	2,000,000
DWAF - Water services operating and transfer subsidy grant	2,025,823	7,377,042	2,025,823	7,377,042
Electricity demand side management grant	4,461,922	2,467,980	-	-
Electricity demand side management grant	-	-	5,000,000	4,000,000
Equitable share	504,274,138	394,636,828	494,272,603	394,636,828
Finance management grant	1,238,094	1,058,911	1,238,094	1,058,911
Local government and housing - Grassland area	-	15,740,175	-	15,740,175
Local government and housing grant - White city hostels	1,172,882	7,947,832	1,172,882	7,947,832
Motheo - Contribution environmental health grant	9,195,407	2,854,853	9,195,407	2,854,853
Municipal accreditation project funding - Housing grant	55	102,247	55	102,247
Municipal infrastructure grant	145,501,257	56,476,133	145,501,257	56,476,133
Municipal systems improvement grant	1,435,145	580,221	1,435,145	580,221
National electrification program grant - DME	11,040,961	3,611,818	13,000,000	1,227,000
Provincial grant - CCTV	-	19,914,149	-	19,914,149
Provincial grant - Du Plessis/Muller intersection	24,093	2,421,268	24,093	2,421,268
Provincial grant - Hlasela project - Boikemesetso farming	-	200,000	-	200,000
Provincial grant - Hlasela project - Iphahamilseng centre	-	140,297	-	140,297
Provincial grant - Hlasela project - Lehlohonolo music group	7,200	-	7,200	-
Provincial grant - Hlasela project - Upgrading housing in Batho	5,911,183	5,916,601	5,911,183	5,916,601
Provincial grant - Hlasela project - Upgrading roads in Batho	334,124	30,000,000	334,124	30,000,000
Provincial grant - Land use scheme	748,686	646,359	748,686	646,359
Provincial grant - Planning and surveying	81,066	180,553	81,066	180,553
Provincial grant - Township establishment - Caleb Motshabi	1,196,552	656,209	1,196,552	656,209
Public transport infrastructure and systems fund grant	172,005,330	205,281,304	172,005,330	205,281,304
Restructuring grant	123,686	1,795,083	123,686	1,795,083
Urban renewal grant	288,326	(15,529)	288,326	(15,529)
	<b>888,845,901</b>	<b>854,317,772</b>	<b>881,341,483</b>	<b>853,464,974</b>

### Equitable share

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

### Municipal infrastructure grant

Balance unspent at beginning of year	38,703,738	18,305,870	38,703,738	18,305,870
Receipts	169,729,000	76,874,000	169,729,000	76,874,000
Conditions met - transferred to revenue	(145,501,258)	(56,476,132)	(145,501,258)	(56,476,132)

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

	<b>62,931,480</b>	<b>38,703,738</b>	<b>62,931,480</b>	<b>38,703,738</b>
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Conditions still to be met - remain liabilities (see note 23)

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

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

#### 2010 World cup - Host city operating grant

Balance unspent at beginning of year	19,000,000	50,096,750	19,000,000	50,096,750
Receipts	-	19,000,000	-	19,000,000
Conditions met - transferred to revenue	(19,000,000)	(50,096,750)	(19,000,000)	(50,096,750)
	<b>-</b>	<b>19,000,000</b>	<b>-</b>	<b>19,000,000</b>

The grant was allocated to the entity to assist with the development and improvement of stadiums and to assist host cities with operational responsibilities associated with hosting the 2010 World cup.

#### 2010 World cup - Stadia development grant

Balance unspent at beginning of year	-	34,410,832	-	34,410,832
Receipts	-	1,979,234	-	1,979,234
Conditions met - transferred to revenue	-	(36,390,066)	-	(36,390,066)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The grant was allocated to the entity for the development and improvement of the sport stadium for the 2010 World cup.

#### 2010 World cup - Stadia provincial grant

Balance unspent at beginning of year	16,622,725	20,285,503	16,622,725	20,285,503
Conditions met - transferred to revenue	(8,779,970)	(3,662,778)	(8,779,970)	(3,662,778)
	<b>7,842,755</b>	<b>16,622,725</b>	<b>7,842,755</b>	<b>16,622,725</b>

Conditions still to be met - remain liabilities (see note 23)

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World cup.

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	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

#### COGTA - Fire suppression grant

Balance unspent at beginning of year	82,817	2,260,660	82,817	2,260,660
Conditions met - transferred to revenue	-	(2,177,843)	-	(2,177,843)
	<b>82,817</b>	<b>82,817</b>	<b>82,817</b>	<b>82,817</b>

Conditions still to be met - remain liabilities (see note 23)

The grant was allocated to the entity to capacitate the fire and rescue division in order to deal with the 2010 World cup.

#### DBSA 2010 World cup soccer grant

Balance unspent at beginning of year	-	2,000,000	-	2,000,000
Conditions met - transferred to revenue	-	(2,000,000)	-	(2,000,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 23)

The grant was allocated to the entity to fund the expenditure of the 2010 World cup.

#### DWAF - Water services operating and transfer subsidy grant

Balance unspent at beginning of year	2,025,822	9,402,864	2,025,822	9,402,864
Conditions met - transferred to revenue	(2,025,822)	(7,377,042)	(2,025,822)	(7,377,042)
	-	<b>2,025,822</b>	-	<b>2,025,822</b>

Conditions still to be met - remain liabilities (see note 23)

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

#### Electricity demand side management grant - Centlec Pty Ltd

Balance unspent at beginning of year	1,040,792	2,535,502	-	-
Receipts	4,385,965	973,270	-	-
Conditions met - transferred to revenue	(4,461,923)	(2,467,980)	-	-
	<b>964,834</b>	<b>1,040,792</b>	-	-

Conditions still to be met - remain liabilities (see note 23)

To implement the Electricity Demand Side Management (EDSM) programme by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and municipal buildings in order to mitigate the risk of load shedding and supply interruptions.

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

#### Electricity demand side management grant

Receipts	-	-	5,000,000	4,000,000
Conditions met - transferred to Centlec Pty Ltd	-	-	(5,000,000)	(4,000,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 23)

To implement the Electricity Demand Side Management (EDSM) programme by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and municipal buildings in order to mitigate the risk of load shedding and supply interruptions.

#### Finance management grant

Balance unspent at beginning of year	61,718	370,629	61,718	370,629
Receipts	1,188,999	750,000	1,188,999	750,000
Conditions met - transferred to revenue	(1,238,094)	(1,058,911)	(1,238,094)	(1,058,911)
	<b>12,623</b>	<b>61,718</b>	<b>12,623</b>	<b>61,718</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

#### Local government and housing - Grassland area

Balance unspent at beginning of year	3,965,043	19,705,218	3,965,043	19,705,218
Conditions met - transferred to revenue	-	(15,740,175)	-	(15,740,175)
	<b>3,965,043</b>	<b>3,965,043</b>	<b>3,965,043</b>	<b>3,965,043</b>

Conditions still to be met - remain liabilities (see note 23)

The grant is allocated for housing infrastructure projects for the Grassland area.

