

# Engcobo Local Municipality



## Annual Financial Statements for the year ended 30 June 2012

**Engcobo Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

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# Draft Annual Financial Statements

for

## Engcobo Local Municipality

for the year ended 30 June: 2012

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

### Contact Information:

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**Name of Chief Financial Officer:** Mr. M Matomane

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**Engcobo Local Municipality**  
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**General information**

**Members of the Council**

L. Jiyose, Mayor - Continuing Councillor	N. Singama - Continuing Councillor
N. Roskruge, Speaker - Continuing Councillor	Y. Ponoshe - Continuing Councillor
S. Mbolo, Chief Whip - Continuing Councillor	S. Mabadi - Continuing Councillor
S. Nkele, Finance - Continuing Councillor	S. Ndude - Continuing Councillor
Z. Xuba, Corporate Service - Continuing Councillor	N. Beta - Continuing Councillor
Z. Jabanga, Infrastructure - Councillor	T. Daniel - Continuing Councillor
N. Gedeni, SPU - Continuing Councillor	L. Mdoana - Resigned
N. Berana, Community service - Continuing Councillor	S. Marenene - Continuing Councillor
M. Mbhenyana, IPED - Continuing Councillor	N. Tolbhadi - Continuing Councillor
M. S. Tunce - Continuing Councillor	N. Nyudwane - Continuing Councillor
T. S. N. Bizana - Continuing Councillor	D.N. Mgudlwa - Continuing
N. O. Noludwe - Continuing Councillor	Z. Madyolo - Continuing
N. Macingwane - Continuing Councillor	N. Nzabela - New Councillor
N. Dalasile - Continuing Councillor	
S. Mbutuma - Continuing Councillor	
M. Paliso - Continuing Councillor	
L. Sizani - Continuing Councillor	
S. Guma - Continuing Councillor	
P. V. Ntsibantu - Continuing Councillor	
N. Yalezo - Continuing Councillor	
Z. Konile - Continuing Councillor	
M. W. Macozoma - Continuing Councillor	
B. M. Gqitiyeza - Continuing Councillor	
M. P. Zenani - Continuing Councillor	
N. C. Lumkwana - Continuing Councillor	
N. Bottoman - Continuing Councillor	
M. Saki - Continuing Councillor	
W. S. Mafufu - Continuing Councillor	

**Municipal Manager**

Mr. S Mahlasela

**Chief Financial Officer**

Mr. M Matomane

**Grading of Local Authority**

Grade 2

**Auditors**

Auditor-General

**Bankers**

First National Bank / ABSA Bank / Standard Bank

**Engcobo Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**General information (continued)**

**Physical address (Registered Address):**

**Postal address:**

**Telephone number:**

**Fax number:**

**E-mail address:**

**al Municipality**  
**IAL STATEMENTS**  
ed 30 June 2012

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Engcobo  
5050

P.O Box 24  
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5050

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**Engcobo Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 12 of this report and which are required in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and Councillors for loss of office, if any, as disclosed in note 19 of these annual financial statements are within the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Act, 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

*31 August 2012*



3 to 46, in terms of  
cipality.  
payments made to  
hin the upper limits  
Officer Bearers Act

**Engcobo Local Municipality**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2012

	Note	2012 R
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	56 695 620
Trade and other receivables from exchange transactions	2	4 521 605
Trade and other receivables from non-exchange transactions	3	2 183 481
Inventories	4	332 181
VAT receivable	8	4 499 341
<b>Non-current assets</b>		
Property, plant and equipment	5	280 845 233
Intangible assets	6	270 846
<b>Total assets</b>		<b><u>349 348 307</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	7	4 979 462
Current provisions	9	1 923 596
Current portion of unspent conditional grants and receipts	10	43 523 538
Current portion of finance lease liability	11	245 782
<b>Non-current liabilities</b>		
Non-current finance lease liability	11	-
<b>Total liabilities</b>		<b><u>50 672 377</u></b>
<b>Net assets</b>		<b><u><u>298 675 929</u></u></b>
<b>NET ASSETS</b>		
Reserves		3 424 462
Accumulated surplus / (deficit)		295 251 467
<b>Total net assets</b>		<b><u><u>298 675 929</u></u></b>

**2011**  
**R**

26 458 466  
4 259 785  
523 831  
-  
8 696 220

224 958 064  
270 330

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**265 166 696**

6 865 634  
1 066 097  
22 489 687  
328 765

245 782

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**30 995 965**

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**234 170 732**

-  
234 170 733

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**234 170 733**

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**Engcobo Local Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2012

	Note	2012 R
<b>Revenue</b>		
<i>Non-exchange revenue</i>		
Property rates	13	3 314 727
Transfers	18	52 735 131
Fines		59 347
Government grants and subsidies	17	142 999 436
<i>Exchange revenue</i>		
Service charges	14	2 769 005
Rental of facilities and equipment	15	123 514
Interest earned - external investments	16	2 231 005
Licences and permits		3 415 326
Other income	18	1 468 811
<b>Total revenue</b>		<b><u>209 116 302</u></b>
<b>Expenses</b>		
Employee related costs	19	27 683 086
Remuneration of councillors	20	9 131 017
Debt impairment		-
Impairment losses		166 602
Depreciation and amortisation expense	21	23 553 672
Repairs and maintenance		7 135 073
Finance costs	22	46 195
CHDM Asset write-offs	23	2 306 303
General expenses	24	79 143 444
<b>Total expenses</b>		<b><u>149 165 392</u></b>
Gain / (loss) on sale of assets	25	(95 249)
<b>Surplus / (deficit) for the period</b>		<b><u><u>59 855 661</u></u></b>

**2011**  
**R**

3 373 429  
-  
67 095  
97 399 554

680 884  
104 565  
1 291 382  
3 282 471  
6 900 748

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**113 100 129**

21 028 733  
6 623 642  
885 667  
-  
19 549 588  
4 145 656  
37 001  
-  
57 620 646

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**109 890 933**

(48 503)

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**3 160 693**

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**Engcobo Local Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2012

