



# MANGAUNG

AT THE HEART OF IT ALL

Mangaung Metropolitan Municipality  
Annual Financial Statements  
for the year ended 30 June 2012

# Mangaung Metropolitan Municipality

Formerly Mangaung Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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<b>Legal form of entity</b>	Municipality (MFMA)
<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>Executive Mayor</b>	Manyoni T M
<b>Grading of local authority</b>	High Capacity (Metro)
<b>Accounting officer</b>	Mazibuko S
<b>Chief Finance Officer (CFO)</b>	Mohlahlo M E
<b>Registered office</b>	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
<b>Business address</b>	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
<b>Auditors</b>	The Auditor-General of South Africa
<b>Attorneys</b>	Dehal Inc E.G Cooper Majiedt Inc Hill McHardy Herbst Kramer Weimann & Joubert Lebea & Associates Mashego M L Molefi Thoabala Moroka Attorneys Phatsoane Henney Inc Qwelane, Theron & Van Niekerk Schoeman Maree Inc Vermaak & Dennis

# Mangaung Metropolitan Municipality

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## General Information

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### Councillors

Botes FR  
Dennis ME  
Hlujane MD  
Horn W  
Jacobs TA  
Jacobs TB  
July LR  
Khi ZT  
Lazenby JAA  
Lephoi MJ  
Litabe TK  
Mfazwe TM  
Minnie H  
Moiwa ME  
Mokotjo NG  
Mophethe TA  
Mtshiwane 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

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## General Information

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Dibeco MD  
Dyosiba S  
Eti MJ  
Kaliya SG  
Kuafe PA  
Lala TS  
Leech D  
Lekgela LE  
Madela BNV  
Makhele ET  
Malebo MC  
Mangcotywa ZE  
Manyoni TM  
Masoetsa LA  
Mathobisa ML  
Matsemelela MV  
Matsoetlane MJ  
Moeng MA  
Mofokeng MJ  
Mogamise ID  
Mokoloko PR  
Moloabi RLAE  
Monnaggori 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  
Pretorius C  
Rabela KN  
Rampai CLM  
Ratsiu NA  
Sebothelo ME  
Sekakanyo DM  
Sokoyi ZG  
Thipenyane GTM  
Titi-Odile LM  
Tobie EC  
Van der Westhuizen P  
Van Niekerk HJC  
Viviers BJ  
Ward VW  
Zophe NM

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Bacela GM  
Britz JF  
Janse Van Vuuren DE  
Losika KP  
Makae TJ  
Mokone KO  
Mpakathe TS  
Nothnagel J  
Olivier GJ  
Pato TWG  
Teko ED

### Enabling legislation

Local Government: Municipal Finance Management Act (Act 56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Housing Act (Act 107 of 1997)  
Constitution of the Republic of South Africa (Act 108 of 1996)  
Property Rates Act (Act 6 of 2004)  
Division of Revenue Act (Act 1 of 2007)

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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 Africa Local Government Association

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 107, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

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**Mazibuko S**  
**Accounting Officer**

# Mangaung Metropolitan Municipality

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## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2012.

### 1. Review of activities

#### Main business and operations

The 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 entity was R 110,528,194 (2011: surplus R 336,307,613).

### 2. Going concern

We draw attention to the fact that at 30 June 2012, the entity had accumulated surplus of R 8,113,046,113 and that the entity's total assets exceed its liabilities by R 8,453,633,875.

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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the entity.

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 2011.

### 3. Subsequent events

Subsequent to year end, a council meeting was held on 28 August 2012 and the following items were condoned:

#### Irregular Expenditure

An amount of R 9,096,749 was condoned by the Council.

#### Fruitless and wasteful expenditure

An amount of R 7,293,672 was condoned by the Council.

#### Unallocated Receipts

An amount of R 4,515,517.68 was condoned by the Council.

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

None.

### 5. 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).



# Mangaung Metropolitan Municipality

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## Accounting Officer's Report

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### 6. Fixed asset management

The Annual Financial Statements of the Mangaung Metropolitan Municipality this year reflects a significant increase in the value of its fixed assets. This was brought about by the conclusion of the second phase of a project the Mangaung Metropolitan Municipality embarked on two years ago, to compile a GRAP compliant Fixed Asset Register (FAR).

Although it will be submitted to the Office of the Auditor General for the first time this year, I am of the opinion that the FAR will provide a sound foundation to account for all assets of the Mangaung Metropolitan Municipality as prescribed by section 63 of the Municipal Finance Management Act of 2003, (Act no 56 of 2003). The effort and resources the Mangaung Metropolitan Municipality have invested into this project clearly demonstrates its commitment to comply with legislation and to account for all assets and liabilities.

### 7. Accounting Officer

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

Name	Nationality
Mazibuko S	South African

### 8. Metro status

The establishment of Mangaung Metro lead to Motheo District Municipality being dissolved, effectively on the local government election day, 18 May 2011. However, the transfer of the relevant functions from Motheo District to Mangaung as a metro will be effective from 1 July 2011.

**Mangaung Metropolitan Municipality**  
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**Statement of Financial Position**

	Notes	2012 R	2011 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	3	8,269,683	9,332,950
Current portion of non-current receivables	4	56,096,924	24,599,195
Other receivables from exchange transactions	5	63,011,552	50,077,095
Consumer receivables from exchange transactions	6	348,257,549	200,044,183
Cash and cash equivalents	7	178,976,851	231,675,533
		<b>654,612,559</b>	<b>515,728,956</b>
<b>Non-Current Assets</b>			
Heritage assets	8	5,500,716	5,507,341
Investment property	9	226,211,898	135,404,223
Property, plant and equipment	10	8,000,665,174	8,329,360,198
Intangible assets	11	8,848,502	8,863,387
Investments in controlled entities	12	100	100
Non-current receivables	4	2,044,581,283	1,915,282,484
		<b>10,285,807,673</b>	<b>10,394,417,733</b>
<b>Total Assets</b>		<b>10,940,420,232</b>	<b>10,910,146,689</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of non-current borrowings	14	4,401,674	2,184,181
Current portion of finance lease liabilities	15	2,477,556	1,176,310
Payables	16	1,546,928,758	1,379,210,911
Payables from non-exchange transactions	17	2,544,810	2,329,231
Consumer deposits	18	26,901,926	27,464,066
Unspent conditional grants and receipts	19	231,353,670	231,636,753
VAT payable	20	46,257,430	72,254,496
		<b>1,860,865,824</b>	<b>1,716,255,948</b>
<b>Non-Current Liabilities</b>			
Non-current borrowings	14	57,685,520	20,162,975
Finance lease liability	15	2,990,344	1,677,641
Defined benefit plan obligation	21	497,437,000	442,310,000
Non-current provisions	22	67,807,669	77,192,331
		<b>625,920,533</b>	<b>541,342,947</b>
<b>Total Liabilities</b>		<b>2,486,786,357</b>	<b>2,257,598,895</b>
<b>Net Assets</b>		<b>8,453,633,875</b>	<b>8,652,547,794</b>
<b>Net Assets</b>			
Reserves			
Housing development fund reserve	23	-	3,650,426
Revaluation reserve	24	250,519,750	589,158,122
Mark-to-market reserve	25	11,513	9,333
Self-insurance reserve	26	77,595,746	76,090,167
COVID reserve	27	12,460,753	10,996,660
Accumulated surplus		8,113,046,113	7,972,643,086
<b>Total Net Assets</b>		<b>8,453,633,875</b>	<b>8,652,547,794</b>

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## Statement of Financial Performance

	Notes	2012 R	2011 R
<b>Revenue</b>			
Fines		2,884,999	1,642,301
Government grants and subsidies	30	1,102,568,010	881,341,483
Income from agency services	31	109,327,894	115,010,183
Interest received	32	227,668,457	190,284,090
Licences and permits		350,660	203,192
Other income	33	48,158,685	37,088,365
FRESCHO Housing Development		90,807,675	-
Property rates	34	463,255,702	396,843,392
Rental income	35	18,916,123	29,291,148
Service charges	36	625,320,381	531,810,327
<b>Total Revenue</b>		<b>2,689,258,586</b>	<b>2,183,514,481</b>
<b>Expenditure</b>			
Employee related costs	41	(841,770,229)	(747,582,771)
Remuneration of councillors	45	(41,317,639)	(22,625,638)
Depreciation and amortisation	40	(453,202,371)	(137,859,351)
Finance costs	42	(139,730,655)	(106,549,273)
Bad debts and provision for bad debts	37	(224,523,281)	(134,287,282)
Repairs and maintenance		(88,615,402)	(76,948,124)
Bulk purchases	38	(284,555,029)	(250,335,123)
Contracted services	39	(128,473,925)	(97,411,889)
Grants and subsidies paid	44	(102,004,168)	(26,184,688)
General expenses	43	(266,262,158)	(255,684,436)
<b>Total Expenditure</b>		<b>(2,570,454,857)</b>	<b>(1,855,468,575)</b>
Actuarial gain/(loss) on defined benefit plan obligation		(9,969,000)	4,968,000
Gain on biological assets and agricultural produce		-	143,910
Gain on non-current assets		1,693,465	3,149,797
<b>Surplus for the year</b>		<b>110,528,194</b>	<b>336,307,613</b>

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## 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
Opening balance as previously reported	11,202,948	587,437,194	7,832	74,606,710	14,313,277	687,567,961	2,001,419,595	2,688,987,556
Adjustments								
Correction of prior period error and adjustments	-	(212,905)	-	-	-	(212,905)	5,625,527,942	5,625,315,037
<b>Balance at 01 July 2010 as restated</b>	<b>11,202,948</b>	<b>587,224,289</b>	<b>7,832</b>	<b>74,606,710</b>	<b>14,313,277</b>	<b>687,355,056</b>	<b>7,626,947,537</b>	<b>8,314,302,593</b>
Changes in net assets								
Fair value gains (losses)	-	-	1,501	-	-	1,501	-	1,501
Transfers	(7,552,522)	-	-	-	-	(7,552,522)	7,552,522	-
Contributions introduced	-	-	-	2,514,662	2,534,227	5,048,889	(5,048,889)	-
Insurance claims processed	-	-	-	(1,031,205)	(5,850,844)	(6,882,049)	6,884,303	2,254
Asset revaluations	-	1,933,833	-	-	-	1,933,833	-	1,933,833
Net income (losses) recognised directly in net assets	(7,552,522)	1,933,833	1,501	1,483,457	(3,316,617)	(7,450,348)	9,387,936	1,937,588
Surplus for the year	-	-	-	-	-	-	336,307,613	336,307,613
Total recognised income and expenses for the year	(7,552,522)	1,933,833	1,501	1,483,457	(3,316,617)	(7,450,348)	345,695,549	338,245,201
Total changes	(7,552,522)	1,933,833	1,501	1,483,457	(3,316,617)	(7,450,348)	345,695,549	338,245,201
Opening balance as previously reported	3,650,426	589,158,122	9,333	76,090,167	10,996,660	679,904,708	7,930,264,957	8,610,169,665
Adjustments								
Change in accounting policy	-	-	-	-	-	-	(486,702)	(486,702)
Prior year adjustments	-	-	-	-	-	-	71,913,304	71,913,304
<b>Balance at 01 July 2011 as restated</b>	<b>3,650,426</b>	<b>589,158,122</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,996,660</b>	<b>679,904,708</b>	<b>8,001,691,559</b>	<b>8,681,596,267</b>
Changes in net assets								
Fair value gains (losses)	-	-	2,180	-	-	2,180	-	2,180
Net income (losses) recognised directly in net assets	-	-	2,180	-	-	2,180	-	2,180
Surplus for the year	-	-	-	-	-	-	110,528,194	110,528,194

## Mangaung Metropolitan Municipality

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### 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 year	-	-	2,180	-	-	2,180	110,528,194	110,530,374
Disposal of assets	-	-	-	-	-	-	118,526	118,526
Contributions introduced	-	-	-	1,708,607	3,074,454	4,783,061	(4,755,981)	27,080
Insurance claims processed	-	-	-	(203,028)	(1,610,361)	(1,813,389)	1,813,389	-
Transfers	(3,650,426)	-	-	-	-	(3,650,426)	3,650,426	-
Asset revaluations	-	(338,638,372)	-	-	-	(338,638,372)	-	(338,638,372)
Total changes	(3,650,426)	(338,638,372)	2,180	1,505,579	1,464,093	(339,316,946)	111,354,554	(227,962,392)
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>250,519,750</b>	<b>11,513</b>	<b>77,595,746</b>	<b>12,460,753</b>	<b>340,587,762</b>	<b>8,113,046,113</b>	<b>8,453,633,875</b>
Note(s)	23	24	25	26	27			

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## Cash Flow Statement

	Notes	2012 R	2011 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		911,960,585	1,047,240,331
Grants		1,102,568,010	881,341,483
Interest received		16,529,565	13,115,028
Receipts - Other Receivables		32,173,763	64,428,979
Other Receipts		-	183,596,689
		<u>2,063,231,923</u>	<u>2,189,722,510</u>
<b>Payments</b>			
Employee costs		(823,843,279)	(742,729,800)
Suppliers		(702,178,099)	(6,049,257)
Finance costs		(139,730,655)	(106,549,271)
Other payments		(123,253,846)	-
		<u>(1,789,005,879)</u>	<u>(855,328,328)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>274,226,044</u></b>	<b><u>1,334,394,182</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(115,948,454)	(33,930,312)
Purchase of investment property	9	(90,807,675)	(13,755,394)
Purchase of Heritage Assets	9	(936,350)	(1,924,903)
Purchase of other intangible assets	11	(363,327)	28,482
Increase in non-current receivables		(162,338,409)	(1,113,828,578)
		<u>(370,394,214)</u>	<u>(1,163,048,955)</u>
<b>Cash flows from financing activities</b>			
Proceeds from non-current borrowings		39,740,038	9,853,514
Finance lease payments		4,291,590	1,124,037
Increase in consumer deposits		(562,140)	2,356,934
		<u>43,469,488</u>	<u>13,334,485</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(52,698,682)</b>	<b>184,679,712</b>
Cash and cash equivalents at the beginning of the year		231,675,533	46,995,821
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>178,976,851</u></b>	<b><u>231,675,533</u></b>

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Transfer of Functions between entities not under common control

Transfer of functions between entities not under common control will be accounted for on the acquisition method. The consideration transferred for the acquisition of a function is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the transfer of functions are measured initially at their fair values at the transfer date.

#### Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

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### 1.1 Transfer of Functions between entities not under common control (continued)

#### Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

#### Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

#### Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.



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### 1.1 Transfer of Functions between entities not under common control (continued)

#### Accounting by the entity as acquirer

##### Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their fair values.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the fair value of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

##### Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the fair value of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

##### Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

##### Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

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### 1.1 Transfer of Functions between entities not under common control (continued)

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

#### Accounting by the entity as transferor

##### Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the fair value of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

### 1.2 Significant judgements and sources of estimation uncertainty

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

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.

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### 1.2 Transfer of Functions between entities not under common control (continued)

#### 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 note 22 - Provisions.

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 entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge 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 Note 21.

#### 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.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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.

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### 1.3 Investment property (continued)

#### Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.4 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 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. 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.

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

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

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

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

#### Subsequent measurement - Revaluation model (Land and Buildings)

Subsequent to initial recognition items of property, plant and equipment are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Land is not depreciated, except for landfill and quarry sites, as it is deemed to have an indefinite useful life.

Revaluations are performed every 5 years by registered valuers for every class separately.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the group replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with 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.

#### 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.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

Item	Estimated useful life
Buildings	30-40
Furniture and fixtures	5-15
Other vehicles	4-10
Fire Arms	3-5
Community / Recreational facilities	20-30
Environmental facilities	3-5
Finance lease - Equipment	5
Roads and storm water	15-30
Finance leases - 3 G cards	3
Finance leases - Cell phones	2
Security	3-5
Sewerage and Mains	10-15
Quarries	20-30
Landfill sites	15
Water and sewerage network	15-20
Housing	30
Specialised plant and equipment	3-5

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

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

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

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

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

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

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

### 1.5 Site restoration and dismantling cost

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 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.

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

If the related asset is measured using the revaluation model:

- (a) 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 net assets, 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.
- (b) 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
- (c) 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 or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.6 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>Useful life</b>
Computer software, other	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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### 1.7 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.

### 1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment in the separate financial statements.

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.

### 1.9 Financial instruments

#### Classification

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

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



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### 1.9 Financial instruments (continued)

#### 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.

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.

#### 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.

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

#### 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.

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### 1.9 Financial instruments (continued)

#### Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

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

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

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

#### Financial instruments designated as available-for-sale

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

#### Loans to economic 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.

#### Receivables from exchange transactions

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.

#### Payables from exchange transactions

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

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### 1.9 Financial instruments (continued)

#### 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 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 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 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 entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant 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.

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### 1.10 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.

### 1.11 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - 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.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

### 1.12 Inventory

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.

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### 1.12 Inventory (continued)

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 or current replacement cost 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 or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

### 1.13 Impairment of cash-generating assets

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).

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

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

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

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

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

# Mangaung Metropolitan Municipality

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### 1.13 Impairment of cash-generating assets (continued)

#### Identification

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

The 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 entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test an intangible asset with an indefinite useful life or an 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the 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 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.