#### Local government and housing grant - White city hostels

Balance unspent at beginning of year	1,215,190	9,163,022	1,215,190	9,163,022
Conditions met - transferred to revenue	(1,172,882)	(7,947,832)	(1,172,882)	(7,947,832)
	<b>42,308</b>	<b>1,215,190</b>	<b>42,308</b>	<b>1,215,190</b>

Conditions still to be met - remain liabilities (see note 23)

The grant is allocated for the upgrading of the White city hostels.

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	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

#### Motheo - Contribution environmental health grant

Balance unspent at beginning of year	13,786,458	10,141,311	13,786,458	10,141,311
Receipts	6,089,250	6,500,000	6,089,250	6,500,000
Conditions met - transferred to revenue	(9,195,407)	(2,854,853)	(9,195,407)	(2,854,853)
	<b>10,680,301</b>	<b>13,786,458</b>	<b>10,680,301</b>	<b>13,786,458</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

#### Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	3,422,331	3,524,578	3,422,331	3,524,578
Conditions met - transferred to revenue	(56)	(102,247)	(56)	(102,247)
	<b>3,422,275</b>	<b>3,422,331</b>	<b>3,422,275</b>	<b>3,422,331</b>

Conditions still to be met - remain liabilities (see note 23)

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

#### Municipal systems improvement grant

Balance unspent at beginning of year	685,145	765,366	685,145	765,366
Receipts	750,000	500,000	750,000	500,000
Conditions met - transferred to revenue	(1,435,145)	(580,221)	(1,435,145)	(580,221)
	<b>-</b>	<b>685,145</b>	<b>-</b>	<b>685,145</b>

Conditions still to be met - remain liabilities (see note 23)

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

#### National electrification program grant

Receipts	11,403,509	3,611,818	13,000,000	1,227,000
Conditions met - transferred to Centlec Pty Ltd	(11,040,961)	(3,611,818)	(13,000,000)	(1,227,000)
	<b>362,548</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 23)

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	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

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

#### Provincial grant - CCTV

Balance unspent at beginning of year	130,851	20,045,000	130,851	20,045,000
Conditions met - transferred to revenue	-	(19,914,149)	-	(19,914,149)
	<b>130,851</b>	<b>130,851</b>	<b>130,851</b>	<b>130,851</b>

Conditions still to be met - remain liabilities (see note 23)

The was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Navil Hill.

#### Provincial grant - Du Plessis/Muller intersection

Balance unspent at beginning of year	578,732	3,000,000	578,732	3,000,000
Conditions met - transferred to revenue	(24,092)	(2,421,268)	(24,092)	(2,421,268)
	<b>554,640</b>	<b>578,732</b>	<b>554,640</b>	<b>578,732</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of the grant is to assist the entity with the Du Plessis / Muller intersection infrastructure project as part of the widening of Nelson Mandela Drive.

#### Provincial grant - Hlasela project - Boikemesetso farming

Balance unspent at beginning of year	-	200,000	-	200,000
Conditions met - transferred to revenue	-	(200,000)	-	(200,000)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project - a cooperative farming in Boikemesetso.

#### Provincial grant - Hlasela project - Iphahamilseng centre

Balance unspent at beginning of year	3,703	-	3,703	-
Receipts	-	144,000	-	144,000
Conditions met - transferred to revenue	-	(140,297)	-	(140,297)
	<b>3,703</b>	<b>3,703</b>	<b>3,703</b>	<b>3,703</b>

Conditions still to be met - remain liabilities (see note 23)

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	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, for swings, computer internet services and adopting the Iphahamilseng centre for vulnerable children.

#### Provincial grant - Hlasela project - Lehlohonolo music group

Balance unspent at beginning of year	7,200	7,200	7,200	7,200
Conditions met - transferred to revenue	(7,200)	-	(7,200)	-
	<b>-</b>	<b>7,200</b>	<b>-</b>	<b>7,200</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, the Lehlohonolo music group.

#### Provincial grant - Batho roads project

Receipts	26,757,491	30,000,000	26,757,491	30,000,000
Conditions met - transferred to revenue	(334,124)	(30,000,000)	(334,124)	(30,000,000)
	<b>26,423,367</b>	<b>-</b>	<b>26,423,367</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.

#### Provincial grant - Land use scheme

Balance unspent at beginning of year	748,686	1,395,045	748,686	1,395,045
Conditions met - transferred to revenue	(748,686)	(646,359)	(748,686)	(646,359)
	<b>-</b>	<b>748,686</b>	<b>-</b>	<b>748,686</b>

Conditions still to be met - remain liabilities (see note 23)

To assist the entity with the compilation of a town planning scheme, to manage land development.

#### Provisional grant - Planning and surveying

Balance unspent at beginning of year	574,210	754,763	574,210	754,763
Conditions met - transferred to revenue	(81,066)	(180,553)	(81,066)	(180,553)
	<b>493,144</b>	<b>574,210</b>	<b>493,144</b>	<b>574,210</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land

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	2011	2010	2011	2010
	R	R	R	R

### 34. Government grants and subsidies (continued)

development.

#### Provincial grant - Township establishment - Caleb Motshabi

Balance unspent at beginning of year	1,343,791	2,000,000	1,343,791	2,000,000
Conditions met - transferred to revenue	(1,196,552)	(656,209)	(1,196,552)	(656,209)
	<b>147,239</b>	<b>1,343,791</b>	<b>147,239</b>	<b>1,343,791</b>

Conditions still to be met - remain liabilities (see note 23)

To assist the entity with the establishing of the township establishment Caleb Motshabi.

#### Public transport infrastructure and systems fund grant

Balance unspent at beginning of year	121,120,549	229,233,853	121,120,549	229,233,853
Receipts	151,000,000	97,168,000	151,000,000	97,168,000
Conditions met - transferred to revenue	(172,005,330)	(205,281,304)	(172,005,330)	(205,281,304)
	<b>100,115,219</b>	<b>121,120,549</b>	<b>100,115,219</b>	<b>121,120,549</b>

Conditions still to be met - remain liabilities (see note 23)

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

#### Restructuring grant

Balance unspent at beginning of year	123,685	1,918,768	123,685	1,918,768
Conditions met - transferred to revenue	(123,685)	(1,795,083)	(123,685)	(1,795,083)
	<b>-</b>	<b>123,685</b>	<b>-</b>	<b>123,685</b>

Conditions still to be met - remain liabilities (see note 23)

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

#### Urban renewal grant

Balance unspent at beginning of year	568,879	377,500	568,879	377,500
Receipts	-	175,850	-	175,850
Conditions met - transferred to revenue	(288,326)	15,529	(288,326)	15,529
	<b>280,553</b>	<b>568,879</b>	<b>280,553</b>	<b>568,879</b>

Conditions still to be met - remain liabilities (see note 23)