	Note	Revaluation	Accumulated	Total: Net Assets
		Reserve	Surplus/(Deficit)	
		R	R	R
<b>Balance at 30 June 2010</b>		-	<b>225 317 575</b>	<b>225 317 575</b>
Correction of prior period error	36	-	(19 135)	(19 135)
Restated Balance		-	<b>225 298 441</b>	<b>225 298 441</b>
Surplus / (deficit) for the period	36	-	3 160 693	3 160 693
<b>Balance at 30 June 2011</b>		-	<b>228 459 134</b>	<b>228 459 134</b>
Correction of prior period error	36	-	359 335	359 335
VAT and creditors write-offs	36	-	5 352 264	5 352 264
<b>Restated balance</b>		-	<b>234 170 733</b>	<b>234 170 733</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment		3 424 462	-	3 424 462
Write-offs and other surplus account	37	-	1 225 073	1 225 073
Surplus / (deficit) for the period		-	59 855 661	59 855 661
<b>Balance at 30 June 2012</b>		<b>3 424 462</b>	<b>295 251 467</b>	<b>298 675 929</b>

<b>Engcobo Local Municipality</b>			
<b>CASH FLOW STATEMENT</b>			
as at 30 June 2012			
	Note	2012 R	2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		179 690 431	123 482 208
Taxation			
Sales of goods and services		5 821 912	1 784 603
Grants		164 033 287	104 058 970
Interest received		2 231 005	1 291 382
Other receipts		7 604 228	16 347 253
Payments		(120 447 421)	(84 766 854)
Employee costs		(36 814 102)	(27 652 374)
Interest paid		(46 195)	(37 001)
Suppliers		(83 587 123)	(57 077 480)
<b>Net cash flows from operating activities</b>	26	<b>59 243 010</b>	<b>38 715 353</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(28 922 874)	(25 634 700)
<b>Net cash flows from investing activities</b>		<b>(28 922 874)</b>	<b>(25 634 700)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease liability		(82 983)	245 782
<b>Net cash flows from financing activities</b>		<b>(82 983)</b>	<b>245 782</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>30 237 153</b>	<b>13 326 435</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>26 458 467</b>	<b>13 132 032</b>
<b>Net cash and cash equivalents at end of period</b>	27	<b>56 695 620</b>	<b>26 458 467</b>





**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in a otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

The principal accounting policies adopted in the preparation of these annual financial statements are set

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted

The accounting policies applied are consistent with those used to present the previous year's financial statements. Changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate for the foreseeable future.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and guidance issued by National Treasury, has been provided and forms part of the audited annual financial statements.

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

**2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

**2.1** In the process of applying the Municipality's accounting policies, management has made the following significant judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

**2.2 IMPAIRMENT OF RECEIVABLES**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors are unable to make payments based on the history of payments made for municipal services.

**2.3 PROVISIONS AND CONTINGENT LIABILITIES**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities in the financial statements. Provisions are discounted where the effect of discounting is material using actuarial methods.

**2.4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT**

The useful lives of assets are based on management's estimation. Management considers the impairment requirements and required return on assets to determine the optimum useful life expectation where applicable. Management's judgement whether the assets will be sold or used to the end of their useful lives is based on management's subjective estimate based on management's experience.

**2.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective at the reporting date and have not been applied:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Parties - issued June 2011
- GRAP 21 Impairment of non-cash generating assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued November 2009
- GRAP 26 Impairment of cash generating assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

Application of all the above GRAP standards will be effective from the date to be announced by the Minister. For the standards that have been approved, but an effective date has not been determined by the Minister, the standards have been used to formulate an accounting policy.

The impact of the standards not yet effective on future financial statements is not expected to be significant. Management has considered all the above-mentioned GRAP standards issued but not yet effective and does not expect a significant impact on the financial position, financial performance or cash flows of the municipality. Material accounting frameworks and accounting policies.

### **3 PROPERTY, PLANT AND EQUIPMENT**

#### **3.1 INITIAL RECOGNITION**

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, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. They are recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the fair value of the consideration given in exchange for the asset, less any trade discounts, rebates or other incentives. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the asset is recognised at its fair value at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's carrying amount is less than the fair value of the asset(s) given up, the difference is recognised as a gain.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality can be used only in connection with an item of property, plant and equipment.

#### **3.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value less depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus, unless 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, unless it reverses a revaluation surplus in respect of that asset.

#### **3.3 SUBSEQUENT MEASUREMENT - COST MODEL (EXCLUDING LAND AND BUILDINGS)**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and recognises the replacement as a new asset. The cost of an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment when the municipality can be used only in connection with an item of property, plant and equipment.

#### **3.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful life of the asset. Assets that have different useful lives are depreciated separately. The estimated average asset lives in line with National Treasury guidelines:

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

<b>Infrastructure</b>		
Roads and Paving	3 - 50 years	
Pedestrian Malls		-
Electricity		-
Water		-
Sewerage		-
<b>Community</b>		
Buildings	25 - 50 years	
Recreational Facilities	25 - 30 years	
Security		-
Halls	25 - 50 years	
Libraries	25 - 30 years	
Parks and gardens		-
Other assets	25 - 30 years	
<b>Heritage assets</b>		
Buildings		-
Paintings and artifacts		-
<b>Finance lease assets</b>		
Office equipment	5 years	
Other assets	3 - 6 years	

The Municipality maintains and acquires assets to provide a social service to the community, with no intangible assets. Residual values are determined other than for certain Machinery and Equipment and Transport Equipment and Transport (Above R5,000) the residual value and the useful life of an asset and the depreciation is recognised prospectively as a change in accounting estimate in the Statement of Financial Performance. Depreciated annually to R1 and is included in the asset register mainly for completeness and monitoring.

The municipality tests for impairment where there is an indication that an asset may be impaired. An impairment test is done at each reporting date. Where the carrying amount of an item of property, plant and equipment (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) in the Statement of Financial Performance.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated. For cash-generating assets, the recoverable service amount is the higher of the individual asset's fair value less costs to dispose of the asset and the present value of the cash-generating asset's remaining service potential.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to dispose of the asset and the present value of the asset's remaining service potential.