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### 1.13 Impairment of cash-generating assets (continued)

#### 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 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 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 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.

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## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The 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.

### 1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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



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### 1.14 Impairment of non-cash-generating assets (continued)

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

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

#### Service units approach

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

# Mangaung Metropolitan Municipality

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### 1.14 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.15 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.

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### 1.15 Employee benefits (continued)

#### Defined contribution plans

The 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

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

### 1.16 Provisions and contingencies

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.

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### 1.16 Provisions and contingencies (continued)

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.

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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### 1.16 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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 is credited directly to revaluation surplus in net assets, 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; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets 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;
- 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 reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.17 Revenue from exchange transactions

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

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

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

#### Measurement

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

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### 1.17 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

### 1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

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## Accounting Policies

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

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

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

The entity has two types of fines, 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 the revenue amount collected 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 from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Levies

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

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## Accounting Policies

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

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- 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.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is only then recognised once evidence of the probability of the flow becomes available.

Conditions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no conditions on the period, such revenue is recognised on receipt or when the DoRA Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- 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.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.19 Investment income

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

### 1.20 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. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.13 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.



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## Accounting Policies

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### 1.20 Borrowing costs (continued)

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.

### 1.21 Comparative figures

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

The comparative figures have been restated.

### 1.22 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).

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

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.23 Fruitless and wasteful expenditure

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

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

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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## Accounting Policies

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### 1.24 Irregular expenditure (continued)

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

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

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

### 1.25 Use of estimates

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

### 1.26 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.27 Offsetting

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

### 1.28 Housing development fund

The housing development fund was established in terms of the Housing Act, (Act No. 107 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.

### 1.29 Internal reserves

#### 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.

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## Accounting Policies

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### 1.29 Internal reserves (continued)

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Reserve 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).

#### 1.30 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).

#### 1.31 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).

#### 1.32 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

#### 1.33 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 entity 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 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.

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.34 Conditional grants and receipts

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

### 1.35 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 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.

### 1.36 Budget information

The entity are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

### 1.37 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.

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	2012	2011
	R	R

### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	Expected impact is not considered to be material
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	Expected impact is not considered to be material
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	Expected impact is not considered to be material
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	Expected impact is not considered to be material
• IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011	Expected impact is not considered to be material
• IGRAP 10: Assets Received from Customers	01 April 2011	Expected impact is not considered to be material
• IGRAP 13: Operating Leases – Incentives	01 April 2011	Expected impact is not considered to be material
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	Expected impact is not considered to be material
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011	Expected impact is not considered to be material
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	Expected impact is not considered to be material
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	Expected impact is not considered to be material
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	Expected impact is not considered to be material
• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011	Expected impact is not considered to be material
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	Expected impact is not considered to be material
• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	Expected impact is not considered to be material
• GRAP 12 (as revised 2010): Inventories	01 April 2011	Expected impact is not considered to be material
• GRAP 13 (as revised 2010): Leases	01 April 2011	Expected impact is not considered to be material
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	Expected impact is not considered to be material
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	Expected impact is not considered to be material
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	Expected impact is not considered to be material
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	Expected impact is not considered to be material
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	Expected impact is not considered to be material
• GRAP 105: Transfers of functions between entities under common control	01 April 2011	Expected impact is not considered to be material

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

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

#### 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	01 April 2013	Expected impact is not considered to be material
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Expected impact is not considered to be material
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Expected impact is not considered to be material
• GRAP 103: Heritage Assets	01 April 2012	Expected impact is not considered to be material
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Expected impact is not considered to be material
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Expected impact is not considered to be material
• GRAP 25: Employee benefits	01 April 2013	Expected impact is not considered to be material
• GRAP 104: Financial Instruments	01 April 2012	Expected impact is not considered to be material
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013	Expected impact is not considered to be material
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Expected impact is not considered to be material
• GRAP 107: Mergers	01 April 2014	Expected impact is not considered to be material
• GRAP 20: Related parties	01 April 2013	Expected impact is not considered to be material

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>3. Inventory</b>		
Consumable stores	3,717,555	3,277,693
Fuel - Petrol and diesel	1,536,441	894,610
Water in pipes	296,468	286,708
Water in reservoirs	1,014,416	880,339
Water maintenance materials	1,704,803	3,993,600
	<b>8,269,683</b>	<b>9,332,950</b>
<b>Inventory recognised as an expense</b>		
Inventory expensed	4,108,987	3,023,386
No inventory was pledged as security for any financial liability.		
<b>4. Non-current receivables</b>		
<b>Available-for-sale</b>		
2,535 Unlisted shares - OVK Limited	14,048	11,868
<b>Loans and receivables</b>		
Centlec Pty Ltd - Advances	136,089,716	149,779,678
Centlec Pty Ltd - Shareholders loan	1,955,245,854	1,780,921,186
Vehicle loans	939,246	950,255
Study loans	48,509	49,599
Erven loans	18,739,299	18,545,375
Housing selling scheme loans	47,380,242	45,861,900
	2,158,442,866	1,996,107,993
Impairment - vehicle loans	(939,246)	(950,255)
Impairment - study loans	(48,509)	(49,599)
Impairment - erven loans	(9,410,710)	(9,376,428)
Impairment - housing selling scheme loans	(47,380,242)	(45,861,900)
	<b>2,100,664,159</b>	<b>1,939,869,811</b>
<b>Total other financial assets</b>	<b>2,100,678,207</b>	<b>1,939,881,679</b>
<b>Non-current assets</b>		
Available-for-sale	14,048	11,868
Loans and receivables	2,044,567,235	1,915,270,616
	<b>2,044,581,283</b>	<b>1,915,282,484</b>
<b>Current assets</b>		
Loans and receivables	56,096,924	24,599,195
	<b>2,100,678,207</b>	<b>1,939,881,679</b>

### 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

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>4. Non-current receivables (continued)</b>		
<b>Fair value hierarchy of available-for-sale financial assets</b>		
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.		
Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly as prices or indirectly derived from prices.		
Level 3 applies inputs which are not based on observable market data.		
<b>Level 1</b>		
Class 1 - Unlisted shares	14,048	11,868
<b>Renegotiated terms</b>		
None of the financial assets that are fully performing have been renegotiated in the last year.		
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.		
<b>Reconciliation for impairment</b>		
<b>Impairment for vehicles loans</b>		
Opening balance	950,255	889,596
Reversal of impairment for the year	(11,009)	-
Impairment for the year	-	60,659
	<b>939,246</b>	<b>950,255</b>
<b>Impairment for study loans</b>		
Opening balance	49,599	49,599
Reversal of impairment for the year	(1,090)	-
	<b>48,509</b>	<b>49,599</b>
<b>Impairment for erven loans</b>		
Opening balance	9,376,428	8,334,174
Impairment for the year	34,282	1,042,254
	<b>9,410,710</b>	<b>9,376,428</b>
<b>Impairment for housing selling scheme loans</b>		
Opening balance	45,861,900	31,326,876
Impairment for the year	1,518,342	14,535,024
	<b>47,380,242</b>	<b>45,861,900</b>



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## Notes to the Annual Financial Statements

	2012	2011
	R	R

### 4. Non-current receivables (continued)

#### Credit quality of loans and receivables

The credit quality of loans and receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The assumption was made that the credit quality of the short term portion of long term receivables would equate to the credit quality of the receivables' long term portion.

The credit quality of the short term portion of long term receivables was evaluated in terms of the risk entity and ageing of the individual receivable account.

#### Details of loans and receivables

##### *Vehicle loans*

Permanent staff obtained loans at 8.5% 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.

##### *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.

##### *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.

### 5. Other receivables from exchange transactions

Deferred lease income	44,672,333	41,487,243
Interest on investments	61,693	597,957
Staff leave day's receivable	1,082,404	1,499,585
Sundry receivables	54,133,092	40,394,551
Sundry receivables - impairment	(36,937,970)	(33,902,241)
	<u>63,011,552</u>	<u>50,077,095</u>

#### Other receivables pledged as security

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

#### Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

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

# Mangaung Metropolitan Municipality

Formerly Mangaung Local Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>5. Other receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of other receivables</b>		
Opening balance	33,902,241	31,636,314
Impairment for the year	3,035,729	2,265,927
	<b><u>36,937,970</u></b>	<b><u>33,902,241</u></b>
Sundry receivables consist out of debtors raised from other income raised.		
<b>6. Consumer receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	378,878,764	299,111,645
Water	730,715,778	481,589,595
Sewerage	187,583,383	150,681,655
Housing rental	21,868,953	19,456,932
Unallocated deposits	(812,995)	(784,463)
	<b><u>1,318,233,883</u></b>	<b><u>950,055,364</u></b>
<b>Less: Provision for debt impairment</b>		
Rates	(272,433,076)	(237,398,622)
Water	(534,164,458)	(374,209,119)
Sewerage	(141,777,633)	(120,176,466)
Housing rental	(21,601,167)	(18,226,974)
	<b><u>(969,976,334)</u></b>	<b><u>(750,011,181)</u></b>
<b>Net balance</b>		
Rates	106,445,688	61,713,023
Water	196,551,320	107,380,476
Sewerage	45,805,750	30,505,189
Housing rental	267,786	1,229,958
Unallocated deposits	(812,995)	(784,463)
	<b><u>348,257,549</u></b>	<b><u>200,044,183</u></b>
<b>Rates - ageing</b>		
Current (0 -30 days)	33,746,661	38,506,053
31 - 60 days	17,812,923	9,234,848
61 - 90 days	13,603,606	10,046,558
90+ days	313,715,574	241,324,186
	<b><u>378,878,764</u></b>	<b><u>299,111,645</u></b>
<b>Water - ageing</b>		
Current (0 -30 days)	60,592,372	69,810,359
31 - 60 days	34,088,360	22,360,671
61 - 90 days	29,397,147	17,155,373
90+ days	589,184,214	362,542,890
Meter reading estimate at year end	17,453,685	9,720,302
	<b><u>730,715,778</u></b>	<b><u>481,589,595</u></b>

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>6. Consumer receivables from exchange transactions (continued)</b>		
<b>Sewerage - ageing</b>		
Current (0 -30 days)	14,724,478	15,644,341
31 - 60 days	7,792,402	4,295,220
61 - 90 days	6,132,672	4,420,961
90+ days	158,933,831	126,321,133
	<b>187,583,383</b>	<b>150,681,655</b>
<b>Housing rental - ageing</b>		
Current (0 -30 days)	287,482	336,159
31 - 60 days	286,605	260,577
61 - 90 days	278,817	265,483
90+ days	21,016,049	18,594,713
	<b>21,868,953</b>	<b>19,456,932</b>
<b>Unallocated deposits</b>		
90+ days	(812,995)	(784,463)

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>6. Consumer receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 -30 days)	70,106,704	52,894,359
31 - 60 days	39,755,506	32,226,321
61 - 90 days	35,150,134	26,850,351
90+ days	894,347,339	665,124,158
	<u>1,039,359,683</u>	<u>777,095,189</u>
Less: Provision for debt impairment	(755,397,588)	(613,561,857)
	<b><u>283,962,095</u></b>	<b><u>163,533,332</u></b>
<b>Business/Commercial and municipal</b>		
Current (0 -30 days)	29,825,887	29,091,336
31 - 60 days	15,236,743	9,920,113
61 - 90 days	10,841,141	7,826,108
90+ days	143,946,342	104,897,742
	<u>199,850,113</u>	<u>151,735,299</u>
Less: Provision for debt impairment	(145,249,326)	(96,765,773)
	<b><u>54,600,787</u></b>	<b><u>54,969,526</u></b>
<b>Government</b>		
Current (0 -30 days)	11,515,646	3,132,071
31 - 60 days	5,490,333	2,050,563
61 - 90 days	3,903,260	1,805,536
90+ days	64,571,807	43,399,430
	<u>85,481,046</u>	<u>50,387,600</u>
Less: Provision for debt impairment	(47,728,253)	(39,683,550)
	<b><u>37,752,793</u></b>	<b><u>10,704,050</u></b>
<b>Total</b>		
Current (0 -30 days)	111,448,054	83,404,311
31 - 60 days	60,482,579	44,196,998
61 - 90 days	49,894,535	36,481,995
91 - 120 days	1,102,865,488	816,139,499
Water meter reading estimate	17,453,685	9,720,302
	<u>1,342,144,341</u>	<u>989,943,105</u>
Less: Provision for debt impairment	(948,375,167)	(750,011,181)
Add: Unallocated deposits	(812,995)	(784,463)
Add: Electricity	-	(50,890)
Transferred to other receivables from exchange transactions	-	(1,000,121)
Transferred to current portion of non-current receivables	(44,698,630)	(38,052,267)
	<b><u>348,257,549</u></b>	<b><u>200,044,183</u></b>
<b>Less: Provision for debt impairment</b>		
90+ days	<u>(969,976,334)</u>	<u>(750,011,181)</u>

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>6. Consumer receivables from exchange transactions (continued)</b>		
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(750,011,181)	(769,615,855)
Contribution to impairment for the year	(330,364,305)	(116,383,415)
Debt impairment written off against provision	110,399,152	135,988,089
	<b>(969,976,334)</b>	<b>(750,011,181)</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 are only due after 30 day's. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at an rate of 1% higher than the prime rate for the period.

### Consumer debtors impaired

As of 30 June 2012, consumer debtors of R 969,976,334 (2011: R 750,011,181) were impaired and provided for.

The amount of the provision was R 969,976,334 as of 30 June 2012 (2011: R 750,011,181).

The ageing of these loans is as follows:

Over 3 months	1,068,236,365	816,139,499
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### Reconciliation of provision for impairment of consumer debtors

Opening balance	(750,011,181)	(769,615,855)
Impairment for the year	(330,364,305)	(116,383,415)
Amounts written off as uncollectable - indigents	110,399,152	135,988,089
	<b>(969,976,334)</b>	<b>(750,011,181)</b>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	54,869	54,869
Bank balances	48,424,477	32,725,988
Held-to-maturity investments maturing within 1- 3 months from the reporting date	130,497,505	198,894,676
	<b><u>178,976,851</u></b>	<b><u>231,675,533</u></b>

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available.

#### Credit rating

F1+	<u>178,921,982</u>	<u>231,620,664</u>
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### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	27	12,460,753	10,994,203
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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.

Total financial assets pledged as collateral for contingent liabilities		12,460,753	10,994,203
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### The entity had the following bank accounts

Account number and description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA - Primary account - 470 000 465	42,086,668	25,572,621	9,713,167	44,408,057	28,426,476	10,453,390
ABSA - Fresh produce market - 470 001 348	2,418,766	2,697,541	3,382,869	2,418,766	2,697,541	3,382,869
ABSA - 2010 World cup - 406 787 886	-	-	5,311,349	-	-	5,311,349
ABSA - Direct deposits banktel - 470 001 380	-	-	-	1,597,654	1,601,971	1,039,885
<b>Total</b>	<b><u>44,505,434</u></b>	<b><u>28,270,162</u></b>	<b><u>18,407,385</u></b>	<b><u>48,424,477</u></b>	<b><u>32,725,988</u></b>	<b><u>20,187,493</u></b>

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 8. Heritage assets

	2012		2011	
	Valuation	Carrying value	Valuation	Carrying value
Heritage assets	5,500,716	-	5,507,341	5,507,341

#### Reconciliation of heritage assets - 2012

	Opening balance	Additions	Transfers in	Write offs	Total
Heritage assets	5,507,341	446,805	489,545	(942,975)	5,500,716

#### Reconciliation of heritage assets - 2011

	Opening balance	Transfers in	Transfers out	Write offs	Revaluations	Total
Heritage assets	5,143,188	199,794	(1,151)	(949,536)	1,115,046	5,507,341

#### Pledged as security

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

#### 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

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## Notes to the Annual Financial Statements

	2012		2011	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	226,211,898	- 226,211,898	135,404,223	- 135,404,223

### Reconciliation of investment property - 2012

	Opening balance	Work in Progress	Total
Investment property	135,404,223	90,807,675	226,211,898

### Reconciliation of investment property - 2011

	Opening balance	Work in Progress	Total
Investment property	121,648,829	13,755,394	135,404,223