# Mangaung Metropolitan Municipality Consolidated

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>34. Government grants and subsidies (continued)</b>				
The grant is allocated for the development of erven.				
<b>DBSA - Capacity building programme grant</b>				
Balance unspent at beginning of year	234,104	234,104	234,104	234,104
Conditions still to be met - remain liabilities (see note 23)				
The grant is allocated for development.				
<b>Motheo - Tourism grant</b>				
Receipts	10,750	-	10,750	-
Conditions still to be met - remain liabilities (see note 23)				
The grant is allocated for development tourism.				
<b>Motheo - Upgrading of roads grant</b>				
Receipts	1,259,252	-	1,259,252	-
Conditions still to be met - remain liabilities (see note 23)				
The grant is allocated for the upgrading of roads.				
<b>Provincial grant - Grassland area</b>				
Balance unspent at beginning of year	4,500,000	4,500,000	4,500,000	4,500,000
Conditions still to be met - remain liabilities (see note 23)				
The grant is allocated for the development of the Grassland area.				
<b>Urban settlement development grant</b>				
Receipts	6,505,054	-	6,505,054	-
Conditions still to be met - remain liabilities (see note 23)				
The grant is allocated for the upgrading of urban areas.				
<b>Provincial grant - Hlasela project - Batho car wash</b>				
Balance unspent at beginning of year	150,000	-	150,000	-

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>34. Government grants and subsidies (continued)</b>				
Receipts	-	150,000	-	150,000
	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.

### Provincial Grant - Hlasela Project - Re Ba Ikemetseng Bomme

Balance unspent at beginning of year	100,000	-	100,000	-
Receipts	-	100,000	-	100,000
	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>

Conditions still to be met - remain liabilities (see note 23)

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, Re Ba Ikemetseng Bomme swing project.

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 35. Property rates

#### Rates received

Residential and business/commercial	345,437,738	308,762,787	345,437,738	308,762,787
Government	60,039,489	32,840,021	60,039,489	36,795,651
Less: Fair value adjustment	-	(3,098,919)	-	(3,098,919)
	<b>405,477,227</b>	<b>338,503,889</b>	<b>405,477,227</b>	<b>342,459,519</b>

#### Valuations

Residential	29,916,527,939	28,615,616,839	29,916,527,939	28,615,616,839
Business/commercial	8,120,458,971	7,841,067,420	8,120,458,971	7,841,067,420
Government	3,557,411,249	3,190,647,949	3,557,411,249	3,190,647,949
Municipal	2,256,369,880	2,185,893,580	2,256,369,880	2,185,893,580
	<b>43,850,768,039</b>	<b>41,833,225,788</b>	<b>43,850,768,039</b>	<b>41,833,225,788</b>

Valuations on which property rates are based are performed every 5 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The basic rates of R0.0912 on the value of land and R0.008238 on the value of improvements are applied to determine assessment rates. A rebate of 40% is granted to owners whose properties are used solely for residential purposes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes. A rebate of 20% is applied on residential properties from which an informal business is operated. A rebate of 100% is granted in the Bloemindustria industrial area.

The new general valuation will be implemented on 1 July 2011

#### 2010

From 1 July 2009 the basic rates were adjusted as follows:

- R0.034 on the value of rateable farm property
- R0.5651 on the value of rateable residential property
- R1.3128 on the value of rateable government property
- R2.8255 on the value of rateable business/commercial property

#### 2011

From 1 July 2010 the basic rates were adjusted as follows:

- R0.6386 on the value of rateable farm property
- R0.6386 on the value of rateable residential property
- R1.5965 on the value of rateable government property
- R3.1081 on the value of rateable business/commercial property

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>36. Investment revenue</b>				
<b>Finance income</b>				
Cash and cash equivalents	10,643,763	11,143,530	10,643,763	11,143,530
Centlec Pty Ltd - Advances	-	-	17,542,716	11,809,442
Centlec Pty Ltd - Shareholders loan	-	-	118,635,226	109,407,756
Interest charged on trade and other receivables	42,622,124	52,468,141	21,760,835	33,163,425
Other loans and receivables	2,471,265	2,271,832	2,471,265	2,271,832
	<b>55,737,152</b>	<b>65,883,503</b>	<b>171,053,805</b>	<b>167,795,985</b>
<b>37. Other income</b>				
Actuarial gain on defined benefit plan obligation	10,109,000	-	10,109,000	-
Administration fees received	9,851,602	8,173,180	643,007	242,313
Building plan fees	2,169,747	2,001,891	2,169,747	2,001,891
Commissions received - Fresh market produce	14,536,896	13,900,564	14,536,896	13,900,564
Entrance fees	3,567,149	4,114,099	1,575,595	1,255,847
Grave plots	2,558,390	2,489,429	2,558,390	2,489,429
Insurance collection	1,169,351	1,103,469	1,169,351	1,103,469
Network upgrade	11,706,337	12,267,290	-	-
Parking fees	863,617	730,232	863,617	730,232
Reconnection of water	447,438	405,753	447,438	405,753
Removal fees	979,994	771,725	979,994	771,725
Sale of land	2,772,870	3,931,995	2,772,870	3,931,995
Sale of redundant materials	2,820,642	55,699	2,566,681	2,639
Stock adjustments	2,317,959	193,283	-	-
Sundry income	10,447,457	7,809,077	10,447,457	7,809,077
Training costs	3,762,810	386,479	3,762,810	386,479
Unclaimed deposits	3,003,845	1,861,941	3,003,845	1,861,941
World cup 2010	16,500,000	-	16,500,000	-
	<b>99,585,104</b>	<b>60,196,106</b>	<b>74,106,698</b>	<b>36,893,354</b>
<b>38. Bulk purchases</b>				
Electricity	751,044,106	591,764,661	-	-
Water	250,218,544	187,207,256	250,218,544	187,207,256
	<b>1,001,262,650</b>	<b>778,971,917</b>	<b>250,218,544</b>	<b>187,207,256</b>
<b>39. Contracted services</b>				
Debt collection fees	24,357,150	30,056,876	24,357,150	30,056,876
Other - Street light maintenance	7,017,993	3,783,668	-	-
Other contracted services	35,178,761	32,675,944	35,178,761	32,675,944
Security services	14,728,719	13,384,414	14,728,719	13,384,414
VAT review fees	16,184,960	30,235,598	16,184,960	30,235,598
	<b>97,467,583</b>	<b>110,136,500</b>	<b>90,449,590</b>	<b>106,352,832</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>40. Debt impairment</b>				
Contributions to debt impairment provision	235,642,307	93,235,427	153,159,547	82,710,130
<b>41. Depreciation and amortisation</b>				
Property, plant and equipment	278,427,761	168,256,851	135,527,740	123,024,585
Intangible assets	-	361,489	-	361,489
	<b>278,427,761</b>	<b>168,618,340</b>	<b>135,527,740</b>	<b>123,386,074</b>