If the recoverable service amount of an 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 of assets carried at cost less any accumulated depreciation or amortisation is recognised in the Statement of Financial Performance. An impairment loss of a revalued asset is treated as a revaluation decrease.

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

An impairment loss is recognised for non cash-generating units if the recoverable service amount of impairment loss is allocated to reduce the carrying amount of the assets of the unit , pro rata on the basis

A municipality assesses at each reporting date whether there is any indication that an impairment loss i exist or may have decreased. If any such indication exists, the recoverable service amounts of those ass

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exc had no impairment loss been recognised for the asset in prior periods.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the c impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Pe

*Heritage Assets*

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciat lives, as reflected in the table below:

<i>Heritage Sites</i>	<i>Useful Life Range in Years</i>
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life

**3.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there an from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, pl the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**4 INTANGIBLE ASSETS**

**4.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include municipality recognises an intangible asset in its Statement of Financial Position only when it is proba potential that are attributable to the asset will flow to the municipality and the cost or fair value of the ass

Internally generated intangible assets are subject to strict recognition criteria before they are capitilised. Re expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future
- The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exch value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a cc acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinat given up.

**4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject t

**4.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimat amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life a recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication there is an indication of possible impairment is done at each reporting date. Where the carrying amount of recoverable amount (or recoverable service amount), it is written down immediately to its recoverable a loss is charged to the Statement of Financial Performance.

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

**4.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the carrying amount and the fair value and is recognised in the Statement of Financial Performance.

**5 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability to control or exercise significant influence over the other party in making financial and/or operating decisions. Related parties include the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager.

**5 FINANCIAL INSTRUMENTS**

**5.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**5.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the case of financial assets, is in accordance with IAS 39.

**5.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term investments, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables. If investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised in the Statement of Financial Performance. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows of the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

**5.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value. Amortised cost refers to the initial carrying amount, plus interest, less repayments and discounts, and based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators of impairment. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables. The amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a total or partial recovery of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables. The amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a total or partial recovery of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**5.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities: other financial liabilities and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus discounts.

**5.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are financial assets: loans and receivables that are convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less, and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash and cash equivalents, bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are recognised in the Statement of Financial Performance. Bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2012

**6 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recognised as revenue in the Statement of Financial Performance.

**7 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) or is in contravention of the Municipality's supply and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No. 56 of 2003). Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recognised as revenue in the Statement of Financial Performance.

**8 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided if the expenditure had been used for a purpose that is in the public interest. Fruitless and wasteful expenditure is accounted for as an expense in the Statement of Financial Performance and where recognised as revenue in the Statement of Financial Performance.

**9 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE**

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on the Public Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible party. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

**10 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of a past event, the settlement of which embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the provision can be made and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are measured at the present value of the amount that reflects the market's current assessment of the time value of money, adjusted for risks specific to the obligation (e.g. rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is a liability that is not recognised because its settlement is not probable or its amount cannot be measured reliably. A contingent asset is disclosed where an inflow of economic benefits is probable and its amount can be measured reliably.

Future events that may affect the amount required to settle an obligation are reflected in the amount of the provision. Gains from the expected disposal of assets are not taken into account in measuring a provision. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria are met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their employment; and
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and

- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring features to those affected by it.

**Engcobo Local Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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**11 LEASES**

**11.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the fair value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease as the present value of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies for property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease liability and interest expense using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to property, plant and equipment or intangibles payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expense is recognised on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. Whether an arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset is not determinative.

**11.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease liability calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual value. The lease liability is reduced by the capital portion of the lease instalments received, with interest expense recognised on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial assets apply.

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. Whether an arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset is not determinative.

**12 REVENUE**

Revenue is only recognised once all of the following criteria have been satisfied:

- a) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership, nor control over the asset;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality and the amount of revenue and the service potential can be measured reliably.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality recognises revenue when it is earned. The Municipality will assess collectability subsequent to initial measurement and should recognise revenue as an expense.

**12.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for the provision of goods or services. Revenue is recognised when it is earned and approximates the consideration received or receivable.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and estimates of consumption are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the appropriate tariffs. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of properties.

Service charges from sewerage and sanitation are based on the number of sewerage connections or properties. Service charges are levied monthly by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant conditions are met. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods have been transferred to the buyer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is recognised when the municipality is acting in its own name, the municipality is liable to the principal, the municipality has discretion over the timing and the amount of the payments to be made to the principal as compensation for executing the agreed services.

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for the year ending 30 June 2012

**12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue of equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent of the recognition as an asset and there is no liability to repay the amount.

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the municipality receives payment.

Revenue from public contributions and donations is recognised when all conditions associated with the finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition as an asset of the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is not recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are received by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on the Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible party is received.

**12.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been provided are received or receivable and the corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are available as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised when received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the fund, it is recognised as revenue.

**13 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset. The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the asset for its intended use are complete. It is considered inappropriate to capitalise borrowing costs where the link between the borrowing and the asset is not adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense.

**14 EMPLOYEE BENEFITS**

**14.1 SHORT-TERM EMPLOYEE BENEFITS**

Short-term employee benefits include salaries and wages, short-term compensated absences and bonuses. The expense for short-term employee benefits when an employee has rendered services that entitle him/her to such benefits is recognised.

**14.2 POST EMPLOYMENT BENEFITS**

Payments made to defined contribution plans are recognised as an expense on the accrual basis. The municipality has no further payment obligation. The regular contributions and such are included in the staff costs.

**14.3 LEAVE PAY ACCRUAL**

The liability is based on the total amount of leave days due to the employees at reporting date and on the number of employees expected to be entitled to such leave at the reporting date.

**14.4 PERFORMANCE BONUSES**

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to employees is recognised when the municipality has a present obligation as a result of past events, the amount of which can be estimated reliably.

**15 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment. This impairment test is performed during the annual period and at the same time every year.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated as the higher of the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which it belongs and zero.