### Pledged as security

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

## 10. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Bridges	63,650,974	(3,921,065)	59,729,909	63,650,974	(2,906,961)	60,744,013
Buildings	121,085,532	(8,799,498)	112,286,034	113,935,532	(6,493,996)	107,441,536
Capitalised leased assets	13,413,482	(8,161,637)	5,251,845	8,937,783	(6,356,949)	2,580,834
Environmental facilities	413,540,030	(50,034,730)	363,505,300	406,714,253	(37,391,587)	369,322,666
Fire Arms	783,481	(144,108)	639,373	781,081	(107,728)	673,353
Fresh Produce Market	42,947,743	(21,798,369)	21,149,374	42,947,743	(16,347,844)	26,599,899
Furniture and Office Equipment	26,505,539	(4,231,587)	22,273,952	14,741,785	(2,509,379)	12,232,406
Land	868,829,945	-	868,829,945	868,829,945	-	868,829,945
Landfill sites	1,781,240	-	1,781,240	450,000	-	450,000
Motor Vehicles	177,052,229	(40,776,139)	136,276,090	177,052,229	(35,388,125)	141,664,104
Parks and Cemeteries	134,435,247	(27,827,479)	106,607,768	125,926,325	(20,304,390)	105,621,935
Pedestrian Malls	403,040,538	(47,384,079)	355,656,459	403,040,538	(35,538,059)	367,502,479
Rail Road Siding	29,540,569	(4,951,809)	24,588,760	29,540,569	(3,713,857)	25,826,712
Roads	3,575,754,945	(799,966,673)	2,775,788,272	3,578,234,098	(593,945,358)	2,984,288,740
Sewerage, Mains and Purification	363,567,516	(68,548,438)	295,019,078	363,567,516	(51,330,715)	312,236,801
Sportsground and Stadiums	13,806,018	-	13,806,018	2,975,768	-	2,975,768
Tools, Plant and Equipment	5,206,963	(1,905,017)	3,301,946	4,239,293	(1,504,756)	2,734,537
Water Mains and Purification	2,299,106,955	(381,608,185)	1,917,498,770	2,299,106,955	(270,823,794)	2,028,283,161
Water and Sanitation	1,109,887,375	(235,262,939)	874,624,436	1,036,298,578	(170,412,438)	865,886,140
White city Infrastructure	329,989	-	329,989	-	-	-
Zoo	50,116,506	(8,395,890)	41,720,616	49,622,756	(6,157,587)	43,465,169
<b>Total</b>	<b>9,714,382,816</b>	<b>(1,713,717,642)</b>	<b>8,000,665,174</b>	<b>9,590,593,721</b>	<b>(1,261,233,523)</b>	<b>8,329,360,198</b>



# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Work in progress	Work in progress Transfer Out	Depreciation	Total
Bridges	60,744,013	-	-	-	(1,014,104)	59,729,909
Buildings	107,441,536	7,150,000	-	-	(2,305,502)	112,286,034
Capitalised leased assets	2,580,833	4,815,570	-	-	(2,144,558)	5,251,845
Environmental facilities	369,322,666	6,825,777	-	-	(12,643,143)	363,505,300
Fire Arms	673,353	2,400	-	-	(36,380)	639,373
Fresh Produce Market	26,599,899	-	-	-	(5,450,525)	21,149,374
Furniture and Office Equipment	12,232,407	11,763,755	-	-	(1,722,210)	22,273,952
Land	868,829,945	-	-	-	-	868,829,945
Landfill sites	450,000	-	1,331,240	-	-	1,781,240
Motor Vehicles	141,664,104	-	-	-	(5,388,014)	136,276,090
White city infrastructure	-	-	329,989	-	-	329,989
Parks and Cemeteries	105,621,934	3,398,992	8,114,627	(3,004,697)	(7,523,088)	106,607,768
Pedestrian Malls	367,502,479	-	-	-	(11,846,020)	355,656,459
Rail Road Siding	25,826,713	-	-	-	(1,237,953)	24,588,760
Roads	2,984,288,739	36,263,119	13,746,747	(52,489,018)	(206,021,315)	2,775,788,272
Sewerage and Mains	312,236,801	-	-	-	(17,217,723)	295,019,078
Sportsgrounds and Stadiums	2,975,768	-	17,751,478	(6,921,228)	-	13,806,018
Tools, Plant and Equipment	2,734,536	967,670	-	-	(400,260)	3,301,946
Water Mains and Purification	2,028,283,162	-	-	-	(110,784,392)	1,917,498,770
Water and Sanitation	865,886,139	14,060,575	59,528,223	-	(64,850,501)	874,624,436
Zoo	43,465,169	493,750	-	-	(2,238,303)	41,720,616
	<b>8,329,360,196</b>	<b>85,741,608</b>	<b>100,802,304</b>	<b>(62,414,943)</b>	<b>(452,823,991)</b>	<b>8,000,665,174</b>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Work in progress Additions	Work in progress Transfers	Write-offs	Depreciation	Total
Bridges	55,399,066	6,356,280	-	-	-	(1,011,333)	60,744,013
Buildings	109,606,201	-	-	-	-	(2,164,665)	107,441,536
Capitalised leased assets	1,902,361	2,118,150	-	-	-	(1,439,678)	2,580,833
Environmental facilities	381,775,005	-	-	-	-	(12,452,339)	369,322,666
Fire Arms	709,600	-	-	-	-	(36,247)	673,353
Fresh Produce Market	32,050,424	-	-	-	-	(5,450,525)	26,599,899
Furniture and Office Equipment	11,289,352	1,953,644	-	-	-	(1,010,589)	12,232,407
Land	868,829,945	-	-	-	-	-	868,829,945
Landfill sites	790,585	-	5,562,511	(5,903,096)	-	-	450,000
Motor Vehicles	152,516,971	1,831,480	-	-	(6,568,310)	(6,116,037)	141,664,104
Parks and Cemeteries	112,547,302	93,500	197,182	-	-	(7,216,050)	105,621,934
Pedestrian Malls	379,348,499	-	-	-	-	(11,846,020)	367,502,479
Rail Road Siding	27,064,665	-	-	-	-	(1,237,952)	25,826,713
Roads	2,971,199,237	213,595,265	2,870,835	-	-	(203,376,598)	2,984,288,739
Sewerage and Mains	329,312,481	95,000	-	-	-	(17,170,680)	312,236,801
Sportsgrounds and Stadiums	20,736	-	2,955,032	-	-	-	2,975,768
Tools, Plant and Equipment	1,782,863	1,178,398	-	-	-	(226,725)	2,734,536
Water Mains and Purification	2,139,067,553	-	-	-	-	(110,784,391)	2,028,283,162
Water and Sanitation	879,946,377	28,877,092	19,143,013	-	-	(62,080,343)	865,886,139
Zoo	45,628,887	42,500	-	-	-	(2,206,218)	43,465,169
	<b>8,500,788,110</b>	<b>256,141,309</b>	<b>30,728,573</b>	<b>(5,903,096)</b>	<b>(6,568,310)</b>	<b>(445,826,390)</b>	<b>8,329,360,196</b>

#### Assets subject to finance lease (Net carrying amount)

Capitalised leased assets	5,251,845	2,681,485
	<b>5,251,845</b>	<b>2,681,485</b>

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 10. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Included within Community	Total
Opening balance	67,673,835	197,182	67,871,017
Additions/capital expenditure	92,687,677	8,114,627	100,802,304
Transferred to completed items	(59,410,247)	(3,004,697)	(62,414,944)
	<b>100,951,265</b>	<b>5,307,112</b>	<b>106,258,377</b>

#### Reconciliation of Work-in-Progress 2011

	Included within Infrastructure	Included within Community	Total
Opening balance	43,045,539	-	43,045,539
Additions/capital expenditure	30,531,392	197,182	30,728,574
Transferred to completed items	(5,903,096)	-	(5,903,096)
	<b>67,673,835</b>	<b>197,182</b>	<b>67,871,017</b>

Refer to Appendix B for more details.

#### Deemed cost

Aggregate of items valued using deemed cost	-	174
Aggregate adjustment to the carrying amounts previously reported	-	5,314,143,171

Deemed cost was determined using depreciated replacement cost.

### 11. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, purchased	11,200,947	(2,352,445)	8,848,502	10,852,544	(1,989,157)	8,863,387

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, purchased	8,863,386	363,327	(378,211)	8,848,502

#### Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software, purchased	9,225,138	(361,752)	8,863,386

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## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 11. Intangible assets (continued)

#### Pledged as security

No intangible asset was pledged as security for any financial liability.

### 12. Investments in controlled entities

Name of entity	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Centlec Pty Ltd	Mangaung Metropolitan Municipality	100 %	100 %	100	100
				<u>100</u>	<u>100</u>

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.

### 13. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below except for the other receivables from non-exchange transactions which are not a contractual instrument:

#### 2012

	Loans and receivables	Held to maturity investments	Available-for- sale	2012 Total
Cash and cash equivalents	48,479,346	130,497,505	-	178,976,851
Consumer receivables	348,257,549	-	-	348,257,549
Other financial assets - Current portion	56,096,924	-	-	56,096,924
Other financial assets - Non-Current portion	2,044,567,235	-	14,048	2,044,581,283
Other receivables from exchange transactions	63,011,551	-	-	63,011,551
	<u>2,560,412,605</u>	<u>130,497,505</u>	<u>14,048</u>	<u>2,690,924,158</u>

#### 2011

	Loans and receivables	Held to maturity investments	Available-for- sale	2011 Total
Cash and cash equivalents	32,780,857	198,894,676	-	231,675,533
Consumer receivables	200,044,183	-	-	200,044,183
Other financial assets - Current portion	24,599,195	-	-	24,599,195
Other financial assets - Non-Current portion	1,915,270,616	-	11,868	1,915,282,484
Other receivables from exchange transactions	50,077,095	-	-	50,077,095
	<u>2,222,771,946</u>	<u>198,894,676</u>	<u>11,868</u>	<u>2,421,678,490</u>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>14. Non-current borrowings</b>		
<b>Held at amortised cost</b>		
DBSA - FS1034/01	10,861,564	-
DBSA - FS1034/02	42,761,225	11,829,774
DBSA Bloemfontein - Sewer 8001/104	4,423,907	5,432,535
DBSA Bloemfontein - Water 8001/104	4,040,498	4,961,888
DBSA Thaba Nchu - 1864/202	-	122,959
	<b>62,087,194</b>	<b>22,347,156</b>
<b>Non-current liabilities</b>		
At amortised cost	57,685,520	20,162,975
<b>Current liabilities</b>		
At amortised cost	4,401,674	2,184,181
	<b>62,087,194</b>	<b>22,347,156</b>
<p>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%.</p> <p>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.</p>		
<b>15. Finance lease liability</b>		
<b>Minimum lease payments due</b>		
- within one year	2,845,995	1,299,137
- in second to fifth year inclusive	3,198,342	1,852,815
	6,044,337	3,151,952
Less: Future finance charges	(576,437)	(298,001)
<b>Present value of minimum lease payments</b>	<b>5,467,900</b>	<b>2,853,951</b>
<b>Present value of minimum lease payments due</b>		
- within one year	2,477,556	1,176,310
- in second to fifth year inclusive	2,990,344	1,677,641
	<b>5,467,900</b>	<b>2,853,951</b>
Non-current liabilities	2,990,344	1,677,641
Current liabilities	2,477,556	1,176,310
	<b>5,467,900</b>	<b>2,853,951</b>

The entity leases various equipment and 3-G cards under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%.

No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

The entity cancelled all existing cell phone finance leases in the current year.

None of the terms attached to the existing finance lease obligations were renegotiated.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>16. Payables</b>		
Accrued leave pay	53,589,674	45,356,533
Centlec Pty Ltd - Intercompany loan	964,962,635	1,036,781,760
Deferred interest	7,311,614	6,974,177
Deferred lease expenditure	2,725,746	1,769,661
Other payables	1,566,577	-
Other payables - Grants	98,906,413	1,330,891
Payments received in advanced	121,414,855	79,168,073
Retention's	34,584,226	27,503,726
Salary control	-	165,316
Staff bonuses - 13 th cheque accrual	20,153,770	16,466,696
Pending claims - Unfair dismissals	6,608,171	-
Trade payables	235,105,077	163,694,078
	<b><u>1,546,928,758</u></b>	<b><u>1,379,210,911</u></b>

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 60 days (2011: 50 days).

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

### 17. Payables from non-exchange transactions

Deposits	447,326	451,156
Other payables	2,097,484	1,878,075
	<b><u>2,544,810</u></b>	<b><u>2,329,231</u></b>

### 18. Consumer deposits

Water	26,901,926	27,464,066
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Included in deposits is an accrual of interest at an effective interest rate of 4% per annum (2011: 4%), which is paid to consumers when the deposits are refunded.

Please refer to note 51 for the reclassification of accrued interest payable.

Guarantees in lieu of consumer deposits amounted to R 2,356,728 (2011: R6,013,517).

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	2012 R	2011 R
<b>19. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
Provincial Administration Grant Stadiums	6,638,800	7,842,755
COGTA - Fire suppression grant	-	82,817
DBSA - Capacity building programme grant	234,104	234,104
Financial management grant	472,777	12,623
Local government and housing grant - Infrastructure Graslands area	3,965,043	3,965,043
Local government and housing grant - White city hostels	-	42,308
Motheo - Contribution environmental health grant	9,813,076	10,680,301
Motheo - Tourism grant	-	10,750
Motheo - Upgrading of roads grant	-	1,259,252
Municipal accreditation project funding - Housing grant	6,507,821	3,422,275
Municipal infrastructure grant	282,469	62,931,480
Municipal systems improvement grant	831,151	-
Provincial grant - Batho roads project	5,688,069	26,423,367
Provincial grant - CCTV	1,858,068	130,851
Provincial grant - Du Plessis Muller intersection	554,640	554,640
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Batho car wash	150,000	150,000
Provincial grant - Hlasela project - Iphahamseng centre	3,703	3,703
Provincial grant - Hlasela project - Re Ba I Kemetseng Bomme	100,000	100,000
Provincial grant - Planning and surveying	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	135,964	147,239
Provincial grant - Upgrade housing in Batho	1,749,275	1,749,275
Public transport infrastructure and systems fund grant	56,632,691	100,115,219
Urban renewal grant	280,553	280,553
Urban settlement development grant	130,462,322	6,505,054
	<b><u>231,353,670</u></b>	<b><u>231,636,753</u></b>

The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfilled conditions.

### 20. VAT payable

VAT payable	<u>46,257,430</u>	<u>72,254,496</u>
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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.

### 21. Employee benefit obligations

#### Defined benefit plan

The defined benefit plans disclosed below are represented by the medical aid for retired employees and pension payments for both retired and current 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 in the Entity Conditions of Service.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>21. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the unfunded defined benefit obligation	491,671,000	435,596,000
Present value of the defined benefit obligation	5,766,000	6,714,000
	<b>497,437,000</b>	<b>442,310,000</b>

These liabilities are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these liabilities.

### Changes in the present value of the defined benefit obligation are as follows

Opening balance	442,310,000	394,139,000
Benefits paid	(14,062,000)	(10,374,000)
Net expense recognised in the statement of financial performance	69,189,000	58,545,000
	<b>497,437,000</b>	<b>442,310,000</b>

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

Current service cost	18,821,000	25,508,000
Interest cost	40,399,000	38,005,000
Net actuarial (gains) losses	9,969,000	(4,968,000)
	<b>69,189,000</b>	<b>58,545,000</b>

### Key assumptions used

Assumptions used on the last valuation - 30 June 2012:

Discount rates used - healthcare	9.00 %	9.05 %
Discount rates used - gratuity	8.00 %	8.55 %
Expected increase in healthcare costs	7.50 %	7.70 %
Expected increase in salaries	7.50 %	7.70 %
Expected increases in pension	5.50 %	5.70 %
Inflation rate	7.50 %	5.70 %
Medical cost trend rates	7.00 %	7.00 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age	55 years	55 years

Assumed healthcare cost trends have a significant effect on the amounts recognised in surplus for the year. The value of the liability could also be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.



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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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	2012	2011
	R	R

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### 21. Employee benefit obligations (continued)

#### Inflation sensitivities

Assumed healthcare, gratuity and long service 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:

	<b>One percentage point increase</b>	<b>One percentage point decrease</b>
Effect on defined benefit obligation	(68,341,000)	(60,348,000)
Effect on the aggregate of the service cost	(6,083,000)	(5,220,000)
Effect on the aggregate of the interest cost	(5,374,000)	(4,734,000)

Amounts for the current and previous years are as follows:

	<b>2012 R</b>	<b>2011 R</b>
Defined benefit obligation	(497,437,000)	(443,210,000)
Experience adjustments on plan liabilities	(8,418,000)	25,607,000

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

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 22. Non-current provisions

#### Reconciliation of non-current provisions - 2012

	Opening Balance	Expenditure incurred	Total
Rehabilitation of landfill sites	72,002,358	(7,545,745)	64,456,613
Rehabilitation of quarry sites	5,189,973	(1,838,917)	3,351,056
	<b>77,192,331</b>	<b>(9,384,662)</b>	<b>67,807,669</b>

#### Reconciliation of non-current provisions - 2011

	Opening Balance	Expenditure incurred	Discounting	Total
Rehabilitation of landfill sites	69,629,772	2,372,586	-	72,002,358
Rehabilitation of quarry sites	4,655,906	141,884	392,183	5,189,973
	<b>74,285,678</b>	<b>2,514,470</b>	<b>392,183</b>	<b>77,192,331</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

The final restoration of landfill sites are expected to be over a period of 20 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report.

#### 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.

The provision for the quarries has been made based on costs determined by an independent expert on the 21 August 2012 and is based on the estimated use per annum plus the total area to be rehabilitated multiplied with the estimated restoration cost per unit and increased annually by using an average inflation rate of 6%. The calculation is cumulative and thus equates to the present value of restoration costs at the reporting date.

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

### 23. Housing development fund reserve

Opening balance	3,650,426	11,202,948
Transfers	(3,650,426)	(7,552,522)
	<b>-</b>	<b>3,650,426</b>

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## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>23. Housing development fund reserve (continued)</b>			
<b>The housing development fund is represented by the following assets and liabilities</b>			
Housing rental receivables	6	<u>267,786</u>	<u>1,229,958</u>
Surplus / (deficit) over reserve fund		<u>(267,786)</u>	<u>(2,420,468)</u>
<b>Total housing development fund assets and liabilities</b>		<u><b>-</b></u>	<u><b>3,650,426</b></u>

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.