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>42. Employee related costs</b>				
Basic	506,239,736	456,386,312	504,942,218	454,939,183
Defined benefit plan obligation - Actuarial loss	-	11,425,000	-	11,425,000
Defined benefit plan obligation - Current service cost	21,278,000	18,556,000	21,278,000	18,556,000
Housing benefits and allowances	2,790,346	3,541,749	2,790,346	3,541,749
Leave pay provision charge	8,259,808	18,196,853	7,890,402	18,326,434
Medical aid contributions	30,186,883	25,543,666	30,147,704	25,515,033
Overtime payments	55,632,880	47,433,564	55,632,880	47,433,564
Pension contributions	79,906,272	68,806,049	79,906,272	68,806,049
Staff bonuses - 13th cheques	2,040,006	1,706,646	2,040,006	1,706,646
Termination benefits	-	1,970,634	-	-
Travel, motor car, accommodation, subsistence and other allowances	42,980,379	38,982,514	42,860,379	38,732,514
UIF contributions	4,365,001	4,077,556	4,365,001	4,077,556
	<b>753,679,311</b>	<b>696,626,543</b>	<b>751,853,208</b>	<b>693,059,728</b>

### Remuneration of Accounting Officer

Annual remuneration	1,176,129	1,008,510	1,176,129	1,008,510
Car allowance	240,000	220,000	240,000	220,000
Contributions to UIF, Medical and Pension Funds	211,452	183,652	211,452	183,652
	<b>1,627,581</b>	<b>1,412,162</b>	<b>1,627,581</b>	<b>1,412,162</b>

The remuneration as reflected in 2010 was for a period of 11 months.

### Remuneration of Chief Finance Officer

Annual remuneration	960,082	903,907	960,082	903,907
Car allowance	156,000	156,000	156,000	156,000
Contributions to UIF, Medical and Pension Funds	228,382	212,657	228,382	212,657
	<b>1,344,464</b>	<b>1,272,564</b>	<b>1,344,464</b>	<b>1,272,564</b>

### Remuneration of Executive Director - Chief Operating Officer

Annual remuneration	-	207,706	-	207,706
Car allowance	-	8,790	-	8,790
Contributions to UIF, Medical and Pension Funds	-	382	-	382
Leave pay	-	312,606	-	312,606
	-	<b>529,484</b>	-	<b>529,484</b>

This directorate has been discontinued from 1 July 2010. The activities under the control of the Chief Operating Officer were absorbed into other directorates.

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 42. Employee related costs (continued)

#### Remuneration of Executive Director - Corporate Services

Acting allowance	-	6,002	-	6,002
Annual remuneration	1,372,423	1,260,746	1,372,423	1,260,746
Car allowance	84,000	84,000	84,000	84,000
Contributions to UIF, Medical and Pension Funds	1,547	1,542	1,547	1,542
	<b>1,457,970</b>	<b>1,352,290</b>	<b>1,457,970</b>	<b>1,352,290</b>

#### Remuneration of Executive Director - Community and Social Development

Annual remuneration	903,043	519,983	903,043	519,983
Car allowance	120,000	73,000	120,000	73,000
Contributions to UIF, Medical and Pension Funds	176,255	88,555	176,255	88,555
	<b>1,199,298</b>	<b>681,538</b>	<b>1,199,298</b>	<b>681,538</b>

The remuneration as reflected in 2010 was for a period of 7 months.

#### Remuneration of Executive Director - Infrastructure Services

Annual remuneration	993,398	927,928	993,398	927,928
Car allowance	240,000	240,000	240,000	240,000
Contributions to UIF, Medical and Pension Funds	14,116	12,870	14,116	12,870
	<b>1,247,514</b>	<b>1,180,798</b>	<b>1,247,514</b>	<b>1,180,798</b>

#### Remuneration of Executive Director - Economic Development and Planning

Annual remuneration	1,179,059	629,229	1,179,059	629,229
Car allowance	120,000	60,000	120,000	60,000
Contributions to UIF, Medical and Pension Funds	158,911	771	158,911	771
	<b>1,457,970</b>	<b>690,000</b>	<b>1,457,970</b>	<b>690,000</b>

The remuneration as reflected in 2010 was for a period of 6 months.

#### Remuneration of Executive Director - Operations

Annual remuneration	1,240,158	-	1,240,158	-
Car allowance	168,000	-	168,000	-
Contributions to UIF, Medical and Pension Funds	17,753	-	17,753	-
	<b>1,425,911</b>	<b>-</b>	<b>1,425,911</b>	<b>-</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 42. Employee related costs (continued)

This directorate was established in the current year to cater for the functions of the regional managers.

#### Remuneration of the Secretary - Controlled entity

Annual remuneration	961,518	958,585	-	-
Car allowance	120,000	120,000	-	-
Contributions to UIF, Medical and Pension Funds	39,179	27,738	-	-
	<b>1,120,697</b>	<b>1,106,323</b>	-	-

#### Remuneration of the Chief Executive Officer - Controlled entity

Annual remuneration	-	393,307	-	-
Car allowance	-	120,000	-	-
Contributions to UIF, Medical and Pension Funds	-	896	-	-
Other - final settlement	-	1,970,632	-	-
	-	<b>2,484,835</b>	-	-

### 43. Finance costs

Consumer deposits	2,702,170	9,669,119	2,702,170	942,630
Defined benefit plan obligation	35,058,000	29,709,000	35,058,000	29,709,000
Fair value adjustments on payables	-	7,617,777	-	7,617,777
Finance leases	2,048,401	358,117	1,993,705	323,794
Late payment of tax	-	1,060,373	-	1,060,373
Other financial liabilities - DBSA loans	1,348,540	1,385,859	1,348,540	1,385,859
Trade and other payables	23,685,027	695,309	-	-
	<b>64,842,138</b>	<b>50,495,554</b>	<b>41,102,415</b>	<b>41,039,433</b>