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



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised. An impairment loss of a revalued asset is treated as a revaluation decrease.

**15 IMPAIRMENT OF ASSETS (continued)**

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised may have decreased. If any such indication exists, the recoverable service amounts of those assets are re-estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation of a revalued asset is treated as a revaluation increase.

**16 INVENTORIES**

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport and other costs up to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of materials and direct labour during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value. Inventories are identified and written down in this way. Differences arising on the valuation of inventory at the year end are recognised as a reduction in the amount of inventories recognised as an expense in the period in which they arose.

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

**17 INVESTMENT PROPERTY**

Investment property includes property (land or a building or part of a building or both land or buildings) held to earn rental or capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or for administrative purposes.

Investment Property is initially recognised when future benefits are probable and the cost or fair value can be measured reliably.

At initial recognition, the entity measures investment property at cost including transaction costs. Once investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property from a third party), the value is measured at the date of acquisition.

Investment property is measured using the fair value model. Under the fair value model, investment property is measured at fair value. Gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to another asset, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied, the property is accounted for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

*Depreciation*  
Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount of the assets. Components of assets that are significant in relation to the whole asset and the annual depreciation rates are based on the following estimated average asset lives:

<i>Investment Property</i>	<i>Investment Property Useful Life Range in Years</i>
o Land	15 - 50
o Other	Indefinite Life

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
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The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted as necessary.

The assumptions for determining the fair value of the Investment property is set out in the relevant Note to the Financial Statements.

**Impairments**

The Municipality tests for impairment where there is an indication that an asset may be impaired. An impairment test is done at each reporting date. Where the carrying amount of an Investment Property is greater than its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

An Investment Property is derecognised when there is a disposal or no future economic benefits are expected to arise from the asset. The carrying amount of the asset is transferred to the Statement of Financial Performance.

**18 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date of issue of the financial statements. Events are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that no estimate can be made. For non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements, the nature and estimated financial effect of the event is disclosed.

**19 VALUE ADDED TAX (VAT)**

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets and liabilities that are VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial performance.

**20 NEW STANDARDS AND INTERPRETATIONS**

**Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are effective for financial statements beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 18: Segment Reporting	01 April 2013
GRAP 23: Revenue from Non-exchange	01 April 2012
GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012
GRAP 103: Heritage Assets	01 April 2012
GRAP 21: Impairment of Non-cash-generating Assets	01 April 2012
GRAP 26: Impairment of Cash-generating Assets	01 April 2012

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GRAP 25: Employee Benefits	01 April 2013
GRAP 104: Financial Instruments	01 April 2012
GRAP 105: Transfer of Functions Between Entities Under Common Control Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common	To be determined by minister
GRAP 106: Transfer of Functions Between Entities Not Under Common Control	To be determined by minister
GRAP 107: Mergers	To be determined by minister
GRAP 20: Related Party Disclosures	To be determined by minister

accordance with historical cost convention unless specified

Accounting Practice (GRAP), issued by the Accounting Standards

set out below

permitted by a Standard of GRAF

in the financial statements, unless explicitly stated. The details of any

of the municipality

to continue to operate as a going concern for at least the next 12

months are provided in an **annexure and notes** to these financial statements

For each period comparative amounts are restated. The nature and extent of the correction is made retrospectively as far as is practicable. If a change in accounting policy in the current year, the adjustment is made prospectively. Changes in accounting estimates is accounted for

significant accounting judgments, estimates and assumptions,

including whether debtors have defaulted on payments already due, and any other contingencies over the last twelve months.

contingent liabilities, as set out in subsequent notes to the financial statements valuation:

impact of technology, availability of capital funding, service charges, etc. appropriate. The estimation of residual values of assets is also based on their expected lives, and what their condition will be at that time. It is a

**RETROACTIVE**

has not been early adopted by the municipality

Board of Finance and no standards have been early adopted  
Board of Finance at the reporting date, certain elements ma

and

anticipates that the adoption of these standards will not hav  
management applied Directive 5 in determining its reportin

held for use in the production or supply of goods or services,  
year. Items of property, plant and equipment are initially  
, plant and equipment is the purchase price and other costs  
e manner intended by the municipality. Trade discounts and  
and removing the asset and restoring the site on which it is

are accounted for as separate items (major components) of

saction), the cost is deemed to be equal to the fair value of

monetary assets, or a combination of monetary and non-  
s fair value was not determinable, it's deemed cost is the

municipality expects to use them during more than one period.  
of property, plant and equipment, they are accounted for as

at the date of revaluation less any subsequent accumulated

ation surplus reserve, except to the extent that it reverses a

cit, except to the extent of any credit balance existing in the

accumulated depreciation and impairment losses. Land is not

and capitalises the new component. Subsequent expenditure  
with the asse

and equipment if the recognition criteria are me

useful lives of the assets. Components of assets that are  
. The annual depreciation rates are based on the following

**Other**

Buildings  
Mobile offices  
Specialist vehicles  
Other vehicles  
Office equipment  
Furniture and fittings  
Specialised plant and equipment  
Other items of plant and equipment  
Landfill sites  
Emergency equipment  
Computer equipment  
Intangible assets (Software)

Intention of disposing of the assets for any economic gain, and  
assets with significant carrying values. For Machinery and  
depreciation method is reviewed annually and any changes are  
in accordance. Minor assets (Below R5,000) are recognised and  
purpose:

assessment of whether there is an indication of possible  
impairment (carrying amount of equipment is greater than the estimated recoverable amount  
(present value of future cash service amount) and an impairment loss is charged to the

for the individual asset. If it is not possible to estimate the  
recoverable amount for the unit to which the asset belongs is determined

carrying amount and its value in use. The value in use for a non-cash

if the carrying amount of the asset is reduced to its recoverable service amount. That

is recognised immediately in surplus or deficit. Any impairment loss

the unit is less than the carrying amount of the unit. The  
s of the carrying amount of each asset in the uni

recognised in prior periods for which assets may no longer  
ets are estimated

eed the carrying amount that would have been determined

arrying amount that would have been determined had no  
rformance

ed owing to the uncertainty regarding their estimated useful

e no further economic benefits or service potential expected  
ant and equipment is determined as the difference between

computer software, licences, and development costs. The  
ible that the expected future economic benefits or service  
t can be measured reliably

research expenditure is never capitalised, while development

economic benefits or service potential.