### 24. 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 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.

Opening balance		589,158,122	587,224,289
Contributions		<u>(338,638,372)</u>	<u>1,933,833</u>
<b>Closing balance</b>		<u><b>250,519,750</b></u>	<u><b>589,158,122</b></u>

### 25. Mark-to-market reserve

This reserve comprises of 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		9,333	7,832
Fair value gain		<u>2,180</u>	<u>1,501</u>
		<u><b>11,513</b></u>	<u><b>9,333</b></u>

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	2012 R	2011 R
<b>26. Self-insurance reserve</b>		
<p>The entity has a self-insurance reserve to set aside amounts to offset potential losses or claims, which are not insured externally.</p> <p>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.</p> <p>The balance of the self-insurance fund should be invested in short-term cash investments.</p> <p>Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.</p>		
Opening balance	76,090,167	74,606,710
Contributions	1,708,607	2,514,662
Insurance claims processed	(203,028)	(1,031,205)
	<u>77,595,746</u>	<u>76,090,167</u>

## 27. 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 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.

Contributions are transferred to the COID reserve from the accumulated surplus 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.

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 7

Opening balance	10,996,660	14,313,277
Contributions	3,074,454	2,534,227
Insurance claims processed	(1,610,361)	(5,850,844)
	<u>12,460,753</u>	<u>10,996,660</u>

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>28. Financial liabilities by category</b>		
The accounting policies for financial instruments have been applied to the line items below:		
<b>2012</b>		
	<b>Financial liabilities at amortised cost</b>	<b>Total for 2012</b>
Payables from exchange transactions	1,546,928,758	1,546,928,758
Consumer deposits	26,901,926	26,901,926
Current portion of non-current borrowings	4,401,674	4,401,674
Non-current borrowings	57,685,520	57,685,520
Payables from non-exchange transactions	2,544,810	2,544,810
VAT payable	46,257,430	46,257,430
	<b><u>1,684,720,118</u></b>	<b><u>1,684,720,118</u></b>
<b>2011</b>		
	<b>Financial liabilities at amortised cost</b>	<b>Total for 2011</b>
Consumer deposits	27,464,066	27,464,066
Current portion of non-current borrowings	2,184,181	2,184,181
Payables from exchange transactions	1,379,210,911	1,379,210,911
Non-current borrowings	20,162,975	20,162,975
Payables from non-exchange transactions	2,329,231	2,329,231
VAT payable	72,254,496	72,254,496
	<b><u>1,503,605,860</u></b>	<b><u>1,503,605,860</u></b>

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>29. Revenue</b>		
Fines	2,884,999	1,642,301
Government grants and subsidies	1,102,568,010	881,341,483
Income from agency services	109,327,894	115,010,183
Licences and permits	350,660	203,192
Property rates	463,255,702	396,843,392
Rental of facilities and equipment	18,916,123	29,291,148
Service charges	625,320,381	531,810,327
	<b><u>2,322,623,769</u></b>	<b><u>1,956,142,026</u></b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Income from agency services	109,327,894	115,010,183
Licences and permits	350,660	203,192
Rental of facilities and equipment	18,916,123	29,291,148
Service charges	625,320,381	531,810,327
	<b><u>753,915,058</u></b>	<b><u>676,314,850</u></b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Fines	2,884,999	1,642,301
Property rates	463,255,702	396,843,392
<b>Transfer revenue</b>		
Government grants and subsidies	1,102,568,010	881,341,483
	<b><u>1,568,708,711</u></b>	<b><u>1,279,827,176</u></b>

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	2012 R	2011 R
<b>30. Government grants and subsidies</b>		
2010 World cup - Host city operating grant	-	19,000,000
Provincial Administration Grant Stadiums	1,203,954	8,779,971
DWAF - Water services operating and transfer subsidy grant	-	2,025,823
Electricity demand side management grant	5,000,000	5,000,000
Equitable share	544,206,000	494,272,603
Finance management grant	1,462,623	1,238,094
Urban settlement development grant	248,037,732	-
DPLG grant - white city hostel upgrading	42,308	-
COGTA capital grant fire suppression SIM	82,817	-
Motheo District Municipality Upgrading of Roads	1,259,252	-
Local government and housing grant - White city hostels	-	1,172,882
Motheo - Contribution environmental health grant	867,225	9,106,157
Motheo - Tourism grant	10,750	89,250
Municipal accreditation project funding - Housing grant	549,455	55
Municipal infrastructure grant	62,689,011	145,501,257
Municipal systems improvement grant	-	1,435,145
National electrification program grant	12,635,000	13,000,000
Fuel levy grant	175,972,000	-
Provincial grant - CCTV	8,272,782	-
Provincial grant - Du Plessis Muller intersection	-	24,093
Provincial grant - Hlasela project - Lehlohonolo music group	-	7,200
Provincial grant - Hlasela project - Upgrading housing in Batho	-	5,911,183
Provincial grant - Hlasela project - Upgrading roads in Batho	20,735,298	334,124
Provincial grant - Land use scheme	-	748,686
Provincial grant - Planning and surveying	-	81,066
Provincial grant - Township establishment - Caleb Motshabi	11,275	1,196,552
Public transport infrastructure and systems fund grant	19,530,528	172,005,330
Restructuring grant	-	123,686
Urban renewal grant	-	288,326
	<b><u>1,102,568,010</u></b>	<b><u>881,341,483</u></b>

### Equitable share

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

### Electricity demand side management grant

Current-year receipts	5,000,000	5,000,000
Transferred to Centlec Pty Ltd Creditors	(5,000,000)	(5,000,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

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

	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Financial management grant</b>		
Balance unspent at beginning of year	12,623	61,718
Current-year receipts	1,922,777	1,188,999
Conditions met - transferred to revenue	(1,462,623)	(1,238,094)
	<u>472,777</u>	<u>12,623</u>

Conditions still to be met - remain liabilities (see note 19).

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

### Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	3,422,275	3,422,330
Current-year receipts	3,635,000	-
Conditions met - transferred to revenue	(549,455)	(55)
	<u>6,507,821</u>	<u>3,422,275</u>

Conditions still to be met - remain liabilities (see note 19).

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

### DBSA 2010 World cup soccer grant

Balance unspent at beginning of year	10,750	-
Current-year receipts	-	100,000
Conditions met - transferred to revenue	(10,750)	(89,250)
	<u>-</u>	<u>10,750</u>

Conditions still to be met - remain liabilities (see note 19).

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

### Municipal systems improvement grant

Balance unspent at beginning of year	-	685,145
Current-year receipts	831,151	750,000
Conditions met - transferred to revenue	-	(1,435,145)
	<u>831,151</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

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.



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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Provincial Administration Grant Stadiums</b>		
Balance unspent at beginning of year	7,842,755	16,622,725
Conditions met - transferred to revenue	(1,203,955)	(8,779,970)
	<u>6,638,800</u>	<u>7,842,755</u>
Conditions still to be met - remain liabilities (see note 19).		
The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World cup.		
<b>Provisional grant - Planning and surveying</b>		
Balance unspent at beginning of year	493,144	574,210
Conditions met - transferred to revenue	-	(81,066)
	<u>493,144</u>	<u>493,144</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.		
<b>Motheo - Contribution environment health grant</b>		
Balance unspent at beginning of year	10,680,301	13,786,458
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	(867,225)	(9,106,157)
	<u>9,813,076</u>	<u>10,680,301</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to assist municipalities with the rendering of environmental health services.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	62,931,480	38,703,738
Current-year receipts	40,000	169,729,000
Conditions met - transferred to revenue	(62,689,011)	(145,501,258)
	<u>282,469</u>	<u>62,931,480</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Public transport infrastructure and systems fund grant</b>		
Balance unspent at beginning of year	100,115,219	121,120,549
Current-year receipts	15,000,000	151,000,000
Conditions met - transferred to revenue	(19,530,528)	(172,005,330)
Withheld by National Treasury	(38,952,000)	-
	<b>56,632,691</b>	<b>100,115,219</b>

Conditions still to be met - remain liabilities (see note 19).

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

National Treasury instructed all municipalities who had unspent but committed funds for the period 2005/2006 to 2008/2009 and that was not spent at 30 June 2010, to be repaid.

### Restructuring grant

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

Conditions still to be met - remain liabilities (see note 19).

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.

### Local government and housing - Grassland area

Balance unspent at beginning of year	3,965,043	3,965,043
	<b>3,965,043</b>	<b>3,965,043</b>

Conditions still to be met - remain liabilities (see note 19).

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	42,308	1,215,190
Conditions met - transferred to revenue	(42,308)	(1,172,882)
	<b>-</b>	<b>42,308</b>

Conditions still to be met - remain liabilities (see note 19).

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

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	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Urban renewal grant</b>		
Balance unspent at beginning of year	280,553	568,879
Conditions met - transferred to revenue	-	(288,326)
	<u>280,553</u>	<u>280,553</u>
Conditions still to be met - remain liabilities (see note 19).		
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
Conditions still to be met - remain liabilities (see note 19).		
The grant was allocated to the entity to assist with capacity building.		
<b>Provincial grant - Grasslands area</b>		
Balance unspent at beginning of year	4,500,000	4,500,000
Conditions still to be met - remain liabilities (see note 19).		
The grant is to be used for the installation of storm water drainage and regravelling of roads. Planning and surveying in respect of phase 3 of the Grasslands area.		
<b>Provincial grant - Hlasela project - Upgrading housing Batho</b>		
Balance unspent at beginning of year	1,749,275	2,083,399
Conditions met - transferred to revenue	-	(334,124)
	<u>1,749,275</u>	<u>1,749,275</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to assist the entity with the operation Hlasela project, the upgrading of housing in the Batho area.		
<b>National electrification program grant</b>		
Current-year receipts	28,000,000	13,000,000
Conditions met - transferred to Centlec Pty Ltd	(12,635,000)	(13,000,000)
Conditions met - transferred to Centlec Pty Ltd Creditors	(15,365,000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		

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	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>DWAF - Water services operating and transfer subsidy grant</b>		
Balance unspent at beginning of year	-	2,022,610
Conditions met - transferred to revenue	-	(2,022,610)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.		
<b>Provincial grant - Land use scheme</b>		
Balance unspent at beginning of year	-	748,686
Conditions met - transferred to revenue	-	(748,686)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
To assist the entity with the compilation of a town planning scheme, to manage land development.		
<b>Provincial grant - Hlasela project - Batho car wash</b>		
Balance unspent at beginning of year	150,000	150,000
	<u>150,000</u>	<u>150,000</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		
<b>COGTA - Fire suppression grant</b>		
Balance unspent at beginning of year	82,817	82,817
Conditions met - transferred to revenue	(82,817)	-
	<u>-</u>	<u>82,817</u>
Conditions still to be met - remain liabilities (see note 19).		
The grant was allocated to the entity to capacitate the fire and rescue division in order to deal with the 2010 World cup.		
<b>Provincial Grant - Du Plessis / Muller intersection</b>		
Balance unspent at beginning of year	554,640	578,732
Conditions met - transferred to revenue	-	(24,092)
	<u>554,640</u>	<u>554,640</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Provincial grant - Batho roads project</b>		
Balance unspent at beginning of year	26,423,367	-
Current-year receipts	-	32,334,550
Conditions met - transferred to revenue	(20,735,298)	(5,911,183)
	<u>5,688,069</u>	<u>26,423,367</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.		
<b>Provincial Grant - Hlasela Project - Re Ba Ikemetseng Bomme</b>		
Balance unspent at beginning of year	<u>100,000</u>	<u>100,000</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, Re Ba Ikemetseng Bomme swing project.		
<b>Provincial grant - Hlasela project - Iphahamilseng centre</b>		
Balance unspent at beginning of year	<u>3,703</u>	<u>3,703</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		
<b>Provincial grant - Hlasela project - Lehlohonolo music group</b>		
Balance unspent at beginning of year	-	7,200
Conditions met - transferred to revenue	-	(7,200)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, the Lehlohonolo music group.		
<b>Provincial grant - Township establishment - Caleb Motshabi</b>		
Balance unspent at beginning of year	147,239	1,343,791
Conditions met - transferred to revenue	(11,275)	(1,196,552)
	<u>135,964</u>	<u>147,239</u>

Conditions still to be met - remain liabilities (see note 19).

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

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>Motheo - Upgrading of roads grants</b>		
Balance unspent at beginning of year	1,259,252	-
Current-year receipts	-	1,259,252
Conditions met - transferred to revenue	(1,259,252)	-
	<u>-</u>	<u>1,259,252</u>

Conditions still to be met - remain liabilities (see note 19).

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

### Urban settlement development grant

Balance unspent at beginning of year	6,505,054	916,014
Current-year receipts	411,995,000	5,589,040
Conditions met - transferred to revenue	(248,037,732)	-
Conditions met - transferred to Centlec Creditors	(40,000,000)	-
	<u>130,462,322</u>	<u>6,505,054</u>

Conditions still to be met - remain liabilities (see note 19).

The grant was allocated to the entity for PHP housing infrastructure projects in Thaba Nchu.

### Motheo - Tourism grant

Balance unspent at beginning of year	10,750	-
Current-year receipts	-	100,000
Conditions met - transferred to revenue	(10,750)	(89,250)
	<u>-</u>	<u>10,750</u>

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to assist the entity with tourism in the Mangaung area.

### Provincial grant - CCTV

Balance unspent at beginning of year	130,851	130,851
Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(8,272,783)	-
	<u>1,858,068</u>	<u>130,851</u>

Conditions still to be met - remain liabilities (see note 19).

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

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	2012 R	2011 R
<b>30. Government grants and subsidies (continued)</b>		
<b>2010 World cup - Host city operating grant</b>		
Balance unspent at beginning of year	-	19,000,000
Conditions met - transferred to revenue	-	(19,000,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
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.		
<b>31. Income from agency services</b>		
Centlec Pty Ltd - Employee related costs	109,327,894	104,639,888
Centlec Pty Ltd - Insurance	-	853,855
Centlec Pty Ltd - Services	-	9,516,440
	<u><b>109,327,894</b></u>	<u><b>115,010,183</b></u>
<b>32. Investment revenue</b>		
<b>Interest earned</b>		
Cash and cash equivalents	14,571,843	10,643,763
Centlec Pty Ltd - Advances	13,480,815	16,361,771
Centlec Pty Ltd - Shareholders loan	174,324,668	139,046,456
Interest charged on consumer receivables	23,333,409	21,760,835
Loans and receivables	1,957,722	2,471,265
	<u><b>227,668,457</b></u>	<u><b>190,284,090</b></u>
<b>33. Other income</b>		
Administration costs recoverable	462,183	643,007
Building plan fees	2,740,167	2,169,747
Commission fresh market produce	14,713,977	14,536,896
Donations and public contributions	-	746,393
Entrance fees	1,501,525	1,575,595
Grave plots	2,295,008	2,558,390
Insurance collection	1,532,868	1,169,351
Parking fees	737,775	863,617
Reconnection of water	446,268	447,438
Rehabilitation of Landfill and Quarry sites	7,280,544	-
Removal fees	952,663	979,994
Sale of redundant materials	2,301	(4,087,628)
Sundry income	6,957,751	7,007,573
Training casts	2,355,071	3,762,810
Unclaimed deposits and stale cheques	6,180,584	4,715,182
	<u><b>48,158,685</b></u>	<u><b>37,088,365</b></u>

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>34. Property rates</b>		
<b>Rates received</b>		
Residential and business/commercial	394,982,667	345,437,738
Government	68,273,035	51,405,654
	<b>463,255,702</b>	<b>396,843,392</b>
<b>Valuations</b>		
Residential	31,750,814,701	29,927,765,099
Business/commercial	7,159,246,096	8,168,958,164
Government	3,613,182,379	3,580,394,249
Municipal	2,776,400,120	2,709,153,580
	<b>45,299,643,296</b>	<b>44,386,271,092</b>

Valuations on land and buildings are performed at least every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R40,000 of the rateable value of residential property are exempted from taxes, 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.

The new general valuation will be implemented on 01 July 2013.