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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>44. General expenses</b>				
Advertising	1,825,229	2,109,210	1,372,669	1,619,257
Animal costs	1,146,824	756,172	1,146,824	756,172
Assets expensed	359,100	634,516	264,986	449,406
Auditors remuneration	11,343,557	12,820,444	6,962,300	7,766,168
Bank charges	8,563,596	6,564,709	6,374,767	4,247,402
Chemicals	6,283,515	6,005,926	6,283,515	6,004,385
Cleaning	8,202,212	4,548,532	8,096,261	4,305,991
Commission paid - Vendors	27,733,750	18,139,857	-	-
Community development and training	3,426,750	2,863,849	3,426,750	2,863,849
Computer expenses	189,521	438,028	-	253,393
Conferences and delegations	3,130,660	3,505,851	2,679,410	2,976,141
Connection charges	7,664,396	1,072,936	7,664,396	1,072,936
Consulting and professional fees	15,761,949	38,756,855	12,624,892	13,852,906
Consumables	3,089,449	3,864,997	3,088,346	3,864,107
Contractors fees	7,350,354	7,551,708	-	-
Electricity	358,077	402,413	35,562,430	25,039,056
Employment agency fees	299,849	1,941,502	-	-
Entertainment	263,518	205,788	-	-
Financial management grant projects	2,358,351	4,169,667	2,358,351	4,169,667
Fuel and oil	18,667,214	20,409,566	16,108,181	17,930,143
Hire equipment	4,714,826	4,103,568	3,908,832	3,628,005
Indigent burials	1,682,932	3,285,924	1,682,932	3,285,924
Insurance	5,452,911	6,123,171	3,185,072	3,273,581
Lease rentals on operating lease	2,324,788	2,854,144	1,834,395	2,396,625
Levies paid	6,010,628	4,847,302	5,873,683	5,269,271
License fees	1,510,526	3,168,283	1,308,459	2,441,755
Marketing	11,080,966	13,056,898	2,734,791	12,850,167
Penalties and interest	13,930,604	4,039,516	13,930,604	4,039,516
Postage and courier	5,147,424	5,296,496	5,143,425	5,294,591
Printing and stationery	5,609,777	6,625,453	4,608,719	5,678,607
Protective clothing	3,423,240	3,445,690	2,955,195	3,148,317
Railway siding facilities	100,000	99,000	-	-
Refreshments	367,634	619,272	599,834	619,272
Refuse	3,235,329	2,612,261	3,235,329	2,612,261
Rehabilitation of landfill and quarry sites	8,846,570	4,425,803	8,846,570	4,425,803
Restructuring	2,547,520	1,795,083	2,547,520	1,795,083
Security	2,441,562	1,860,341	-	-
Sewerage and waste disposal	276,387	249,683	276,387	249,683
Software expenses not capitalised	4,089	73,956	225	66,110
Staff welfare	879,765	385,968	201,201	385,968
Subscriptions and membership fees	5,001,059	5,619,531	4,900,800	5,600,185
Sundry expenses	17,646,633	33,495,925	17,319,159	13,282,426
Telephone and fax	13,802,895	16,560,503	12,937,080	15,576,087
Title deed search fees	14,313	-	14,313	-
Tourism development	431,722	312,919	431,722	312,919
Training	3,950,239	2,853,977	3,407,858	2,094,520
Travel and subsistence	1,440,650	1,624,795	201,525	366,392
Vacuum services	7,346,390	5,954,823	7,346,390	5,954,823
Vehicle tracking system	395,411	390,721	353,632	359,419
Water	12,439,070	16,450,844	12,439,070	16,442,474
Workmen's compensation contributions	2,534,227	2,323,311	2,450,205	2,268,454
World cup expenses	10,974,741	59,267,332	10,974,741	59,267,332
	<b>283,582,699</b>	<b>350,585,019</b>	<b>249,663,746</b>	<b>280,156,549</b>

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>45. Grants and subsidies paid</b>				
<b>Other subsidies</b>				
Bursaries paid to employees	732,767	826,383	732,767	826,383
Central Agricultural Society	-	8,107	-	8,107
Cost of living allowance for pensioners	154,171	153,642	154,171	153,642
Employees and ex-employees	323,802	(258)	323,802	(258)
Free services - Eskom	6,985,420	6,148,209	19,985,420	39,364,134
Miscellaneous grants	115,429	93,364	115,429	93,364
National Electrification Program Grant	-	(4,000,000)	5,000,000	1,227,000
SPCA	351,099	328,130	351,099	328,130
	<b>8,662,688</b>	<b>3,557,577</b>	<b>26,662,688</b>	<b>42,000,502</b>

### *Bursaries paid to employees*

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

### *Central Agricultural Society*

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

### *Cost of living allowance for pensioners*

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

### *Free electricity services*

The free electricity provided by Eskom is recoverable from the equitable share grant.

### *Miscellaneous grants*

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

### *National Electrification Programme Grant*

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec Pty Ltd.

### *SPCA - Society for the Prevention of Cruelty to Animals*

The subsidy is paid annually to the society to assist them in performing their tasks.

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>46. Remuneration of councillors</b>				
Executive Mayor	708,438	675,011	708,438	675,011
Deputy Executive Mayor	560,113	540,008	560,113	540,008
Mayoral Committee Members	5,304,134	4,556,322	5,304,134	4,556,322
Speaker	561,207	540,008	561,207	540,008
Councillors	15,172,702	15,086,774	15,172,702	15,086,774
Chief Whip	319,044	506,258	319,044	506,258
	<b>22,625,638</b>	<b>21,904,381</b>	<b>22,625,638</b>	<b>21,904,381</b>

### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

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

The Executive Mayor and Deputy Executive Mayor have two bodyguards on a rotational basis and an official driver at the cost of Council.

### 47. Impairment of assets

#### Impairments

Inventories	1,073,762	-	-	-
Write down of inventory to the lower of cost and net realisable value.				

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>48. Cash generated from operations</b>				
Surplus	250,470,742	303,619,122	368,294,641	286,971,290
<b>Adjustments for:</b>				
Depreciation and amortisation	278,427,740	167,823,838	135,527,740	123,386,074
Finance costs - Finance leases	55,000	34,000	41,102,415	2,652,283
Interest income	(153,511,090)	(8,568,971)	(171,053,805)	(8,568,971)
Finance costs	41,102,415	2,652,283	-	-
Impairment deficit	1,074,000	-	-	-
Debt impairment	235,642,547	93,235,130	153,159,547	82,710,130
Movements in provisions	5,756,300	4,425,803	5,756,300	4,425,803
Staff bonuses - 13th cheque accrual	2,040,006	1,706,646	2,040,006	1,706,646
Staff leave day accrual	8,477,310	18,326,434	8,477,310	18,326,434
Defined benefit plan obligation - Benefits paid by the plan	(6,473,000)	(5,894,000)	(6,473,000)	(5,894,000)
Defined benefit plan obligation - Current service costs	21,278,000	18,556,000	21,278,000	18,556,000
Defined benefit plan obligation - Interest	35,058,000	29,709,000	35,058,000	29,709,000
Defined benefit plan obligation - Actuarial gains and losses	(10,109,000)	11,425,000	(10,109,000)	11,425,000
Interest on fair value of receivables	19,150,263	(9,609,671)	19,150,263	(9,609,671)
Interest on fair value of payables	116,579	7,617,777	116,579	7,617,777
Other non cash items	274,725,355	(5,047,193)	274,725,355	(769,626)
<b>Changes in working capital:</b>				
Inventories	12,508,167	(4,338,240)	2,061,167	(5,033,240)
Trade and other receivables from exchange transactions	29,266,238	362,034	(26,667,078)	(21,781,890)
Other receivables from non-exchange transactions	-	-	22,299,254	848,034
Consumer debtors	(66,963,078)	(75,978,890)	-	-
Trade and other payables from exchange transactions	35,084,398	292,770,309	6,654,398	180,324,309
VAT receivable / payable	4,054,174	12,221,715	(8,475,826)	31,105,226
Conditional grants and receipts	84,977	(186,395,228)	(202,023)	(184,747,200)
Consumer deposits	8,656,934	6,070,503	-	-
Impairment	-	(82,672,371)	-	(82,672,371)
	<b>1,025,972,977</b>	<b>592,051,030</b>	<b>872,720,243</b>	<b>480,687,037</b>

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 49. Capital commitments

#### 49.1 Commitments in respect of capital expenditure

##### Approved and contracted for

· Property, plant and equipment	26,626,912	784,221	-	-
· Infrastructure	215,796,439	509,680,520	210,695,083	509,680,520
· Community	-	23,300,668	-	23,300,668
· Other financial assets	220,311,874	-	220,311,874	-
	<b>462,735,225</b>	<b>533,765,409</b>	<b>431,006,957</b>	<b>532,981,188</b>

##### This expenditure will be financed from

· Government grants	24,547,625	231,838,776	231,636,753	231,838,776
· Own resources	233,055,258	288,648,770	177,023,048	288,648,770
· Other financial liabilities	22,347,156	13,277,863	22,347,156	12,493,642
	<b>279,950,039</b>	<b>533,765,409</b>	<b>431,006,957</b>	<b>532,981,188</b>

#### 49.2 Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	468,063	884,628	148,537	594,149
- in second to fifth year inclusive	1,631,215	2,693,428	-	742,687
	<b>2,099,278</b>	<b>3,578,056</b>	<b>148,537</b>	<b>1,336,836</b>

Operating leases payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years. No sublease contracts exists and no contingent rent is payable for the reporting period.