ange transaction), the cost is deemed to be equal to the fair

ombination of monetary and non-monetary assets, the asset  
ble, it's deemed cost is the carrying amount of the asset(s)

cost of an intangible asset is amortised over the useful life  
o an annual impairment tes

ed useful lives using the straight line method. The annual

ire reviewed at each reporting date and any changes are

that an asset may be impaired. An assessment of whether  
an item of an intangible asset is greater than the estimated  
mount (or recoverable service amount) and an impairment

c benefits or service potential expected from the use of the  
fference between the sales proceeds and the carrying value

ability, directly or indirectly, to control or jointly control the  
decisions. Key management personnel is defined as the  
anager or as designated by the Municipal Manag

h profit or loss, held-to maturity, loans and receivables, or  
financial liabilities carried at amortised cost ("other"). The  
e absence of an approved GRAP Standard on Financial

term deposits invested in registered commercial banks, are  
l receivables, and are measured at amortised cost. Where  
gnised as an expense in the period that the impairment is  
ent value of the expected future cash flows flowing from the  
arrying amount is charged or credited to the Statement of

ially recognised at fair value and subsequently carried at  
impairments. An estimate is made for doubtful receivables  
probability that the debtor will enter bankruptcy or financial  
ators that the trade receivable is impaired. Impairments are  
a within 12 months from the reporting date are classified as

s through the use of an allowance account, and the amount  
rade receivable is uncollectible, it is written off. Subsequent  
Financial Performance

held at amortised cost, are intitially recognised at fair value  
interest.

equivalents are short-term highly liquid investments, readily  
; of three months or less and are subject to an insignificant  
; cash on hand, deposits held on call with banks, net of bank  
ables.

expensed as incurred. Amounts owing in respect of bank



he conditions of an allocation received from another sphere  
d in terms of the Municipal Finance Management Act (Act  
cial Performance and where recovered, it is subsequently

6 of 2003), the Municipal Systems Act (Act No.32 of 2000),  
chain management policy. Irregular expenditure excludes  
ncial Performance and where recovered, it is subsequently

ad reasonable care been exercised. Fruitless and wasteful  
overed, it is subsequently accounted for as revenue in the

cedures, including those set out in the Municipal Finance  
nsible councillors or officials is probable.The recovery of  
Financial Performance;

of past events, it is probable that an outflow of resources  
ion can be made. Provisions are reviewed at reporting date  
e discounted to their present value using a pre-tax discount  
to the liability (for example in the case of obligations for the

disclosed unless the possibility of an outflow of resources  
enefits is probable

a provision where there is sufficient objective evidence that  
rovision. Provisions are not recognised for future operating

gnition criteria of a provision have been met:

their services;

by starting to implement that plan or announcing its mai

ownership of an asset are transferred to the municipality. recognised at the lower of the asset's fair value and the present value of the lease and are measured as the sum of the minimum payments of the lease payments, the municipality uses the interest rate plus any direct costs incurred

Accounting policies applicable to property, plant, equipment or finance cost and the capital repayment using the effective interest method or derecognition of financial instruments are applied to lease

Lease rentals are accrued on a straight-line basis over the term

Lease arrangement at inception date: whether fulfilment of the lease is probable and the municipality will use the asset

Lease agreement as an asset (receivable). The receivable is initially recognised at the present value of the lease payments, discounted at the interest rate with the interest portion being recognised as interest revenue. Accounting policies applicable to lease receivables

Lease

Lease arrangement at inception date: whether fulfilment of the lease is probable and the municipality will use the asset

Lease with ownership nor effective control over the goods sold

Lease to the Municipality and the costs incurred or to be incurred in

Lease does not consider the collectability of the revenue on initial recognition. If the receivable is impaired, the impairment loss will be

Lease revenue for services rendered / goods sold, the value of which

Lease revenue are recognised as revenue when invoiced. The provisional

Lease approved tariff to each property that has improvements. Number of refuse containers per property

Lease revenue for each developed property using the tariffs approved from

Lease of the lease agreement

Lease service is rendered by applying the relevant gazetted tariff.

Lease revenue is passed to the consumer

Lease revenue (principal) is limited to the amount of any fee or commission

je from another entity without directly giving approximately  
tent that the the related receipt or receivable qualifies for

on charges are recognised when such amounts are legally

d when payment is received

contribution have been met or where the contribution is to  
or recognition and first becomes available for use by the  
conditions, a deferred income (liability) is recognise

nt qualifies for recognition and become available for use by

islated procedures, including those set out in the Municipal  
ossible councillors or officials is virtually certain

n transferred meet the criteria for recognition as an asset. A  
are invested until it is utilised.. The liability is transferred to  
d are recognised as revenue when the asset is recognise

der it is recorded as part of the credito

assets are capitalised to the cost of that asset unless it is  
all the activities to prepare the asset for its intended use or  
e funds borrowed and the capital asset acquired cannot be  
xpense in surplus or deficit when incurre

s plans. The entity recognises a liability and corresponding  
to the benefit:

unicipality operates defined contributions plans. Once th  
ns constitute periodic costs for the year in which they are dt

› total remuneration package of the employee

Section 57 employees is maintainere

›e impaired. If any such indication exists, the municipality

›airment annually by comparing its carrying amount with its  
›ery period

›or the individual asset. If it is not possible to estimate the  
›ig unit to which the asset belongs is determinere