### 2012

From 1 July 2011 the basic rates were adjusted as follows:

- R0.0071520 on the value of rateable farm property
- R0.0071520 on the value of rateable residential property
- R0.017881 on the value of rateable government property
- R0.035432 on the value of rateable business/commercial property

### 2011

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

- R0.006386 on the value of rateable farm property
- R0.006386 on the value of rateable residential property
- R0.015965 on the value of rateable government property
- R0.031081 on the value of rateable business/commercial property



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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>35. Rental income</b>		
<b>Premises</b>		
Premises	941,725	812,317
Venue hire	1,090,890	1,409,460
	<b>2,032,615</b>	<b>2,221,777</b>
<b>Facilities and equipment</b>		
Deferred lease income	3,617,283	(2,945,918)
Other rentals	469,311	501,582
Rental of equipment	312,853	270,234
Rental of facilities	12,484,061	29,243,473
	<b>16,883,508</b>	<b>27,069,371</b>
	<b>18,916,123</b>	<b>29,291,148</b>
<b>36. Service charges</b>		
Refuse removal	5,240,865	5,343,219
Sale of water	451,993,111	380,493,387
Sewerage and sanitation charges	168,086,405	145,973,721
	<b>625,320,381</b>	<b>531,810,327</b>
<b>37. Bad debts and provision for bad debts</b>		
Contributions to debt impairment provision	224,523,281	134,287,282
<b>38. Bulk purchases</b>		
Water	284,555,029	250,335,123
<b>39. Contracted services</b>		
Audit fees	14,639,616	6,962,300
Consultant Fees	26,676,440	-
Debt collection fees	3,688,935	24,357,150
Integrated call centre	13,739,478	10,556,236
Investigations	13,639,424	-
Other contracted services	39,069,624	24,622,524
Security services	17,020,408	14,728,719
VAT review fees	-	16,184,960
	<b>128,473,925</b>	<b>97,411,889</b>
<b>40. Depreciation and amortisation</b>		
Intangible assets	378,211	361,751
Property, plant and equipment	452,824,160	137,497,600
	<b>453,202,371</b>	<b>137,859,351</b>

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	2012 R	2011 R
<b>41. Employee related costs</b>		
Contributions to UIF	4,613,195	4,365,001
Defined benefit plan obligation - Current service cost	19,047,000	25,508,000
Employee related costs - Salaries and wages	554,840,185	504,942,218
Housing benefits and allowances	3,038,755	2,790,346
Medical aid contributions	30,131,052	26,724,704
Other short term costs	186,315	-
Overtime payments	73,300,900	55,632,880
Pensions contributions	86,496,771	79,906,272
Staff bonuses - 13th cheques	1,772,334	2,050,524
Staff leave day's accrual	16,154,616	2,802,447
Travel, car, accommodation, subsistence and other allowances	52,189,106	42,860,379
	<b>841,770,229</b>	<b>747,582,771</b>

### Remuneration of Accounting Officer

Annual remuneration	1,640,064	1,176,129
Car allowance	240,000	240,000
Contributions to UIF, medical aid and pension fund	223,780	211,452
	<b>2,103,844</b>	<b>1,627,581</b>

### Remuneration of Chief Finance Officer

Annual remuneration	1,663,936	960,082
Car allowance	232,000	156,000
Contributions to UIF, medical aid and pension fund	198,911	228,382
	<b>2,094,847</b>	<b>1,344,464</b>

This position has been occupied by two Chief Financial Officers from 1 November 2011 till 31 December 2011.

### Remuneration of Executive Director - Human settlements

Annual remuneration	1,512,956	-
Car allowance	107,000	-
Contributions to UIF, medical aid and pension fund	73,287	-
	<b>1,693,243</b>	<b>-</b>

The remuneration as reflected in 2012 was for a period of 6 months.

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	2012 R	2011 R
<b>41. Employee related costs (continued)</b>		
<b>Remuneration of Executive Director - Corporate Services</b>		
Annual remuneration	1,305,160	1,372,423
Car allowance	129,000	84,000
Contributions to UIF, medical aid and pension fund	209,693	1,547
	<b>1,643,853</b>	<b>1,457,970</b>
<b>Remuneration of Executive Director - Community and Social Services</b>		
Annual remuneration	1,185,926	903,043
Car allowance	120,000	120,000
Contributions to UIF, medical aid and pension fund	227,470	176,255
	<b>1,533,396</b>	<b>1,199,298</b>
<b>Remuneration of Executive Director - Infrastructure Services</b>		
Annual remuneration	1,156,497	993,398
Car allowance	360,000	240,000
Contributions to UIF, medical aid and pension fund	28,384	14,116
	<b>1,544,881</b>	<b>1,247,514</b>
<b>Remuneration of Executive Director - Economic Development and Planning</b>		
Annual remuneration	1,045,199	1,179,059
Car allowance	170,000	120,000
Contributions to UIF, medical aid and pension fund	63,879	158,911
	<b>1,279,078</b>	<b>1,457,970</b>
The remuneration as reflected in 2012 was for a period of 8 months.		
<b>Remuneration of Executive Director - Regional Operations</b>		
Annual remuneration	1,259,680	1,240,158
Car allowance	180,000	168,000
Contributions to UIF, medical aid and pension fund	51,212	17,753
	<b>1,490,892</b>	<b>1,425,911</b>
<b>42. Finance costs</b>		
Consumer deposits	1,056,614	2,702,170
Defined benefit plan obligation	40,173,000	38,005,000
Finance leases	636,797	138,648
Interest on Intercompany loan - Centlec (Pty) Ltd	95,323,251	64,354,915
Non-current borrowings - DBSA loans	2,540,993	1,348,540
	<b>139,730,655</b>	<b>106,549,273</b>

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	2012 R	2011 R
<b>43. General expenses</b>		
Advertising	811,182	1,372,669
Animal Costs	1,323,479	1,125,224
Assets expensed	358,039	(748,916)
Bank charges	7,502,932	6,374,767
Chemicals	4,886,718	6,283,515
Cleaning	4,257,604	8,096,261
Commitment fees	1,172,329	-
Community development and training	3,887,562	3,426,750
Conferences and seminars	3,344,241	2,621,503
Consumables	4,232,266	3,083,614
Electricity	1,684,420	54,924,430
Financial management grant projects	5,953,571	2,358,351
Fuel and oil	17,522,083	16,108,181
Fuel charges	564,050	-
Gas	342,440	-
Hire equipment	6,090,256	3,913,032
Indigent burials	1,289,415	1,682,932
Insurance	4,914,521	3,185,072
Lease rentals on operating lease	9,744,355	3,346,915
Legal expenses	18,735,487	12,624,892
License fees	3,207,163	1,308,459
Marketing	18,324,993	2,734,791
Metro transitional arrangement	2,015,723	-
Motor vehicle expenses	6,146,987	1,740,577
Penalties and interest	21,394,582	7,940,708
Postage and courier	4,916,431	5,143,425
Printing and stationery	3,989,985	4,602,360
Reconnection test and removal - meters	5,449,980	7,664,396
Refreshments	931,286	598,885
Refuse	18,963,552	3,295,506
Rehabilitation of landfill and quarry sites	-	774,690
Restructuring	-	2,547,520
Sewerage and waste disposal	290,529	276,387
Skills development and training	3,093,608	3,404,311
Skills development levy	7,827,756	5,873,372
Software expenses	220,500	225
Staff welfare	454,772	193,425
Subscriptions and membership fees	11,607,772	4,900,800
Sundry expenses	6,084,802	22,695,370
Telephone and fax	11,578,156	13,127,810
Title deed search fees	19,616	14,313
Tourism development	481,092	431,100
Travel - local	161,126	201,525
Uniforms and protective clothing	3,380,869	2,955,195
Vacuum services	22,177,063	7,616,078
Water	11,253,999	10,429,762
Water research	3,536,766	2,009,308
Workmen's compensation contributions	-	2,450,205
World cup expenditure	136,100	10,974,741
	<b>266,262,158</b>	<b>255,684,436</b>

# Mangaung Metropolitan Municipality

Formerly Mangaung Local Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>44. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursaries paid to employees	994,432	732,767
Central Agricultural Society	9,199	-
Cost of living allowance for pensioners	134,126	-
Employees and ex-employees	232,832	-
Free electricity services	59,986,837	19,985,393
Miscellaneous grants	274,577	115,429
National Electrification Program Grant	5,000,000	5,000,000
SPCA	372,165	351,099
Urban Settlement Development Grant	35,000,000	-
	<b>102,004,168</b>	<b>26,184,688</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.

### *Employees and ex-employees*

This is paid to employees who belong to a non-contributive gratuity scheme and is paid out on retirement, termination or death.

### *Free electricity services*

The free electricity provided by Centlec Pty Ltd and 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.

### *Urban Settlement Development*

The grant is used to upgrade urban areas and the amount paid relates to the portion provided for upgrading of urban areas allocated to Centlec Pty Ltd.

## 45. Remuneration of councillors

Executive Mayor	1,031,719	708,438
Deputy Executive Mayor	816,940	560,113
Mayoral Committee Members	7,086,296	5,304,134
Chief Whip	784,021	319,044
Speaker	835,957	561,207
Part time Councillors	30,762,705	15,172,702
	<b>41,317,638</b>	<b>22,625,638</b>

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>45. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
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.		
<b>46. Cash generated from operations</b>		
Surplus	110,528,194	336,307,613
<b>Adjustments for:</b>		
Depreciation and amortisation	453,202,371	137,859,351
Loss on sale of assets and liabilities/Write offs	942,975	949,536
Fair Value adjustments	(426,019,054)	1,933,833
FRESCHO Housing Development	90,807,675	-
Deferred lease expenditure	5,836,222	1,315,857
Interest income	(227,668,457)	(190,284,090)
Finance costs	139,730,655	106,549,273
Debt impairment	224,523,281	134,287,282
Movements in provisions	(9,384,662)	2,906,653
Heritage assets fair value adjustments	-	1,115,046
Staff bonuses - 13th cheque accrual	1,772,334	2,050,524
Staff leave day accrual and receivable	16,154,616	2,802,447
Defined benefit plan obligation: Benefits paid by the plan	(14,062,000)	(10,374,000)
Defined benefit plan obligation: Current services costs	19,047,000	25,508,000
Defined benefit plan obligation: Interest	40,399,000	38,005,000
Defined benefit plan obligation: Actuarial (gains) / losses recognised in surplus	9,969,000	(4,968,000)
Other non cash items	(143,121,827)	80,541,361
Inventories	1,063,267	2,105,554
Consumer Receivables	(148,213,366)	(47,164,885)
Other receivables	(12,934,457)	29,606,541
Payables	167,933,426	699,300,189
VAT Receivable / Payable	(25,997,066)	(14,840,866)
Unspent conditional grants and receipts	(283,083)	(1,118,037)
	<b>274,226,044</b>	<b>1,334,394,182</b>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>47. Commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	282,093,726	162,056,439
• Other financial assets	12,647,613	40,985,935
	<b>294,741,339</b>	<b>203,042,374</b>
<b>Approved but not yet contracted for</b>		
• Infrastructure	321,843,686	-
	<b>321,843,686</b>	-
<b>The capital expenditure will be financed from</b>		
• Non-current borrowings	62,087,194	22,347,156
• Unspent capital conditional grants and receipts	231,353,670	138,265,637
• Own resources	323,144,161	42,429,581
	<b>616,585,025</b>	<b>203,042,374</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,820,295	2,523,390
- in second to fifth year inclusive	87,669	4,597,073
	<b>1,907,964</b>	<b>7,120,463</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.		
<b>Operating leases - as lessor (revenue)</b>		
<b>Minimum lease payments due</b>		
- within one year	3,118,008	5,974,020
- in second to fifth year inclusive	13,174,164	19,696,479
- later than five years	178,567,477	111,564,642
	<b>194,859,649</b>	<b>137,235,141</b>

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R13,195,798 (2011: R13,365,113) has been recognised in the Statement of financial performance during the year.

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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	2012	2011
	R	R
<hr/>		
<b>48. Guarantees and contingent liabilities</b>		
<b>Guarantees</b>		
Housing loans	3,870,811	3,915,811

These are guarantees by the entity for housing loans to employees at various financial institutions.

### Contingent liabilities

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 R78,25 million (2011: R82,87 million). Included in the amount is R27.46 million and R38 million relating to claims from Centlec (Pty) Ltd for the consumption of all public lighting in the Mangaung Metro Area and electricity consumption for all Mangaung owned properties respectively.

The 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.



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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>49. Related parties</b>		
<b>Relationships</b>		
Controlled entities		Refer to note 12
A company, Centlec (Pty) Ltd, of which Mangaung Metro is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.		
<b>Related party balances</b>		
<b>Loan accounts - Owing (to) by related parties</b>		
Centlec Pty Ltd - Advances	136,089,716	149,779,678
Centlec Pty Ltd - Intercompany loan balance	(964,962,635)	(1,036,781,760)
Centlec Pty Ltd - Shareholders loan	2,112,836,529	1,943,261,962
Centlec Pty Ltd - Deferred interest on shareholders loan	(157,590,674)	(162,340,776)
<b>Related party transactions</b>		
<b>Interest received from related parties</b>		
Centlec Pty Ltd - Advances	(13,480,815)	(16,361,771)
Centlec Pty Ltd - Shareholders loan	(174,324,668)	(139,046,956)
Centlec (Pty) Ltd - Intercompany loan	(95,323,251)	(64,354,915)
<b>Administration fees received from related parties</b>		
Centlec Pty Ltd	-	(8,729,170)
<b>Management fees received from related parties</b>		
Centlec Pty Ltd	-	(1,787,270)
<b>Expenses paid to (received from) related parties</b>		
Centlec Pty Ltd - Electricity charges	115,187,968	54,924,430
Centlec Pty Ltd - Electricity Receipts	(124,611,896)	-
Centlec Pty Ltd - Employee related cost	(92,641,340)	(104,639,888)
Centlec Pty Ltd - Fuel	279,796	-
Centlec Pty Ltd - Insurance	1,558,241	(853,855)
Centlec Pty Ltd - Maintenance on street lights	(52,892)	6,125,000
Centlec Pty Ltd - Payments on behalf of Centlec	21,109,128	-
Centlec Pty Ltd - Services	-	(9,516,440)
Centlec Pty Ltd - Telephone expenses	728,839	-

Water and rates are treated as interdepartmental charges between the entity and controlled entity. These transaction are not recorded in the records of Centlec Pty Ltd.

Vehicle loans were granted at 8.5% interest per annum repayable over a maximum period 6 years. Repayments were made on a monthly basis by way of salary deductions. No further loans are granted.

### Key management and Councillors

No business transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 41, for key management and note 45 for Councillors.

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012	2011
	R	R
<b>50. Prior Period Errors</b>		
In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:		
<b>50.1. Prior period errors - Depreciation recalculation</b>		
Depreciation was recalculated based on days. Previously depreciation was calculated based on number of months. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Decrease in Property, plant and equipment	-	(28,482)
Opening Accumulated Surplus or Deficit	-	28,482
<b>50.2. Prior period errors - Classification of fire arms</b>		
3 fire arms are classified as heritage assets. The original cost price of these heritage assets were disclosed under Property, plant and equipment and during 2011 financial year this cost was disposed off under Property, plant and equipment. Correct the original cost by transferring it from Property, plant and equipment to Heritage assets and reverse the disposal of the cost in Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Decrease in Property, plant and equipment	-	(621)
Increase in Heritage assets	-	621
Increase in Reserve	-	(621)
<b>Statement of Financial Performance</b>		
Increase in loss on sale of assets	-	621
<b>50.3. Prior period errors - Depreciation recalculation</b>		
Depreciation was recalculated based on days. Previously depreciation was calculated based on number of months. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Decrease in accumulated surplus	-	(156,784)
Decrease in Property, plant and equipment	-	135,530
<b>Statement of Financial Performance</b>		
Increase in depreciation and amortisation	-	21,254

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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	2012	2011
	R	R

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### 50.4. Prior period errors - Cost prices recalculation

Recalculate the cost prices of fire arms by utilising the report obtained from an expert as to what the estimated fair value is at 30 June 2011. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	181,349
Decrease opening accumulated surplus	-	(181,349)

### 50.5. Prior period errors - Depreciation recalculation

Depreciation was recalculated based on days. Previously depreciation was calculated based on number of months. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	1,542,813
Opening Accumulated Surplus or Deficit	-	(244,218)

#### Statement of financial performance

Increase in depreciation and amortisation	-	(1,031,481)
Increase in Profit/loss on sale of assets	-	(267,114)

### 50.6. Prior period errors - Valuation of Modems under Finance lease

The fair value for additions during 2011 were incorrectly calculated. The restated fair value was confirmed with Vodacom suppliers. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Finance lease liability	-	(40,560)
Increase in payables from exchange transactions	-	40,560

### 50.7. Prior period errors - Correction of additions and disposal of finance leases

Correct cell phones used by Centlec (Pty) Ltd employees that were incorrectly included in the municipality's asset register. Correct additions and disposals during 2011 that were incorrectly accounted for. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	(427,528)
Decrease in finance lease liability	-	537,963
Decrease in Opening Accumulated surplus	-	(110,435)

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>50.8. Prior period errors - Valuation of Equipment under Finance leases</b>		
The fair value for additions during 2011 were incorrectly calculated. The restated fair value was confirmed with the agreement signed. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Increase in Property, plant and equipment	-	400,392
Increase in Finance lease liability	-	(400,392)
<b>50.9. Prior period errors - Correction of biological assets quantities and cost</b>		
The quantities reflecting previously in the fixed asset register were restated, mostly due to animals on loan being included in the register. The cost prices of some of the animals were changed from fair value to actual invoice prices. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Revaluation reserve opening balance	-	(1,771,472)
Revaluation reserve movement for 2011	-	1,984,998
Decrease in Property, plant and equipment	-	(95,000)
Opening Accumulated Surplus or Deficit	-	46,984
<b>Statement of Financial Performance</b>		
Decrease in General expenses	-	(165,510)
<b>50.10. Prior period errors - Recalculation of depreciation for furniture and office equipment</b>		
85 new assets were identified under furniture and office equipment. 2,163 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. Depreciation for furniture and office equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Decrease in Property, plant and equipment	-	(660,664)
Decrease in Opening accumulated surplus	-	949,227
<b>Statement of Financial Performance</b>		
Decrease in depreciation and amortisation	-	(288,563)
<b>50.11. Prior period errors - Correction of cost prices of furniture and office equipment</b>		
85 new assets were identified under furniture and office equipment. 2,163 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. Cost prices for furniture and office equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:		
<b>Statement of financial position</b>		
Increase in Property, plant and equipment	-	1,311,944
Increase in Opening Accumulated Surplus	-	(966,651)
<b>Statement of Financial Performance</b>		
Decrease in General Expenses	-	(345,293)