##### Operating leases - as lessor (revenue)

##### Minimum lease payments due

- within one year	5,974,020	6,716,666	5,974,020	6,716,666
- in second to fifth year inclusive	19,696,479	145,269,782	19,696,479	145,269,782
- later than five years	111,564,642	121,198,260	111,564,642	121,198,260
	<b>137,235,141</b>	<b>273,184,708</b>	<b>137,235,141</b>	<b>273,184,708</b>

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 6 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R6,879,692 (2010: R6,879,692) has been recognised in the Statement of financial performance during the year.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 50. Contingencies

#### Guarantees and contingent liabilities

##### Guarantees

Housing loans guarantees to employees at various financial institutions amounted to R3,002,597 (2010: R2,973,881).

##### Contingent liabilities

The economic entity has various contractual claims by contractors, suppliers and staff are currently in dispute, and are subject to mediation. The maximum potential liability is estimated at R37,54 million (2010: R87,06 million). Included in the total estimate of R37,54 million is a disputed amount of R29,00 million, which relates to a claim from a consultant who's services was terminated as a result of non-performance.

The economic entity is of the opinion that the litigation is likely to be in their favour. The legal costs was estimated and included in the total estimate amount. The timing of the legal proceedings regulating the above is, however uncertain.

The controlling entity has various contractual claims by contractors, suppliers and staff are currently in dispute, and are subject to mediation. The maximum potential liability is estimated at R28,29 million (2010: R78,57 million). Included in the total estimate of R28,29 million is a disputed amount of R20,69 million, which relates to a claim from Centlec Pty Ltd for the refunding regarding payment of interest charged on overdue account.

The controlling entity is of the opinion that the litigation is likely to be in their favour. The legal costs was estimated and included in the total estimate amount. The timing of the legal proceedings regulating the above is, however uncertain.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 51. 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;
- 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.

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  
Controlling entity  
Controlled entity

Mangaung Metropolitan Municipality  
Refer to note 15

#### Key management and Councillors

No business transactions took place between the economic entity, key management personnel and close family members of key management personnel during the financial year.

Remuneration details are disclosed in note 42, for key management and note 46 for Councillors.

Vehicle loan to member of key management	Opening balance	Loans repaid	Closing balance
Mafisa M A	3,151	(3,151)	-

### 52. Director emoluments - Controlled entity

#### Non-executive

2011	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	336,000	-	-	-	336,000
2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	364,822	-	-	-	364,822

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 53. Prior period errors - Cleaning of litter hotspots

Reclassification of an employee related cost item which was incorrectly included under the general expenses line item.

The correction of the error results in adjustments as follows:

#### Statement of financial performance

Increase in employee related costs	-	27,875	-	27,875
Decrease in general expenses	-	(27,875)	-	(27,875)

### 54. Prior period errors - Training venues

During the 2009/10 financial year, management incorrectly classified an expense relating to the reconstruction of a sport pitch as general expenditure, whereas it should have been classified as repairs and maintenance.

The correction of the error results in adjustments as follows:

#### Statement of financial performance

Increase in repairs and maintenance	-	253,598	-	253,598
Decrease in general expenses	-	(253,598)	-	(253,598)

### 55. Prior period errors - Haiti investment account

The Haiti Relief Fund was incorrectly excluded from the financial records of the entity in the prior year.

The correction of the error results in adjustments as follows:

#### Statement of financial position

Increase in cash and cash equivalents	-	3,780	-	3,780
Increase in payables from exchange transactions	-	(3,780)	-	(3,780)

#### Cash flow statement

Increase in cash flow from operating activities	-	3,780	-	3,780
Increase in cash and cash equivalents	-	(3,780)	-	(3,780)

### 56. Prior period errors - Primary bank account

The balance of the entity's primary account was incorrectly stated in the prior year due to incorrect preparation of the bank reconciliation.

The correction of the error results in adjustments as follows:

#### Statement of financial position

Increase in cash and cash equivalents	-	1,636,650	-	1,636,650
Increase in other receivables from non-exchange transactions	-	3,617	-	3,617
Increase in payables from exchange transactions	-	(1,640,267)	-	(1,640,267)

### 57. Prior period errors - Intangible assets

Intangible assets were understated in the prior year.

The correction of the error results in adjustments as follows:

#### Statement of financial position

Increase in property, plant and equipment	-	14,519,676	-	14,519,676
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# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>53. (continued)</b>				
Increase in intangible assets	-	9,224,707	-	9,224,707
Increase accumulated surplus	-	(21,780,619)	-	(21,780,619)
<b>Statement of financial performance</b>				
Decrease in depreciation and amortisation	-	(1,963,764)	-	(1,963,764)
<b>58. Prior period errors - Heritage assets</b>				
Heritage assets were understated in the prior year.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Decrease in property, plant and equipment	-	(1,772)	-	(1,772)
Increase in heritage assets	-	3,416,928	-	3,416,928
Increase in revaluation reserve	-	(341,515)	-	(3,415,157)
<b>59. Prior period errors - Investment property</b>				
Investment property were understated in the prior year.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Increase in investment property	-	42,448,829	-	42,448,829
Increase in accumulated surplus	-	(42,448,829)	-	(42,448,829)

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 60. Risk management

#### Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The economic entity's monitors and manages the financial risks relating to the operations of the economic entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk and price risk).

The economic entity seeks to minimise the effects of these risks in accordance with the economic entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The economic entity does not enter into or trade in financial instruments for speculative purposes.

#### Credit risk

Credit risks consists mainly of cash deposits, cash equivalent and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any on counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Bank guarantees are obtained for prepaid electricity vendors when deemed appropriate.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	Economic entity - 2011	Economic entity - 2010	Controlling entity - 2011	Controlling entity - 2010
Cash and cash equivalents	246,465,537	47,101,609	231,675,533	46,885,251
Available-for-sale investments	11,868	10,467	11,868	10,467
Other loans	29,325,376	25,860,900	850,979,273	841,680,404
Consumer debtors	310,852,120	326,371,688	179,546,378	152,879,298
Trade and other receivables	82,953,152	83,903,413	58,842,759	80,825,786

These balances represent the maximum exposure to credit risk.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 60. Risk management (continued)

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 50 for additional details.