›osts to sell and its value in use

ie asset is reduced to its recoverable service amount. That

ised immediately in surplus or deficit. Any impairment loss

is less than the carrying amount of the unit. The impairment

recognised in prior periods for assets may no longer exist or estimated

ceed the carrying amount that would have been determined

is recognised immediately in surplus or deficit. Any reversal

port costs and any other costs in bringing the inventories to includes the cost of labour, materials and overheads used

on), the cost is deemed to be equal to the fair value of the

ued at the lower of cost and net realisable value unless they nd current replacement cost. Redundant and slow-moving re recognised in the Statement of Financial Performance in increase in net realisable value or current replacement cost h the reversal occurs

sold, distributed, written off or consumed, unless that cost

held under a finance lease) held to earn rentals and/or for ds or services or the sale of an asset in the ordinary course

n be determined reliabl

it meets the definition of investment property. Where an ment property for no or a nominal value), its cost is its fair

operty is carried at its fair value at the reporting date. Any eriod in which it arise:

from investment property to owner occupied property, the property becomes an investment property, the Municipality o the date of change in us

amount, using the straight-line method over the estimated it have different useful lives are depreciated separately. The

ated if appropriate, at each financial year-end

of the Annual Financial Statement:

assessment of whether there is an indication of possible  
er than the estimated recoverable amount, it is written down  
'performance

arrying amount that would have been determined had no  
rformance

o be derived and all gains or losses are recognised in the

the reporting date and the date when the Annual Financial

reporting date); and  
reporting date)

ing events after the reporting date once the event occurs

that such estimate cannot be made in respect of all material  
a basis of the Annual Financial Statement

re recognised net of the amount of VAT. The net amount of  
ancial position

and are mandatory for the municipality's accounting periods

#### **Expected impact:**

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

GRAP 23 contains additional guidance on conditions,  
restrictions and stipulations which may result in revenue  
being recognised at a different stage as under GAMAP 9.  
Due to the nature of the non-exchange revenue received by  
the municipality, the impact of implementing GRAP 23 is  
not expected to be significant.

Although the municipality currently presents budget  
information in terms of legislation, additional disclosure will  
be required in terms of GRAP 24. The standard will  
however not impact the measurement of figures presented  
in the annual financial statements and will only result in  
additional detail being disclosed in relation to the budget.

The municipality does not have significant heritage assets  
portfolio however due to the nature of the assets the  
municipality anticipates difficulties with regards to the  
application of measurement requirements.

The municipality has phased out the transitional provisions  
as provided in Directive 4, accordingly the impact of  
implementing GRAP 23 is not expected to be significant.

Impairment of cash-generating assets 01 April 2012. The  
municipality does not hold cash generating assets  
accordingly the standard is not expected to have a  
significant impact.

Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2010/11 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes. The main impact appears to be from a disclosure perspective as the municipality does not participate in defined benefit. No material impact is expected on the measurement of financial instruments as the measurement basis of the municipality's financial instruments is expected to remain unchanged (i.e. at amortised cost and at fair value).

The municipality expects to adopt the standard for the first time once it becomes effective. The impact of this standard is currently being assessed.

The municipality expects to adopt the standard for the first time once it becomes effective. The impact of this standard is currently being assessed.

The municipality expects to adopt the standard for the first time once it becomes effective. The impact of this standard is currently being assessed.

The municipality expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the entity's annual financial statements.



























**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

	Note	2012 R	2011 R
<b>1 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		2 825	2 825
Cash at bank		3 303 169	1 855 833
Call deposits		53 389 626	24 599 809
		56 695 620	26 458 467
The Municipality has the following bank accounts: -			
<b>Current Account (Primary Bank Account)</b>			
First National Bank Limited - Engcobo Branch: Account Number 52171242061		3 303 169	1 855 833
Cash book balance at beginning of year		1 855 833	(281 120)
Cash book balance at end of year		3 303 169	1 855 833
Bank statement balance at beginning of year		2 265 545	2 623 485
Bank statement balance at end of year		3 371 566	2 265 545
<b>Current Account (Other Account)</b>			
<b>First National Bank (M.I.G) - Account number: 62095050523 (Money Market Account)</b>			
Cashbook Balance		11 819 370	5 450 511
Bank Statement Balance		11 819 370	5 450 511
<b>First National Bank (Mun.systems improvement grant )- Account No: 62095030426 (Money Market Account)</b>			
Cashbook Balance		645 342	10 306
Bank Statement Balance		645 342	10 306
<b>First National Bank (Self Insurance Fund) - Acc number: 62101651976 (Self Insurance Fund)</b>			
Cashbook Balance		270 335	259 984
Bank Statement Balance		270 335	259 984
<b>First National Bank(Mun Finance Mangement Grant)-Acc number: 62095026524(Money Market Account)</b>			
Cashbook Balance		1 382 869	10 564
Bank Statement Balance		1 382 869	10 564
<b>Meeg Bank Investment - Account number : 9191868465 (Call Account)</b>			
Cashbook Balance		661 224	660 561
Bank Statement Balance		661 224	660 561
<b>First National Bank - Mun admn Programme- Acc number: 62095023728 (Money Market Account)</b>			
Cashbook Balance		103 484	99 600
Bank Statement Balance		103 484	99 600
<b>First National Bank- Kwagcina Agric Fund, Acc number: 62095029148</b>			
Cashbook Balance		57 188	56 476
Bank Statement Balance		57 188	56 476
<b>First National Bank - Pilot Housing , Account number: 61217013327 (Call Account)</b>			
Cashbook Balance		2 008	1 988
Bank Statement Balance		2 008	1 988
<b>First National Bank -03 Account , Account number: 62024356570 (Money Market Account)</b>			
Cashbook Balance		2 419 522	2 327 593
Bank Statement Balance		2 419 522	2 327 593
<b>First National Bank - Equitable Share No-02, Account number:62012728484 (Call Account)</b>			
Cashbook Balance		33 832 372	15 206 361
Bank Statement Balance		33 832 372	15 206 361
<b>Standard Bank - Employee Levy Fund, Account number : 287133591 (Savings)</b>			
Cashbook Balance		60 401	59 671
Bank Statement Balance		60 401	59 671