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## Notes to the Annual Financial Statements

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	2012	2011
	R	R

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### 50.12. Prior period errors - Recalculation of depreciation for tools, plant and equipment

60 new assets were identified under tools, plant and equipment. 2,104 assets previously classified as furniture and office equipment and 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. Depreciation for tools, plant and equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Increase in Property, plant and equipment	-	32,331,466
Increase in Opening Accumulated Surplus	-	(30,585,885)

#### Statement of Financial Performance

Decrease in depreciation and amortisation	-	(1,745,581)
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### 50.13. Prior period errors - Correction of cost prices of tools, plant and equipment

60 new assets were identified under tools, plant and equipment. 2,106 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. Cost prices for tools, plant and equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	(38,721,451)
Decrease in Opening Accumulated Surplus	-	39,775,802

#### Statement of Financial Performance

Decrease in General expenses	-	(1,054,351)
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### 50.14. Prior period errors - Correction of cost prices of motor vehicles

22 new assets were identified under motor vehicles. 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. 2 assets have been found to be duplicated. Cost prices for motor vehicles were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Increase in Property, plant and equipment	-	10,949,906
Increase in Opening Accumulated Surplus	-	(10,949,906)

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## Notes to the Annual Financial Statements

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	2012	2011
	R	R

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### 50.15. Prior period errors - Correction of cost prices of motor vehicles

22 new assets were identified that was sold during 2011. 2 assets previously shown as disposals were duplicated. 4 vehicles were found to be Centlec (Pty) Ltd vehicles that were sold. The cost prices and accumulated depreciation until selling date were recalculated. Profit and loss on sale of motor vehicles were recalculated as a result of these differences identified. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	(2,095,095)
Increase in Trade and other payables from exchange transactions	-	(86,000)
Increase in Opening Accumulated Surplus	-	(4,473,214)

#### Statement of Financial Performance

Decrease in Profit and loss on sale of assets	-	6,654,309
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### 50.16. Prior period errors - Recalculation of depreciation for motor vehicles

22 new assets were identified under motor vehicles. 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. 2 assets have been found to be duplicated. Cost prices for motor vehicles were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Decrease in Property, plant and equipment	-	6,365,114
Increase in Opening Accumulated Surplus	-	(6,420,687)

#### Statement of Financial Performance

Decrease in Depreciation and Amortisation	-	55,573
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### 50.17. Prior period errors - Intercompany loan

Some Centlec Inter-Company loan accounts were incorrectly accounted for as part of the Trade and other payables or Trade and other receivables.

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

#### Statement of financial position

Decrease in intercompany loan	-	34,804,184
Decrease in Trade and other receivables.	-	(34,885,468)
Decrease in Trade and other payables.	-	81,284

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>50.18. Prior period errors - Centlec Shareholders Loan</b>		
The Centlec shareholders loan was not accounted for in accordance with the amended agreement. The impact is as follows:		
1. Interest was not capitalised if no payment accrued, this prior year interest was capitalised.		
2. Deferred Interest was corrected to account for change due to the amended agreement.		
3. Prior year interest was adjusted for to the amount per the amended agreement.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in shareholders loan	-	(603,913,015)
Decrease in intercompany loan	-	583,501,785
Decrease deferred Interest account on shareholders loan	-	500,554,534
Increase in accumulated surplus / deficit	-	(500,554,534)
<b>Statement of Financial Performance</b>		
Increase in Interest Income	-	20,411,230
<b>50.19. Prior period errors - Electricity deposits</b>		
The amount for the electricity deposits was overstated.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Decrease in Trade and Other Payables	-	(734,831)
Increase in the Inter-Company Loan Account with Centlec	-	734,831
<b>50.20. Prior period errors - Debtors with credit balances written off</b>		
Individual debtors with credit balances were written off on the control account and not on the general ledger.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Trade and Other Payables	-	(8,233,410)
<b>Statement of Financial Performance</b>		
Decrease in other income(unclaimed deposits)	-	8,233,410
<b>50.21. Prior period errors - Water sales accrual</b>		
The year-end accrual for water sales was overstated.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Decrease in Trade and Other Receivables	-	(29,353,144)
Increase in VAT (accrued water)	-	3,604,772
<b>Statement of Financial Performance</b>		
Decrease in revenue (sale of water)	-	25,748,372

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>50.22. Prior period errors - Inventory</b>		
Inventory items belonging to Centlec were included as part of Mangaung's inventory.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Decrease in Inventories	-	(44,387)
Increase in the Inter-Company Loan account with Centlec	-	44,387
<b>50.23. Prior period errors - Unallocated deposits</b>		
Deposits older than 3 years were written off in the prior year on the general ledger and not in the control accounts		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Trade and Other Receivables	-	53,219
Decrease in Trade and Other Payables (Suspense Account)	-	(1,256,611)
<b>Statement of Financial Performance</b>		
Decrease in other income (unallocated deposits)	-	1,203,393
<b>50.24. Prior period errors - Correction of Long Service Awards</b>		
The long service awards obligation was incorrectly calculated in the prior year and an adjustment has been made to account for the balance as per the actuarial valuation.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Decrease in opening accumulated surplus	-	43,222,000
Increase in Defined Benefit Obligation	-	(35,009,163)
<b>Statement of Financial Performance</b>		
Decrease in Employee Costs	-	(16,300,837)
Increase in Finance Costs	-	3,965,000
Decrease in Actuarial Gain	-	4,123,000



# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>50.25. Prior period errors - Deferred operating lease expenditure</b>		
The deferred operating lease expenditure was restated to agree to the operating lease register.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Trade and Other Payables	-	(1,512,520)
<b>Statement of Financial Performance</b>		
Increase in Deferred Lease Expenditure	-	1,512,520
<b>50.26. Prior period errors - Deferred Operating Lease Income</b>		
The deferred operating lease income was restated to agree to the operating lease register.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Decrease in Trade and Other Receivables	-	(5,567,278)
<b>Statement of Financial Performance</b>		
Decrease in Deferred Lease Income	-	5,567,278
<b>50.27. Prior period errors - 2010/2011 Fair Value of Creditors</b>		
The 2010/2011 fair value of creditors has been reversed as per guidance in GRAP 104, section 7.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Trade and Other Payables	-	(116,579)
<b>Statement of Financial Performance</b>		
Increase in Water Purchases	-	116,579
<b>50.28. Prior period errors - Reconstruction of the Infrastructure Asset Register</b>		
During the 2010/2011 financial year the municipality embarked on a project to reconstruct the asset register of the municipality. This project was done in two main phases. Phase 1 was for moveable assets and land and buildings while phase 2 was for infrastructure assets. Phase 1 was completed during the 2010/2011 financial year and phase 2 during the 2011/2012 financial year.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Property, Plant and Equipment	-	5,393,343,171
Opening Accumulated Surplus or Deficit	-	(5,393,343,171)

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>51. Comparative figures (continued)</b>		
<b>50.29. Prior period errors - Finance Lease Liability</b>		
Adjustments were made to the leased asset register to account for additional leased assets. This had an impact on the finance lease liability and the amount was adjusted in accordance with the additional leased assets to be accounted for.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in Finance Lease Liability	-	(190,730)
<b>Statement of Financial Performance</b>		
Increase in Expenditure	-	190,730
<b>50.30. Prior period errors - Interest payable on the Centlec Intercompany Loan Account</b>		
Interest payable on the Centlec Intercompany Loan account was not provided for in the prior year.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Increase in the Intercompany Loan Account	-	(64,354,915)
<b>Statement of Financial Performance</b>		
Increase in Finance Costs	-	64,354,915
<b>51. Comparative figures</b>		
Certain comparative figures have been reclassified.		
The interest on consumer deposits should be capitalised against the consumer deposit balances. Therefore the following reclassification is made to consumer deposits. Refer to note 22.		
Insurance job cards from Centlec currently in Mangaung was reclassified to Centlec.		
The effects of the reclassification are as follows:		
<b>Statement of financial position</b>		
Increase in Consumer Deposits - Water	-	2,702,170
Decrease in Consumer Deposits - Accrued interest payable	-	(2,702,170)
Decrease in Other receivables from non-exchange transactions	-	(79,567)
Increase in Payables from exchange transactions	-	79,567
Increase in Other receivables from non-exchange transactions	-	81,284
Increase in Payables from exchange transactions	-	(81,284)

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>52. Financial sustainability</b>		
<p>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.</p> <p>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 2011.</p> <p>The entity has an intercompany loan from Centlec Pty Ltd, as shown under note 16 with an amount of R 964,962,635 (2011: R 1,036,781,760). The current ratio is calculated 0.73:1 (2011: 0.75:1), when excluding the loan, as the entity has full control over Centlec, municipal entity.</p>		
<b>53. Events after the reporting date</b>		
<p>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.</p> <p>Subsequent to year end, a council meeting was held on 28 August 2012 and the following items were condoned:</p> <p>Irregular expenditure The amount of R 9,096,749 was condoned by the Council.</p> <p>Fruitless and wasteful expenditure The amount of R 7,293,672 was condoned by the Council.</p>		
<b>54. Unauthorised expenditure</b>		
Opening balance	466,793,278	399,081,386
Unauthorised expenditure - current year	493,548,712	67,711,892
Approved by Council or condoned	(398,658,650)	-
	<b>561,683,340</b>	<b>466,793,278</b>
Details of unauthorised expenditure		
Incidents regarding 2007/2008	Disciplinary steps taken/criminal proceedings	
Infrastructural services	Condoned by council	- 21,389,005
Miscellaneous services	Condoned by council	- 168,868,774
Office of the city manager	Condoned by council	- 965,000
Water	Condoned by council	- 31,393,789
Incidents regarding 2008/2009	Disciplinary steps taken/criminal proceedings	
Unbudgeted infrastructure services	Condoned by council	- 12,592,777
Unbudgeted environmental management	Condoned by council	- 423,098
Unbudgeted expenditure	Condoned by council	- 107,235,351
Incidents regarding 2009/2010	Disciplinary steps taken/criminal proceedings	
Fresh produce market	Condoned by council	- 527,316
Miscellaneous services	Condoned by council	- 48,014,018
Office of the city manager	Condoned by council	- 791,620
Overspending on the finance directorate	Condoned by council	- 6,881,000
Incidents regarding 2010/2011	Disciplinary steps taken/criminal proceedings	
Fresh produce market	None	417,912 417,912
Miscellaneous services	None	29,774,764 29,774,764

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## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>54. Unauthorised expenditure (continued)</b>			
Water - Operating	None	23,353,983	23,353,983
Water - Capital	None	14,165,233	14,165,233
Incidents regarding 2011/2012	Disciplinary steps taken/criminal proceedings		
Overspending by the finance directorate	None	4,031,686	-
Overspending by infrastructural services	None	28,331,484	-
Overspending by Regional operations administration	None	4,307,260	-
Overspending by Miscellaneous Services	None	62,225,692	-
Overspending by Regional operations Bloemfontein North	None	394,652,592	-
Refer to Appendix E(1) and E(2) for more details.			
<b>55. Fruitless and wasteful expenditure</b>			
Opening balance		21,063,732	9,227,590
Fruitless and wasteful expenditure - current year		5,743,407	11,836,142
Amounts written off by Council or condoned		(11,421,374)	-
		<b>15,385,765</b>	<b>21,063,732</b>
Details of fruitless and wasteful expenditure incidents 2008/09	Disciplinary steps taken / criminal proceedings		
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. The item has been condoned by council.	-	41,490
Interest paid on overdue accounts.	The interest could not be recovered. The item has been condoned by council.	-	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. The item has been condoned by council.	-	2,010
Details of fruitless and wasteful expenditure incidents 2009/10	Disciplinary steps taken / criminal proceedings		
Fruitless and wasteful expenditure incurred due to settlement of legal cost.	The legal cost could not be recovered. The item has been condoned by council.	-	2,744,214
No support could be obtained that an official attended a meeting.	The item has been condoned by council.	-	3,574
An advance payment was made to a supplier while it is unsure whether the site has been established.	The item has been condoned by council.	-	1,099,158

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

		2012 R	2011 R
<b>55. Fruitless and wasteful expenditure (continued)</b>			
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.	The item has been condoned by council.	-	191,066
Expenditure incurred on fuel cards while the use of the fuel cards have been stopped.	The item has been condoned by council.	-	36,606
Differences on electricity expenses.	The item has been condoned by council.	-	1,077
Discrepancies regarding credit card expenditure.	The item has been condoned by council.	-	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
Details of fruitless and wasteful expenditure incidents 2010/11	Disciplinary steps taken / criminal proceedings		
The use of the ABSA 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.	7,729,134	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	A letter was written to SARS, requesting to waive the penalties and interest charged due to late submission. The penalties were waived but not the interest.	171,147	171,147
Interest paid on overdue accounts - Telkom.	This has been condoned.	-	81,043
Interest paid on overdue accounts - AGSA.	This has been condoned.	-	1,378
Interest paid on overdue accounts - FDC.	This has been condoned.	-	3,708
Payments to employees who were retrenched during the financial year.	This has been condoned.	-	3,814,883
Details of fruitless and wasteful expenditure incidents 2011/12	Disciplinary steps taken / criminal proceedings	-	-
Penalties and interest paid on the late submission of a VAT return.	This has been condoned.	2,385,596	-
Interest paid on overdue accounts - Telkom.	This has been condoned.	-	-
Interest paid on overdue accounts - Bloemwater.	This has been condoned.	-	-
Interest paid on overdue accounts - Eskom.	This has been condoned.	-	-

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>55. Fruitless and wasteful expenditure (continued)</b>		
Penalties for non-compliance with SALGBC This has been condoned. Collective agreement on Conditions of Service for Free State Deivision.	-	-
<b>56. Irregular expenditure</b>		
Opening balance	207,212,944	98,785,349
Irregular expenditure - current year	33,528,414	108,427,595
Amounts written off by Council or condoned	(9,096,749)	-
	<b>231,644,609</b>	<b>207,212,944</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	33,528,414	108,427,595
Prior years	198,116,195	98,785,349
	<b>231,644,609</b>	<b>207,212,944</b>
<b>Details of irregular expenditure – current year</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.	2,972,162
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.	15,681,820
A total amount of 9,000 pre-paid water meters were purchased during the 2011/2012 financial year. Only 614 pre-paid water meters were received. The amounts paid for the 8,386 water meters is considered to be irregular	The expenditure was identified during the current financial year and still needs to be investigated.	14,874,432
		<b>33,528,414</b>
<b>Details of irregular expenditure condoned</b>		
Expenditure items identified were the supply chain process was not followed	<b>Condoned by (condoning authority)</b> Council	9,096,749
		<b>9,096,749</b>
<b>57. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription fee	10,273,749	3,683,225
Amount paid - current year	(10,273,749)	(3,683,225)
	-	-

Contributions to organised local government consist out of annual subscriptions paid to SALGA.