#### Liquidity risk

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

The entity's exposure to liquidity risk is a result of the funds available to cover future commitments. The entity manages liquidity risk through ongoing review of commitments.

The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

#### Impairment losses

Impairment losses - All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from consumers defaulting on service costs levied by the entity.

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

#### Economic entity

At 30 June 2011	Less than 1 year	Between 1 and 2 years
Bank loans	2,184,181	20,162,975
Finance lease liability	1,832,199	1,916,360
Trade and other payables	607,265,636	-
At 30 June 2010	Less than 1 year	Between 1 and 2 years
Bank loans	1,976,260	10,517,382
Finance lease liability	723,766	1,916,360
Trade and other payables	547,956,293	-

#### Controlling entity

At 30 June 2011	Less than 1 year	Between 1 and 2 years
Bank loans	2,184,181	20,162,975
Finance lease liability	1,729,914	1,677,641

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>60. Risk management (continued)</b>				
Trade and other payables			688,432,935	-
At 30 June 2010			Less than 1 year	Between 1 and 2 years
Bank loans			1,976,260	10,517,382
Finance lease liability			1,729,914	644,038
Trade and other payables			680,676,288	-

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the economic entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

Foreign currency risk

The entity does not enter into significant foreign currency transactions had has very limited exposure to foreign currency risk.

### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call and notice deposits
- Development Bank of South Africa loan

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to make as far as possible use of fixed rate instruments. During 2011 and 2010, the economic entity's borrowings at variable rate were denominated in the Rand.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 60. Risk management (continued)

#### *Entity price risk*

The economic entity is exposed to equity securities price risk because of investments held by the economic entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The economic entity is not exposed to commodity price risk and are not allowed to invest in securities, as per the MFMA.

#### **Economic entity**

,

	Fair value		Impact on other components of net assets in Rand	
	2011	2010	2011	2010
Financial instrument				
OVK Limited	11,868	10,367	1,501	1,672

#### **Controlling entity**

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	Fair value		Impact on other components of net assets in Rand	
	2011	2010	2011	2010
Financial instrument				
OVK Limited	11,868	10,367	1,501	1,672

### 61. Going concern

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

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2010.

### 62. Events after the reporting date

The Accounting Officer is not aware of any material matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

### 63. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

Opening balance	399,081,386	342,867,794	399,081,386	342,867,794
Unauthorised expenditure - current year	49,068,136	56,213,592	49,068,136	56,213,592
	<b>448,149,522</b>	<b>399,081,386</b>	<b>448,149,522</b>	<b>399,081,386</b>

#### Details of unauthorised expenditure

##### Incidents regarding 2007/2008

##### Disciplinary steps taken/criminal proceedings

Infrastructural services	Awaiting condonation	21,389,005	21,389,005
Miscellaneous services	Awaiting condonation	168,868,774	168,868,774
Office of the city manager	Awaiting condonation	965,000	965,000
Water	Awaiting condonation	31,393,789	31,393,789

##### Incidents regarding 2008/2009

##### Disciplinary steps taken/criminal proceedings

Unbudgeted infrastructure services	Awaiting condonation	12,592,777	12,592,777
Unbudgeted environmental management	Awaiting condonation	423,098	423,098
Unbudgeted expenditure	Awaiting condonation	107,235,351	107,235,351

##### Incidents regarding 2009/2010

##### Disciplinary steps taken/criminal proceedings

Fresh produce market	None	527,316	527,316
Miscellaneous services	None	48,014,018	48,014,018
Office of the city manager	None	791,620	791,620
Overspending on the finance directorate	None	6,880,638	6,881,000

##### Incidents regarding 2010/2011

##### Disciplinary steps taken/criminal proceedings

Fresh produce market	None	417,912	-
Unbudgeted capital expenditure water	None	6,304,233	-
Water	None	42,191,931	-

### 64. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	22,006,511	2,796,522	9,227,590	2,796,522
Fruitless and wasteful expenditure - current year	34,467,116	19,209,989	12,863,872	6,431,068
	<b>56,473,627</b>	<b>22,006,511</b>	<b>22,091,462</b>	<b>9,227,590</b>

#### Details of fruitless and wasteful expenditure incidents 2008/09

#### Disciplinary steps taken / criminal proceedings

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>64. Fruitless and wasteful expenditure (continued)</b>				
Penalties and interest paid on late payment of UIF for Councillors. The entity ceased payment of UIF for councillors according to a directive received from SALGA during 2003. During 2006/07 it was determined that UIF was payable to SARS, which resulted in penalties and interest on late payment of UIF.	This penalties and interest is not recoverable as no official of the entity is liable for the non-payment of the UIF contributions, an item was prepared for condonation.		41,490	41,490
Interest paid on overdue accounts.	The interest could not be recovered, an item was prepared for condonation.		5,235	5,235
Excessive credit card expenditure of the Executive Mayor was incurred to pay for accommodation.	The money could not be recovered as there were weaknesses in the policies. A new business credit card policy has been drafted and is awaiting approval. An item was prepared for condonation.		2,010	2,010
<b>Details of fruitless and wasteful expenditure incidents 2009/10</b>		<b>Disciplinary steps taken / criminal proceedings</b>		
Fruitless and wasteful expenditure incurred due to settlement of legal cost.	The legal cost could not be recovered, an item was prepared for condonation.		2,744,214	2,744,214
No support could be obtained that an official attended a meeting.	The matter is being investigated.		3,574	3,574
An advance payment was made to a supplier while it is unsure whether the site has been established.	None.		1,099,158	1,099,158
Interest paid on late payment as a result of payment kept back as penalties charged to a supplier for breach of contract. Court ordered the penalties not to be charged to the supplier. After the payment was made by the entity, the entity lodged an appeal.	None.		191,066	191,066
Expenditure incurred on fuel cards while the use of the fuel cards have been stopped.	None.		36,606	36,606
Differences on electricity expenses.	The matter was identified during the 2010 audit and need to be investigated.		1,077	1,077
Discrepancies regarding credit card expenditure.	The matter was identified during the 2010 audit and need to be investigated.		3,272	3,272
Penalties and interest paid on the late submission of a VAT return.	The result of the investigation from SARS is awaited.		5,099,888	5,099,888
<b>Details of fruitless and wasteful expenditure incidents 2010/11</b>		<b>Disciplinary steps taken / criminal proceedings</b>		