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

<b>First National Bank - DBSA Investment, Account number: 61217016107 (Call Account)</b>		
Cashbook Balance	429 133	418 939
Bank Statement Balance	429 133	418 939
<b>First National Bank- CMIP Account , Account number:62027299967 (Call Account)</b>		
Cashbook Balance	37 629	37 256
Bank Statement Balance	37 629	37 256
<b>First National Bank - External Bank Finance, Account number: 62286911146</b>		
Cashbook Balance	1 668 749	-
Bank Statement Balance	1 668 749	-
Cash book balance at beginning of year	24 599 809	13 413 153
Cash book balance at end of year	53 389 626	24 599 809
Bank statement balance at beginning of year	24 717 251	13 413 153
Bank statement balance at end of year	53 389 626	24 717 251
<b>Cash on hand</b>	2 825	2 825
Total cash and cash equivalents	56 695 620	26 458 467
Total bank overdraft	-	-

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful	Net Balance
<u>Trade receivables from exchange</u>	R	Debts	R
as at 30 June 2012		R	
Service debtors	-		
Refuse	688 041	(144 714)	543 327
Water debtors	1 567 987	(351 352)	1 216 635
Sanitation	1 142 886	(268 902)	873 985
<b>Total</b>	<b>3 398 914</b>	<b>(764 968)</b>	<b>2 633 946</b>
<u>Other receivables from exchange</u>			
Other receivables	53 007	(14 102)	38 905
CHDM Debtor	1 848 753	-	1 848 753
<b>Total Trade and other receivables from exchange</b>	<b>5 300 675</b>	<b>(779 070)</b>	<b>4 521 605</b>
<u>Trade receivables from exchange</u>			
as at 30 June 2011			
Refuse	698 288	(548 800)	149 488
<b>Total</b>	<b>698 288</b>	<b>(548 800)</b>	<b>149 488</b>
<u>Other receivables from exchange</u>			
Other receivables	232 939	(229 939)	3 000
CHDM Debtors account	4 107 297	-	4 107 297
<b>Total Trade and other receivables from exchange</b>	<b>5 038 525</b>	<b>(778 739)</b>	<b>4 259 785</b>
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		106 035	98 108
31 - 60 Days		38 174	29 046
61 - 90 Days		61 452	22 334
91 - 120 Days		-	18 385
121 - 365 Days		482 380	530 415
<b>Total</b>		<b>688 041</b>	<b>698 288</b>
<u>Summary of Debtors by Customer Classification</u>	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2012</b>			
Current (0 – 30 days)	37 104.90	47 118	22 652
31 - 60 Days	13 057	16 581	7 971
61 - 90 Days	20 827	26 447	12 714
91 - 120 Days	-	-	-
121 - 365 Days	1 109 058	1 408 333	677 053
Sub-total	<b>1 180 046.56</b>	<b>1 498 477.66</b>	<b>720 390</b>
Less: Provision for doubtful debts	(50 242)	(63 800)	(30 672)
<b>Total debtors by customer classification</b>	<b>1 129 804</b>	<b>1 434 678</b>	<b>689 718</b>

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**as at 30 June 2011**

Current (0 – 30 days)	7 051.69	8 955	4 305
31 - 60 Days	2 043	2 594	1 247
61 - 90 Days	1 557	1 978	951
91 - 120 Days	1 273	1 617	777
121 - 365 Days	230 509	292 711	140 720
<b>Sub-total</b>	<b>242 433.97</b>	<b>307 853.86</b>	<b>148 000.14</b>
Less: Provision for doubtful debts	(190 534)	(241 949)	(116 317)
<b>Total debtors by customer classification</b>	<b>51 900</b>	<b>65 905</b>	<b>31 684</b>

**2 Reconciliation of the doubtful debt provision**

Balance at beginning of the year	(229 939)	(704 071)
Contributions to provision	(1 209 824)	474 132
Amounts written off	660 693	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>(779 070)</b>	<b>(229 939)</b>

The fair value of trade and other receivables approximates their carrying amounts.

**Past due and not impaired - Trade and other receivables from exchange receivables**

As at 30 June Receivables of R2,141,418 were past due but not impaired. The age analysis of these Receivables are as follows:

<b>as at 30 June 2012</b>	<b>Gross Balances</b>	<b>Provision for Impairment</b>	<b>Net Balance</b>
31 - 60 Days	155 981	-	155 981
61 - 90 Days	167 607	-	167 607
91 - 120 Days	-	-	-
121 - 365 Days	2 596 900	-779 070	1 817 830
<b>Sub-total</b>	<b>2 920 488</b>	<b>-779 070</b>	<b>2 141 418</b>

All current debtors (0-30 days) are not deemed to be past due and impaired. The likelihood of settling by each debtor is considered highly probable.

**3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

**Trade receivables from non-exchange**

<b>as at 30 June 2012</b>	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>
	R	R	R
Rates	3 115 184	(931 704)	2 183 481
<b>Total</b>	<b>3 115 184</b>	<b>(931 704)</b>	<b>2 183 481</b>

**Trade receivables from non-exchange**

<b>as at 30 June 2011</b>	<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>
Rates	2 802 628	(2 798 255)	4 373
<b>Total</b>	<b>2 802 628</b>	<b>(2 798 255)</b>	<b>4 373</b>

**Other receivables from non-exchange**

Creditors with debit balances	-	-
Other debtors	-	519 458
<b>Total Other Debtors</b>	<b>-</b>	<b>519 458</b>

**Total Trade and other receivables from non exchange transactions**

<b>2 183 481</b>	<b>523 831</b>
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**Rates: Ageing**

Current (0 – 30 days)	2 748	3 722
31 - 60 Days	6 776	450
61 - 90 Days	-	154
91 - 120 Days	3 105 660	-
121 - 365 Days	-	2 798 255
+ 365 Days	-	-
<b>Total</b>	<b>3 115 184</b>	<b>2 802 582</b>

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	(3 347 055)	(1 987 256)
Amounts written off	610 126	(1 359 799)
Reversal of provision	1 805 225	-
<b>Balance at end of year</b>	<b>(931 704)</b>	<b>(3 347 055)</b>

**Past due and not impaired - Trade and other receivables from non-exchange receivables**

As at 30 June Receivables of R2 180 751 were past due but not impaired. The age analysis of these Receivables are as follows:

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

as at 30 June 2012	Gross Balances	Provision for Impairment	Net Balance
31 - 60 Days		-	-
61 - 90 Days	6 776	-	6 776
91 - 120 Days		-	-
121 - 365 Days		-	-
<b>Sub-total</b>	<b>3 105 679</b>	<b>-931 704</b>	<b>2 173 976</b>
	<b>3 112 455</b>	<b>-931 704</b>	<b>2 180 751</b>

All current debtors (0-30 days) are not deemed to be past due and impaired. The likelihood of settling by each debtor is considered highly probable.