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## Notes to the Annual Financial Statements

	2012 R	2011 R
<b>Audit fees</b>		
Opening balance	365,812	477,336
Amount paid - current year	(2,872,801)	(8,097,151)
Amount paid - previous years	(9,768,930)	(477,336)
Current year regularity audit fees	13,931,774	8,462,963
Prior year regularity audit fees	9,403,118	-
	<b>11,058,973</b>	<b>365,812</b>
<b>PAYE, UIF and SDL</b>		
Opening balance	1,639,948	-
Payable for the current year	120,805,890	103,392,984
Amount paid - current year	(122,156,149)	(101,753,036)
	<b>289,689</b>	<b>1,639,948</b>
<b>Pension and medical aid deductions</b>		
Current year payroll deductions	203,012,353	108,130,830
Amount paid - current year	(116,627,819)	(108,130,830)
	<b>86,384,534</b>	<b>-</b>

### Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable:

	Kilo liter	Cost per kilo liter	Total loss in Rand
Unaccounted water	31,851,224	3.50	111,479,285

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R	
<b>Councillors' arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:			
<b>30 June 2012</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Britz JF	2,115	-	2,115
Dyosiba S	135	-	135
Fujana MD	133	199	332
Horn W	280	-	280
Jacobs T A	441	119	560
Janse van Vuuren DE	2,114	-	2,114
July LR	1,023	224	1,247
Lazenby JAA	1,501	-	1,501
Lekgela LE	11,104	51,444	62,548
Lephoi MJ	140	137	277
Mangcotywa ZE	347	180	527
Manyoni TM	832	-	832
Masoetsa LA	7,060	164	7,224
Moilwa ME	336	263	599
Mononyane MB	8,696	32,943	41,639
Mpakathe TS	350	-	350
Mpheqeka MS	3,135	30,819	33,954
Ndamane SS	1,107	3,323	4,430
Nkoe MJ	5,001	32,675	37,676
Nothnagel J	2,407	-	2,407
Powell JD	978	-	978
Rampai CLM	3,285	-	3,285
Titi-Odili LM	1,000	6,640	7,640
Tsomela MM	180	-	180
Van der Merwe RA	3,214	-	3,214
Viviers BJ	331	-	331
Ward VW	6,122	13,335	19,457
	<b>63,367</b>	<b>172,465</b>	<b>235,832</b>
<b>30 June 2011</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
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
Lekgela LE	1,352	53,342	54,694
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
Mononyane MB	15,023	17,138	32,161
Monnakgori SA	401	-	401
Mpakathe TS	33	-	33
Mpheqeka MS	1,515	32,366	33,881



# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

		2012 R	2011 R
Mtshwane KJ	432	1,677	2,109
Naile TJ	46	443	489
Ndamane SS	1,810	4,144	5,954
Northnagel 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
Van der Westhuizen PM	371	-	371
Ward BC	2,031	9,741	11,772
	<b>51,980</b>	<b>257,179</b>	<b>309,159</b>

### Deviation from 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.

Deviations	2012	Number of deviations
Emergency	45,236,353	40
Sole supplier	1,458,706	102
Urgent	16,714,060	11
	<b>63,409,119</b>	<b>153</b>

# Mangaung Metropolitan Municipality

Formerly Mangaung Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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	2012	2011
	R	R

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### 58. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

### 59. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

### 60. 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.

# Mangaung Metropolitan Municipality

Formerly Mangaung Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

	2012 R	2011 R
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### 61. Transfer of Functions between entities not under common control

The Motheo District Municipality was acquired by the Mangaung Local Municipality on 1 July 2012 to become the new Mangaung Metro Municipality. The transfer was a 100% transfer of all functions, but some assets and applicable accounts payable and accounts receivable was transferred to other Municipalities. The transfer date was on 1 July 2012 and 100% of the voting rights was vested within the new Mangaung Metro Municipality.

The acquisition was done at R nil and there were no contingent consideration arrangements and indemnification assets noted.

According to the Provincial Gazette nr. 7 - 21 APRIL 2011 the assets, rights, liabilities and obligations (excluding investments, cash and cash balances) in so far as they were, immediately before the effective date, predominantly deployed in respect of, or related to, the performance by the disestablished municipality and the Mangaung local municipality (FS172) of a function or functions in a specific area, will be transferred in terms of a determination by the MEC for local government as published by notice in the Provincial Gazette to the metropolitan municipality, the Xhariep district municipality (DC16), the Thabo Mofutsanyane district municipality (DC19), the Naledi local municipality (FS171) and the Mantsopa local municipality (FS173) after consultation with the TFC established in terms of paragraph 15 which, on the effective date, have responsibility for the performance of the said function or functions in the said area. Refer to the Transfer to other Municipalities Colum below for the items transferred to the listed Municipalities above.

No extract from the Statement of Financial Performance was deemed necessary as the transfer was done on the first day of the year and there were no transfers in stages.

Extract from the Statement of Financial Position to illustrate the transfer of functions.

	Motheo District Municipality 2011	Transfer to other Municipalities	Fair Valuing / Contingencies	Mangaung Metro Municipality
<b>ASSETS</b>	-	-	-	-
<b>Non-current assets</b>	<b>9,892,085</b>	<b>(1,335,268)</b>	<b>152,932</b>	<b>8,709,749</b> ***
Property, plant and equipment	2,742,085	(1,335,268)	152,932	1,559,749 ***
Investment Property	7,150,000	-	-	7,150,000 ***
<b>Current assets</b>	<b>82,055,359</b>	<b>(20,310)</b>	-	<b>82,035,049</b> ***
Receivables	3,555,681	(20,310)	-	3,535,371 ***
Cash and cash equivalents	78,499,678	-	-	78,499,678 ***
<b>Total assets</b>	<b><u>91,947,444</u></b>	<b><u>(1,355,578)</u></b>	<b><u>152,932</u></b>	<b><u>90,744,798</u></b>
<b>NET ASSETS AND LIABILITIES</b>	-	-	-	-
<b>Net assets</b>	<b>81,861,284</b>	<b>(1,109,219)</b>	<b>(6,455,239)</b>	<b>74,296,826</b> ***
Accumulated surplus/(deficit)	81,861,284	(1,109,219)	(6,455,239)	74,296,826 ***
<b>LIABILITIES</b>	-	-	-	-
<b>Current liabilities</b>	<b>10,086,159</b>	<b>(246,359)</b>	<b>6,608,171</b>	<b>16,447,971</b> ***
Payables	8,103,450	(246,359)	-	7,857,091 ***
Unspent conditional grants and receipts	1,362,971	-	-	1,362,971 ***
Liabilities - Pending claims - Unfair dismissals	-	-	6,608,171	6,608,171 ***
Lease liabilities	619,738	-	-	619,738 ***
<b>Total net assets and liabilities</b>	<b><u>91,947,444</u></b>	<b><u>(1,355,578)</u></b>	<b><u>152,932</u></b>	<b><u>90,744,798</u></b>

# Mangaung Metropolitan Municipality

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Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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2012	2011
R	R

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### 61. Transfer of Functions between entities not under common control (continued)

\*\*\*The transfer date fair value of the total consideration transferred and the transfer date fair value of each major class of consideration.

For all the acquired receivables it was noted that the transaction during 2011 was at arms-length and thus at the fair value. There were no contractual amounts receivable at year end of 30 June 2011.

There was a contingent liability assumed during the transfer of functions of R 6,608,171 for pending claims due to possible unfair dismissals of employees.

There was no transfer of function in which the acquirer holds less than 100 percent of the equity interests in the acquiree at the transfer date.

There was no transfer of functions achieved in stages.

# Mangaung Metropolitan Municipality

## Appendix A

June 2012

### Schedule of external loans as at 30 June 2012

Loan Number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand	Rand	Rand	
<b>Development Bank of South Africa</b>								
DBSA @ 12.62%	103433/01	31 March 2026	-	10,997,888	136,324	10,861,564	10,098,000	-
DBSA @ 6.75%	103433/02	31 March 2026	11,829,774	31,619,332	687,882	42,761,224	80,439,672	-
DBSA Bloemfontein @ 10%	8001/104	31 December 2015	10,394,423	-	1,930,018	8,464,405	10,454,264	-
DBSA Thaba Nchu @ 14%	1864/202	30 September 2011	122,958	-	122,958	-	817,910	-
			<b>22,347,155</b>	<b>42,617,220</b>	<b>2,877,182</b>	<b>62,087,193</b>	<b>101,809,846</b>	<b>-</b>
<b>Total external loans</b>								
Development Bank of South Africa			22,347,155	42,617,220	2,877,182	62,087,193	101,809,846	-
			<b>22,347,155</b>	<b>42,617,220</b>	<b>2,877,182</b>	<b>62,087,193</b>	<b>101,809,846</b>	<b>-</b>

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

June 2012

**Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Write-offs Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Write-offs Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>												
Land (Separate for AFS purposes)	868,829,945	-	-	-	-	-	868,829,945	-	-	-	-	868,829,945
Buildings (Separate for AFS purposes)	113,935,532	7,150,000	-	-	-	-	121,085,532	(6,493,996)	(2,305,502)	-	(8,799,498)	112,286,034
	<b>982,765,477</b>	<b>7,150,000</b>	-	-	-	-	<b>989,915,477</b>	<b>(6,493,996)</b>	<b>(2,305,502)</b>	-	<b>(8,799,498)</b>	<b>981,115,979</b>
<b>Infrastructure</b>												
Bridges	63,650,974	-	-	-	-	-	63,650,974	(2,906,961)	(1,014,104)	-	(3,921,065)	59,729,909
Environmental facilities	406,714,253	6,825,777	-	-	-	-	413,540,030	(37,391,587)	(12,643,143)	-	(50,034,730)	363,505,300
Fresh produce market	42,947,743	-	-	-	-	-	42,947,743	(16,347,844)	(5,450,525)	-	(21,798,369)	21,149,374
Landfill sites	450,000	-	1,331,240	-	-	-	1,781,240	-	-	-	-	1,781,240
Pedestrian Malls	403,040,538	-	-	-	-	-	403,040,538	(35,538,059)	(11,846,020)	-	(47,384,079)	355,656,459
Parks and Cemeteries	125,926,325	3,398,992	8,114,627	-	(3,004,697)	-	134,435,247	(20,304,390)	(7,523,089)	-	(27,827,479)	106,607,768
Rail road siding	29,540,569	-	-	-	-	-	29,540,569	(3,713,857)	(1,237,952)	-	(4,951,809)	24,588,760
Roads	3,578,234,098	36,263,119	13,746,747	-	(52,489,019)	-	3,575,754,945	(593,945,358)	(206,021,315)	-	(799,966,673)	2,775,788,272
Sewerage Mains & Purification	363,567,516	-	-	-	-	-	363,567,516	(51,330,715)	(17,217,723)	-	(68,548,438)	295,019,078
Sportsgrounds and stadiums	2,975,768	-	17,751,478	-	(6,921,228)	-	13,806,018	-	-	-	-	13,806,018
Water Mains & Purification	2,299,106,955	-	-	-	-	-	2,299,106,955	(270,823,794)	(110,784,391)	-	(381,608,185)	1,917,498,770
Water and sanitation	1,036,298,578	14,060,574	59,528,223	-	-	-	1,109,887,375	(170,412,438)	(64,850,501)	-	(235,262,939)	874,624,436
White city infrastructure	-	-	329,989	-	-	-	329,989	-	-	-	-	329,989
Zoo	49,622,756	493,750	-	-	-	-	50,116,506	(6,157,587)	(2,238,303)	-	(8,395,890)	41,720,616
	<b>8,402,076,073</b>	<b>61,042,212</b>	<b>100,802,304</b>	-	<b>(62,414,944)</b>	-	<b>8,501,505,645</b>	<b>(1,208,872,590)</b>	<b>(440,827,066)</b>	-	<b>(1,649,699,656)</b>	<b>6,851,805,989</b>

**Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Write-offs Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Write-offs Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>												
Zoo	5,507,341	446,805	-	489,545	-	(942,975)	5,500,716	-	-	-	-	5,500,716
	<b>5,507,341</b>	<b>446,805</b>	-	<b>489,545</b>	-	<b>(942,975)</b>	<b>5,500,716</b>	-	-	-	-	<b>5,500,716</b>
<b>Other assets</b>												
General vehicles	177,052,229	-	-	-	-	-	177,052,229	(35,388,125)	(5,388,015)	-	(40,776,140)	136,276,089
Furniture and Office Equipment	14,741,780	11,763,759	-	-	-	-	26,505,539	(2,509,377)	(1,722,210)	-	(4,231,587)	22,273,952
Fire Arms	781,081	2,400	-	-	-	-	783,481	(107,728)	(36,380)	-	(144,108)	639,373
Tools, Plant and Equipment	4,239,293	967,670	-	-	-	-	5,206,963	(1,504,756)	(400,260)	-	(1,905,016)	3,301,947
	<b>196,814,383</b>	<b>12,733,829</b>	-	-	-	-	<b>209,548,212</b>	<b>(39,509,986)</b>	<b>(7,546,865)</b>	-	<b>(47,056,851)</b>	<b>162,491,361</b>

## Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012

### Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Write-offs Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Write-offs Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>												
Land and buildings	982,765,477	7,150,000	-	-	-	-	989,915,477	(6,493,996)	(2,305,502)	-	(8,799,498)	981,115,979
Infrastructure	8,402,076,073	61,042,212	100,802,304	-	(62,414,944)	-	8,501,505,645	(1,208,872,590)	(440,827,066)	-	(1,649,699,656)	6,851,805,989
Heritage assets	5,507,341	446,805	-	489,545	-	(942,975)	5,500,716	-	-	-	-	5,500,716
Other assets	196,814,383	12,733,829	-	-	-	-	209,548,212	(39,509,986)	(7,546,865)	-	(47,056,851)	162,491,361
	<b>9,587,163,274</b>	<b>81,372,846</b>	<b>100,802,304</b>	<b>489,545</b>	<b>(62,414,944)</b>	<b>(942,975)</b>	<b>9,706,470,050</b>	<b>(1,254,876,572)</b>	<b>(450,679,433)</b>	<b>-</b>	<b>(1,705,556,005)</b>	<b>8,000,914,045</b>
<b>Finance Leases</b>												
Finance Leases	8,937,783	4,815,570	-	-	-	(339,871)	13,413,482	(6,356,949)	(2,144,559)	339,871	(8,161,637)	5,251,845
	<b>8,937,783</b>	<b>4,815,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(339,871)</b>	<b>13,413,482</b>	<b>(6,356,949)</b>	<b>(2,144,559)</b>	<b>339,871</b>	<b>(8,161,637)</b>	<b>5,251,845</b>
<b>Intangible assets</b>												
Computers - software & programming	10,852,544	363,327	-	-	-	-	11,200,948	(1,989,157)	(378,211)	14,923	(2,352,445)	8,848,503
	<b>10,852,544</b>	<b>363,327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,200,948</b>	<b>(1,989,157)</b>	<b>(378,211)</b>	<b>14,923</b>	<b>(2,352,445)</b>	<b>8,848,503</b>
<b>Investment properties</b>												
Investment property	135,404,223	-	90,807,675	-	-	-	226,211,898	-	-	-	-	226,211,898
	<b>135,404,223</b>	<b>-</b>	<b>90,807,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,211,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,211,898</b>
<b>Total</b>												
Land and buildings	982,765,477	7,150,000	-	-	-	-	989,915,477	(6,493,996)	(2,305,502)	-	(8,799,498)	981,115,979
Infrastructure	8,402,076,073	61,042,212	100,802,304	-	(62,414,944)	-	8,501,505,645	(1,208,872,590)	(440,827,066)	-	(1,649,699,656)	6,851,805,989
Heritage assets	5,507,341	446,805	-	489,545	-	(942,975)	5,500,716	-	-	-	-	5,500,716
Other assets	196,814,383	12,733,829	-	-	-	-	209,548,212	(39,509,986)	(7,546,865)	-	(47,056,851)	162,491,361
Finance Leases	8,937,783	4,815,570	-	-	-	(339,871)	13,413,482	(6,356,949)	(2,144,559)	339,871	(8,161,637)	5,251,845
Intangible assets	10,852,544	363,327	-	-	-	-	11,200,948	(1,989,157)	(378,211)	14,923	(2,352,445)	8,848,503
Investment properties	135,404,223	-	90,807,675	-	-	-	226,211,898	-	-	-	-	226,211,898
	<b>9,742,357,824</b>	<b>86,551,743</b>	<b>191,609,979</b>	<b>489,545</b>	<b>(62,414,944)</b>	<b>(1,282,846)</b>	<b>9,957,296,378</b>	<b>(1,263,222,678)</b>	<b>(453,202,203)</b>	<b>354,794</b>	<b>(1,716,070,087)</b>	<b>8,241,226,291</b>



**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

June 2012

**Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>												
Land (Separate for AFS purposes)	868,829,945	-	-	-	-	-	868,829,945	-	-	-	-	868,829,945
Buildings (Separate for AFS purposes)	113,935,532	-	-	-	-	-	113,935,532	(4,329,331)	(2,164,665)	-	(6,493,996)	107,441,536
	<b>982,765,477</b>	-	-	-	-	-	<b>982,765,477</b>	<b>(4,329,331)</b>	<b>(2,164,665)</b>	-	<b>(6,493,996)</b>	<b>976,271,481</b>
<b>Infrastructure</b>												
Bridges	57,294,694	6,356,280	-	-	-	-	63,650,974	(1,895,628)	(1,011,333)	-	(2,906,961)	60,744,013
Environmental facilities	406,714,253	-	-	-	-	-	406,714,253	(24,939,248)	(12,452,339)	-	(37,391,587)	369,322,666
Fresh produce market	42,947,743	-	-	-	-	-	42,947,743	(10,897,319)	(5,450,525)	-	(16,347,844)	26,599,899
Landfill sites	790,585	-	5,562,511	-	(5,903,096)	-	450,000	-	-	-	-	450,000
Pedestrian Malls	403,040,538	-	-	-	-	-	403,040,538	(23,692,040)	(11,846,020)	-	(35,538,060)	367,502,478
Parks and Cemeteries	125,635,643	93,500	197,182	-	-	-	125,926,325	(13,088,341)	(7,216,050)	-	(20,304,391)	105,621,934
Rail road siding	29,540,569	-	-	-	-	-	29,540,569	(2,475,904)	(1,237,952)	-	(3,713,856)	25,826,713
Roads	3,361,767,998	213,595,265	2,870,835	-	-	-	3,578,234,098	(390,568,761)	(203,376,598)	-	(593,945,359)	2,984,288,739
Sewerage Mains & Purification	363,472,516	95,000	-	-	-	-	363,567,516	(34,160,035)	(17,170,680)	-	(51,330,715)	312,236,801
Sportsgrounds and stadiums	20,736	-	2,955,032	-	-	-	2,975,768	-	-	-	-	2,975,768
Water Mains & Purification	2,299,106,955	-	-	-	-	-	2,299,106,955	(160,039,403)	(110,784,391)	-	(270,823,794)	2,028,283,161
Water and sanitation	988,278,473	28,877,092	19,143,013	-	-	-	1,036,298,578	(108,332,095)	(62,080,343)	-	(170,412,438)	865,886,140
Zoo	49,580,256	42,500	-	-	-	-	49,622,756	(3,951,369)	(2,206,218)	-	(6,157,587)	43,465,169
	<b>8,128,190,959</b>	<b>249,059,637</b>	<b>30,728,573</b>	-	<b>(5,903,096)</b>	-	<b>8,402,076,073</b>	<b>(774,040,143)</b>	<b>(434,832,449)</b>	-	<b>(1,208,872,592)</b>	<b>7,193,203,481</b>
<b>Community Assets</b>												
	-	-	-	-	-	-	-	-	-	-	-	-

**Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>												
Zoo	5,143,188	1,115,046	-	198,643	-	(949,536)	5,507,341	-	-	-	-	5,507,341
	<b>5,143,188</b>	<b>1,115,046</b>	<b>-</b>	<b>198,643</b>	<b>-</b>	<b>(949,536)</b>	<b>5,507,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,507,341</b>
<b>Specialised vehicles</b>												
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>												
General vehicles	185,919,604	1,831,480	-	-	-	(10,698,854)	177,052,230	(33,402,633)	(6,116,037)	4,130,545	(35,388,125)	141,664,105
Furniture and Office Equipment	12,788,142	1,953,644	-	-	-	-	14,741,786	(1,498,790)	(1,010,589)	-	(2,509,379)	12,232,407
Fire Arms	781,081	-	-	-	-	-	781,081	(71,481)	(36,247)	-	(107,728)	673,353
Tools, Plant and Equipment	3,060,895	1,178,398	-	-	-	-	4,239,293	(1,278,032)	(226,725)	-	(1,504,757)	2,734,536
	<b>202,549,722</b>	<b>4,963,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,698,854)</b>	<b>196,814,390</b>	<b>(36,250,936)</b>	<b>(7,389,598)</b>	<b>4,130,545</b>	<b>(39,509,989)</b>	<b>157,304,401</b>

## Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2011

### Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Under Construction Rand	Transfers Rand	WIP Transfer Out Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>												
Land and buildings	982,765,477	-	-	-	-	-	982,765,477	(4,329,331)	(2,164,665)	-	(6,493,996)	976,271,481
Infrastructure	8,128,190,959	249,059,637	30,728,573	-	(5,903,096)	-	8,402,076,073	(774,040,143)	(434,832,449)	-	(1,208,872,592)	7,193,203,481
Heritage assets	5,143,188	1,115,046	-	198,643	-	(949,536)	5,507,341	-	-	-	-	5,507,341
Other assets	202,549,722	4,963,522	-	-	-	(10,698,854)	196,814,390	(36,250,936)	(7,389,598)	4,130,545	(39,509,989)	157,304,401
	<b>9,318,649,346</b>	<b>255,138,205</b>	<b>30,728,573</b>	<b>198,643</b>	<b>(5,903,096)</b>	<b>(11,648,390)</b>	<b>9,587,163,281</b>	<b>(814,620,410)</b>	<b>(444,386,712)</b>	<b>4,130,545</b>	<b>(1,254,876,577)</b>	<b>8,332,286,704</b>
<b>Finance Leases</b>												
Finance Leases	7,248,976	2,158,936	-	-	-	(470,129)	8,937,783	(5,346,614)	(1,439,678)	429,343	(6,356,949)	2,580,834
	<b>7,248,976</b>	<b>2,158,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(470,129)</b>	<b>8,937,783</b>	<b>(5,346,614)</b>	<b>(1,439,678)</b>	<b>429,343</b>	<b>(6,356,949)</b>	<b>2,580,834</b>
<b>Intangible assets</b>												
Computers - software & programming	10,852,544	-	-	-	-	-	10,852,544	(1,627,406)	(361,751)	-	(1,989,157)	8,863,387
	<b>10,852,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,852,544</b>	<b>(1,627,406)</b>	<b>(361,751)</b>	<b>-</b>	<b>(1,989,157)</b>	<b>8,863,387</b>
<b>Investment properties</b>												
Investment property	121,648,829	-	13,755,394	-	-	-	135,404,223	-	-	-	-	135,404,223
	<b>121,648,829</b>	<b>-</b>	<b>13,755,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,404,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,404,223</b>
<b>Total</b>												
Land and buildings	982,765,477	-	-	-	-	-	982,765,477	(4,329,331)	(2,164,665)	-	(6,493,996)	976,271,481
Infrastructure	8,128,190,959	249,059,637	30,728,573	-	(5,903,096)	-	8,402,076,073	(774,040,143)	(434,832,449)	-	(1,208,872,592)	7,193,203,481
Heritage assets	5,143,188	1,115,046	-	198,643	-	(949,536)	5,507,341	-	-	-	-	5,507,341
Other assets	202,549,722	4,963,522	-	-	-	(10,698,854)	196,814,390	(36,250,936)	(7,389,598)	4,130,545	(39,509,989)	157,304,401
Finance Leases	7,248,976	2,158,936	-	-	-	(470,129)	8,937,783	(5,346,614)	(1,439,678)	429,343	(6,356,949)	2,580,834
Intangible assets	10,852,544	-	-	-	-	-	10,852,544	(1,627,406)	(361,751)	-	(1,989,157)	8,863,387
Investment properties	121,648,829	-	13,755,394	-	-	-	135,404,223	-	-	-	-	135,404,223
	<b>9,458,399,695</b>	<b>257,297,141</b>	<b>44,483,967</b>	<b>198,643</b>	<b>(5,903,096)</b>	<b>(12,118,519)</b>	<b>9,742,357,831</b>	<b>(821,594,430)</b>	<b>(446,188,141)</b>	<b>4,559,888</b>	<b>(1,263,222,683)</b>	<b>8,479,135,148</b>

# Mangaung Metropolitan Municipality

## Appendix C

June 2012

### Segmental analysis of Property, Plant and Equipment as at 30 June 2012 Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Construction in Progress Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>										
Office of the City Manager	16,985,701	14,499,237	-	-	<b>31,484,938</b>	(7,911,816)	-	(2,336,738)	<b>(10,248,554)</b>	21,236,384
Corporate Services	602,302,338	6,880,445	30,951,081	-	<b>640,133,864</b>	(38,247,737)	-	(12,997,089)	<b>(51,244,826)</b>	588,889,038
Finance	3,636,210	55,332	-	-	<b>3,691,542</b>	(494,036)	-	(445,131)	<b>(939,167)</b>	2,752,375
Community and Social Development	224,540,308	18,603,368	857,431	(942,975)	<b>243,058,132</b>	(34,856,926)	-	(15,282,681)	<b>(50,139,607)</b>	192,918,525
Economic Development and Planning	1,341,398,789	7,551,489	17,816,971	-	<b>1,366,767,249</b>	(6,819,420)	339,871	(2,395,073)	<b>(6,874,622)</b>	1,357,892,627
Infrastructural Services	4,381,234,853	22,776,684	43,364,035	-	<b>4,447,375,572</b>	(716,243,905)	-	(237,903,653)	<b>(954,147,558)</b>	3,493,228,014
Regional Operations	3,253,378	276,285	-	-	<b>3,529,663</b>	(564,541)	-	(275,852)	<b>(840,393)</b>	2,689,270
Miscellaneous Services	-	1,437,469	-	(14,923)	<b>1,422,546</b>	-	14,923	(347,322)	<b>(332,399)</b>	1,090,147
Housing	32,037,169	364,066	-	-	<b>32,401,235</b>	(39,613)	-	(14,300)	<b>(53,913)</b>	32,347,322
Fresh Produce Market	43,754,802	23,850	-	-	<b>43,778,652</b>	(16,506,545)	-	(5,519,754)	<b>(22,026,299)</b>	21,752,353
Water	3,093,363,949	14,083,518	36,205,517	-	<b>3,143,652,984</b>	(441,538,139)	-	(175,684,611)	<b>(617,222,750)</b>	2,526,430,234
	<b>9,742,507,497</b>	<b>86,551,743</b>	<b>129,195,035</b>	<b>(957,898)</b>	<b>9,957,296,377</b>	<b>1,263,222,678)</b>	<b>354,794</b>	<b>(453,202,204)</b>	<b>1,716,070,088)</b>	<b>8,241,226,289</b>
<b>Total</b>	<b>9,742,507,497</b>	<b>86,551,743</b>	<b>129,195,035</b>	<b>(957,898)</b>	<b>9,957,296,377</b>	<b>1,263,222,678)</b>	<b>354,794</b>	<b>(453,202,204)</b>	<b>1,716,070,088)</b>	<b>8,241,226,289</b>

**Mangaung Metropolitan Municipality**

**Appendix D**

June 2012

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year 30 June 2011** **Current Year 30 June 2012**

<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Municipality</b>						
557,729,633	-	557,729,633	Rates Revenue: Property Rates	638,346,749	-	638,346,749
22,352,232	170,803,670	(148,451,438)	City Manager	14,024	90,434,446	(90,420,422)
4,673,933	73,527,772	(68,853,839)	Corporate services	6,034,317	212,113,270	(206,078,953)
52,202,083	88,266,777	(36,064,694)	Finance	32,091,392	77,128,470	(45,037,078)
20,482,634	221,212,633	(200,729,999)	Community & Social Services	7,729,211	178,906,452	(171,177,241)
12,426,611	51,734,829	(39,308,218)	Economic Development and Planning	9,341,286	49,368,489	(40,027,203)
16,804,280	14,024,725	2,779,555	Fresh Produce Market	17,279,723	10,075,647	7,204,076
334,567,351	426,574,773	(92,007,422)	Infrastructural Services	342,372,542	104,134,958	238,237,584
541,421,338	363,985,505	177,435,833	Water	609,928,628	340,222,003	269,706,625
656,414,886	370,175,927	286,238,959	Miscellaneous Services	921,602,198	704,516,988	217,085,210
4,740,257	25,733,101	(20,992,844)	Housing	95,242,822	15,447,710	79,795,112
-	-	-	Regional Operations	9,260,960	788,091,669	(778,830,709)
<b>2,223,815,238</b>	<b>1,806,039,712</b>	<b>417,775,526</b>		<b>2,689,243,852</b>	<b>2,570,440,102</b>	<b>118,803,750</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						

# Mangaung Metropolitan Municipality

## Appendix E(1)

June 2012

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

	Act. Bal. Year to Date Rand	Adjusted budget Year to Date Rand	Variance Rand	Var
<b>Revenue</b>				
Property rates	463,255,703	445,408,848	17,846,855	4.0
Service charges	625,320,381	614,311,875	11,008,506	1.8
Rental of facilities and equipment	18,916,124	23,673,060	(4,756,936)	(20.1)
Income from agency services	109,327,894	20,373,738	88,954,156	436.6
Public contributions and donations	-	23,180,983	(23,180,983)	(100.0)
Fines	2,884,999	4,359,009	(1,474,010)	(33.8)
Licences and permits	350,660	568,707	(218,047)	(38.3)
Government grants & subsidies	1,102,568,010	1,471,236,950	(368,668,940)	(25.1)
Seconded personnel	-	131,412,456	(131,412,456)	(100.0)
Regional operations	3,554,366	14,780,553	(11,226,187)	(76.0)
Other income	135,397,256	154,746,436	(19,349,180)	(12.5)
Interest received - investment	227,668,458	165,524,338	62,144,120	37.5
	<b>2,689,243,851</b>	<b>3,069,576,953</b>	<b>(380,333,102)</b>	<b>(12.4)</b>
<b>Expenses</b>				
Office of the City Manager	(90,434,446)	(111,656,481)	21,222,035	(19.0)
Corporate Services	(212,113,270)	(233,781,172)	21,667,902	(9.3)
Finance	(77,128,470)	(73,096,784)	(4,031,686)	5.5
Community and Social Development	(178,906,452)	(223,029,192)	44,122,740	(19.8)
Economic Development and Planning	(49,368,489)	(87,322,755)	37,954,266	(43.5)
Infrastructural Services	(104,134,958)	(75,803,474)	(28,331,484)	37.4
Miscellaneous Services	(704,516,988)	(642,291,296)	(62,225,692)	9.7
Housing	(15,447,710)	(19,440,750)	3,993,040	(20.5)
Fresh Produce Market	(10,075,647)	(12,764,413)	2,688,766	(21.1)
Water	(340,222,003)	(349,913,457)	9,691,454	(2.8)
Regional Operations	(788,091,669)	(474,285,809)	(313,805,860)	66.2
	<b>(2,570,440,102)</b>	<b>(2,303,385,583)</b>	<b>(267,054,519)</b>	<b>11.6</b>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	-	37,797	(37,797)	(100.0)
Actuarial Gain/(Loss)	(9,969,000)	-	(9,969,000)	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Gain or loss on disposal of non-current assets	1,693,465	-	1,693,465	-
	<b>(8,275,535)</b>	<b>37,797</b>	<b>(8,313,332)</b>	<b>(21,994.7)</b>
Net surplus/ (deficit) for the year	110,528,214	766,229,167	(655,700,953)	(85.6)



**Mangaung Metropolitan Municipality**  
**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Government	225,463,000	182,139,000	-	136,604,000	136,604,250	149,571,750	121,426,000	136,604,000	No	Yes	N/A
Public Transport Infra & System Grant	National Government	5,000,000	5,000,000	5,000,000	-	12,147,636	2,808,097	1,149,117	3,425,678	Yes	Yes	Could not rolled over since it was older than 2 years
DWAF Grant	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Mig Grant -Infrastructural Services	National Government	-	-	-	-	19,005,277	20,198,516	4,320,221	19,164,997	No	Yes	N/A
Mig Grant Capacity Building	National Government	-	-	-	40,000	-	-	-	-	No	Yes	N/A
Restructuring Grant	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Financial Management Grant	National Government	1,450,000	-	-	472,777	350,342	252,113	140,312	719,856	No	Yes	N/A
Municipal System Improvement Grant	National Government	-	-	-	831,151	-	-	-	-	No	Yes	N/A
Housing Accreditation Subsidy	Provincial Government	3,635,000	-	-	-	-	120	5,035	544,300	No	Yes	N/A
2010 World Cup Host City Operating Grant	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
2010 Stadia Provincial Grant	Provincial Government	-	-	-	-	1,018,854	-	49,000	136,100	No	Yes	N/A
DBSA Grant Capacity Building Programme	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Transfer Grasslands	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Planning and Surveying	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Local Government & Housing Grant White City	Provincial Government	-	-	-	-	-	-	-	42,308	No	Yes	N/A
Local Government & Housing Infrastructure Grant	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Motheo Contr- Environmental Health	District Municipality	-	-	-	-	-	-	133,674	733,551	No	Yes	N/A
Motheo Contr- Tourism	District Municipality	-	-	-	-	-	-	-	10,750	No	Yes	N/A
Motheo Contr- Upgrading Roads	District Municipality	-	-	-	-	-	621,147	617,574	20,532	No	Yes	N/A
Provincial Grant -Urban Renewal	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A



Provincial Grant CCTV For BFN CBD Stadium Navil Hill	Provincial Government	10,000,000	-	-	-	2,381,448	-	2,760,422	3,130,913	No	Yes	N/A
Provincial Grant Upgrading Roads in Batho	Provincial Government	-	-	-	-	6,562,794	4,633,449	4,471,950	5,067,105	No	Yes	N/A
Provincial Grant Upgrading Housing Batho	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
COGTA Capital Grant Fire Suppression Simulator	Provincial Government	-	-	-	-	-	-	-	82,817	No	Yes	N/A
Provincial Grant Township Establishment Caleb Motshabi	Provincial Government	-	-	-	-	-	-	-	11,275	No	Yes	N/A
Provincial Grant - Du Plessis /Muller Intersection	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj - Batho Car Wash	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj -Re Ba Ikemetseng Bomme	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj -lphahamilseng Centre	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj - Boikemesetso Coop Farming	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj - Lehlohonolo Music Group	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj - Mystic Beauty Saloon	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Provincial Treasury - Thaba Nchu Station Site Project	Provincial Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Urban Settlement Development Grant	National Government	137,332,000	137,332,000	137,331,000	-	48,973,506	44,519,329	52,770,632	101,774,266	No	Yes	N/A
Fuel Levy	National Government	58,657,000	58,657,000	58,658,000	-	17,597,200	52,791,600	52,791,600	52,791,600	No	Yes	N/A
Ntsika Economic Summit	National Government	-	-	-	8,583	-	-	-	-	No	Yes	N/A
District Aids Council	National Government	-	-	-	10,460	-	-	-	-	No	Yes	N/A
National Electrification Program Grant	National Government	9,219,000	6,146,000	12,635,000	-	-	-	12,635,000	-	No	Yes	N/A
Electricity Site Management Grant	National Government	-	3,000,000	2,000,000	-	-	-	-	5,000,000	No	Yes	N/A
		-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-			
		450,756,000	392,274,000	215,624,000	137,966,971	244,641,307	275,396,121	253,270,537	329,260,048			

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