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011 R	2010 R	2011 R	2010 R
<b>64. Fruitless and wasteful expenditure (continued)</b>				
The use of fuel cards have been stopped, the account was closed late and the monthly bank charges continued till the account was closed.	None.		34,849	-
Penalties and interest paid on the late submission of a VAT return.	None.		11,767,867	-
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	A letter was written to SARS, requesting them to waive the penalties and interest charged on late submission due to a banking error.		1,061,155	-
<b>Details of fruitless and wasteful expenditure incidents 2009/10 - Centlec Pty Ltd</b>				
Interest paid on overdue Eskom accounts.	None.		-	7,271,180
Termination charges paid to a supplier.	None.		-	4,353,231
Penalties and interest paid on the late submission of a VAT return.	None.		-	1,063,789
Soccer word cup ticket expenditure	None.		-	89,775
Travel and subsistence expendityre paid in contravention with the policy.	None.		-	796
Penalties and interest paid on the late submission of the annual return to Cipro.	None.		-	150
<b>Details of fruitless and wasteful expenditure incidents 2010/11 - Centlec Pty Ltd</b>				
Penalties and interest paid on the late submission of a VAT return.	None.		904,746	-
Interest paid on overdue Eskom accounts.	None.		20,698,498	-
<b>65. Irregular expenditure</b>				
Opening balance	143,255,885	40,777,973	143,255,885	40,777,973
Irregular expenditure - current year	12,941,167	102,477,912	5,471,474	102,477,912
	<b>156,197,052</b>	<b>143,255,885</b>	<b>148,727,359</b>	<b>143,255,885</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>				
Current year	12,941,167	102,477,912	5,471,474	102,477,912
Prior years	143,255,885	40,777,973	143,255,885	40,777,973



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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>65. Irregular expenditure (continued)</b>	<b>156,197,052</b>	<b>143,255,885</b>	<b>148,727,359</b>	<b>143,255,885</b>
<b>Details of irregular expenditure – current year</b>				
<b>Disciplinary steps taken/criminal proceedings</b>				
Expenditure items identified were the supply chain process was not followed		The expenditure was identified during the current financial year and still needs to be investigated.		1,859,573
Expenditure items identified were the tender process was not followed		The expenditure was identified during the current financial year and still needs to be investigated.		3,611,901
				<b>5,471,474</b>
<b>Details of irregular expenditure – current year - Centlec Pty Ltd</b>				
		Condoned by (condoning authority)		
Expenditure items identified were the supply chain process was not followed		The expenditure was identified during the current financial year and still needs to be investigated.		7,469,693
<b>66. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	3,683,225	3,321,301	3,683,225	3,321,301
Amount paid - current year	(3,683,225)	(3,321,301)	(3,683,225)	(3,321,301)
	-	-	-	-
Contributions to organised local government consist out of annual subscriptions paid to SALGA.				
<b>Material losses through criminal conduct</b>				
There were no material losses through criminal conduct for the current and prior financial year.				
<b>Audit fees</b>				
Opening balance	477,336	336,705	477,336	336,705
Amount paid current year	(12,140,218)	(12,689,493)	(7,758,961)	(7,635,217)
Amount paid previous years	(477,336)	-	(477,336)	-
Current year performance audit fee	-	652,538	-	652,538
Current year regularity audit fees	12,506,030	7,081,553	8,124,773	2,027,277
Prior year regularity audit fees	-	5,096,033	-	5,096,033
	<b>365,812</b>	<b>477,336</b>	<b>365,812</b>	<b>477,336</b>

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

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

#### PAYE and UIF

Opening balance	-	5,981,697	-	5,981,697
Payable for the current year	103,665,984	90,264,163	103,392,984	89,111,163
Amount paid current year	(102,026,036)	(90,264,163)	(101,753,036)	(89,111,163)
Amount paid previous years	-	(5,981,697)	-	(5,981,697)
	<b>1,639,948</b>	<b>-</b>	<b>1,639,948</b>	<b>-</b>

#### Pension and medical aid deductions

Opening balance	-	249,547	-	249,547
Current year payroll deductions	181,332,866	139,900,484	181,280,886	139,861,484
Amount paid current year	(181,332,866)	(139,900,484)	(181,280,886)	(139,861,484)
Restatement	-	(249,547)	-	(249,547)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Britz JF	1,327	-	1,327
Choene K	2,199	243	2,442
Erasmus JC	788	-	788
July LR	776	249	1,025
Lazenby JAA	213	-	213
Lephoi MJ	156	-	156
Manyoni TM	4,325	-	4,325
Maphakisa LE	578	10,175	10,753
Mashoane ED	-	114,540	114,540
Matsemeleala MV	10,223	825	11,048
Matsoetlane MJ	385	1,715	2,100
Minnie H	139	174	313
Monnakgori SA	400	-	400
Mpakathe TS	33	-	33
Mphegeka MS	1,515	32,366	33,881
Naile TJ	46	443	489
Ndamane SS	1,810	4,144	5,954
Northnage I J	-	1,110	1,110
Powell JD	1,231	-	1,231
Sechoaro CSK	1,905	-	1,905
Setlaba ME	-	299	299
Snyman van Deventer E	1,535	-	1,535
Titi LM	2,474	8,998	11,472
Van der Merwe R	712	-	712

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R
<b>66. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
Van der Westhuizen PM		371	-	371
Ward BC		2,031	9,741	11,772
		<b>35,172</b>	<b>185,022</b>	<b>220,194</b>

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dithebe GC	26	21	47
Human WF	9,962	18,822	28,784
Khi ZT	50	16	66
Lubbe DG	940	993	1,933
Makoa BM	4,367	101,578	105,945
Matsoentlane MJ	230	134	364
Mbange MB	1,588	3,252	4,840
Mokotjo NG	2,457	9,070	11,527
Moletsane SG	3,720	9,810	13,530
Mtshwane KJ	507	191	698
Nthako TS	13	10	23
Nzapheza FB	376	261	637
Ramokotjo FP	577	21,227	21,804
Saohatse GK	564	557	1,121
Tsomela MM	334	453	787
Van der Merwe R	-	535	535
	<b>25,711</b>	<b>166,930</b>	<b>192,641</b>

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

30 June 2011				Highest outstanding amount
Mangcotywa ZE	-	-	-	2,223
Siyonzana MA	-	-	-	8,264
	-	-	-	<b>10,487</b>

30 June 2010				Highest outstanding amount
Erasmus JC	-	-	-	820
Choene SKM	-	-	-	1,441
Morule FK	-	-	-	23,562
Nakedi SS	-	-	-	2,602
Siyonzana MA	-	-	-	10,873
	-	-	-	<b>39,298</b>

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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2011	2010	2011	2010
	R	R	R	R

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

#### Supply chain management regulations

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

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process

For the financial year there were instances where goods and services were procured and deviated from the normal supply management policy.

The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Incident	2011	Number of deviations	2010	Number of deviations
Emergency	73,320	2	29,101	2
Sole supplier	93,746	5	1,260,743	6
Urgent	2,699,051	13	79,914,126	103
	<b>2,866,117</b>	<b>20</b>	<b>81,203,970</b>	<b>111</b>

### 67. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

### 68. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

# Mangaung Metropolitan Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
		2011	2010	2011	2010
		R	R	R	R

### 69. Non-compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

*Supply chain management regulations 12(1)(c), 17(1)(a) - (c)*

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his/her delegate.

*Supply chain management regulations 36(1)*

Goods and services with a transaction value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his/her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

*Municipal Finance Management Act section 2(1)(f)*

Contracts were awarded without justification to bidders who did not score the highest points.

*Municipal Finance Management Act section 116(2)(b)*

The performance of all contractors were not monitored on a monthly basis.

*Municipal Finance Management Act section 116(3)(a)*

Contracts were amended or extended without tabling the reasons to the council and/or notifying the public.