**4 INVENTORIES**

**Opening balance of inventories:**

Maintenance materials - at cost	-	-
Water	-	-
<b>Additions:</b>	<b>332 181</b>	-
Maintenance materials	241 398	-
Water	90 783	-

The Engcobo local municipality has entered into a new contract with Chris Hani District Municipality. Engcobo Local Municipality is referred to as a water service provider and Chris Hani District Municipality as water service authority. The contract shall endure for a three year cycle from the effective date 01 July 2011 to 30 June 2014. The WSA has the option to extend the contract but, in compliance with Section 116 of the Municipal Finance Management Act (Act 56 of 2003), it must thoroughly review the contract before renewal. The period and terms of any extension must be agreed to by both the WSA and WSP subject to compliance with section 33 of the Municipal Finance Management Act (Act 56 of 2003). If the WSA extends the contract, it shall give written notice of its intention not later than 31 December 2013. If no notice is given by the WSA of its intention to extend the period of the contract, the contract shall terminate on 30 June 2014.

**Old contract**

The Municipality was an agency of the Chris Hani local municipality in all water related matters. Engcobo Local Municipality would get 10% on revenue collected as a commission. The Chris Hani district Municipality accounted for water services transactions in its own annual financial statements and accounting records. Such transactions included all water services revenue; all costs associated with the provisioning of water services, water services assets, including accounts receivable, water services liabilities; and any other transactions that may be necessary to comply with the, Generally Recognised Accounting Practice (GRAP) framework. All related transaction and balances were grouped together at the end of each financial period, net balance disclosed either as a Creditor or Debtor.

**New contract**

Under the new contract, WSA delegates and assigns to the WSP all powers, rights, duties and obligations capable of being delegated and assigned in terms of law, subject to the provisions of this contract, necessary for or incidental to the effective, efficient, sustainable and affordable, provision of the water services to the consumers within the water services area; collection of the water services revenue; undertaking of the WSP's financial management activities in respect of the provision of water services; applying and enforcing of the WSA's credit control policy and debt collection bylaws in respect of water services revenue; exercise of such powers that the WSA enjoys, in discharging its responsibility for ensuring access to water services, in terms of current or future by-laws relating to water services.

Any maintenance, rehabilitation and/or minor modification of the water Services system undertaken by the WSP shall conform to all relevant regulatory provisions, the WSA's Development Plans and the WSA's technical specifications and standards. The WSA shall be responsible for managing and funding major rehabilitation and/or capital investment in the water services system.

The WSP shall be responsible for ensuring that meter reading takes place on a monthly basis in the water services area, The WSP shall issue accurate accounts on a regular monthly basis for the services rendered to consumers, The WSP shall be responsible for any financial loss incurred as a result of a failure to issue and deliver such statements of account timeously, The WSP shall be responsible for the collection of revenue from consumers in accordance with its credit control and debt collection bylaws and policies.

The WSP shall account for water services transactions in its own annual financial statements and accounting records. Such transactions will include all water services revenue; all costs associated with the provisioning of water services, assets not included in the operating lease arrangement mentioned in clause , including accounts receivable, water services liabilities; and any other transactions that may be necessary to comply with the Generally Recognised Accounting Practice (GRAP) framework. The water services assets belong to the WSA and are recorded in their financial records.

Current year CHDM as disclosed:

Revenue	28 627 336
Expenditure	25 538 724
Inventory	332 181
Debtors	2 710 873
Creditors	18 081
Cash and bank	1 668 749

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**5 PROPERTY, PLANT AND EQUIPMENT**

5.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets
	R	R	R	R	R	R
<b>as at 1 July 2011</b>	<b>3 934 335</b>	<b>2 438 782</b>	<b>187 175 360</b>	<b>21 732 960</b>	<b>6 766 889</b>	<b>530 268</b>
Cost/Revaluation	3 934 335	2 601 367	220 113 208	23 098 986	17 824 666	770 422
Accumulated depreciation and impairment losses	-	(162 585)	(32 937 848)	(1 366 026)	(11 057 777)	(240 154)
Acquisitions/Revaluations	1 283 665	(33 667)	55 234 443	13 690 154	5 929 215	-
Capital under Construction	-	-	5 639 286	-	-	-
Depreciation	-	(66 548)	(20 500 723)	(766 892)	(2 002 344)	(44 700)
Carrying value of disposals	-	-	-	-	<b>95 249</b>	-
Cost/Revaluation	-	-	-	-	350 538	-
Accumulated depreciation and impairment losses	-	-	-	-	(255 288)	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>5 218 000</b>	<b>2 338 567</b>	<b>227 548 366</b>	<b>34 656 222</b>	<b>10 598 511</b>	<b>485 568</b>
Cost/Revaluation	5 218 000	2 567 700	280 986 937	36 789 140	23 403 344	770 422
Accumulated depreciation and impairment losses	-	(229 133)	(53 438 571)	(2 132 918)	(12 804 833)	(284 854)

Refer to note 38 for more detail on property, plant and equipment

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012  
**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

5.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets
	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>3 934 335</b>	<b>2 648 219</b>	<b>189 227 226</b>	<b>22 111 540</b>	<b>6 114 842</b>	<b>223 500</b>
Cost/Revaluation	3 934 335	2 729 512	205 406 855	22 787 138	14 078 811	223 500
Accumulated depreciation and impairment losses	-	(81 293)	(16 179 629)	(675 598)	(7 963 968)	(104 300)
Acquisitions	-	-	7 773 676	183 703	3 806 019	546 922
Capital under Construction	-	-	9 312 147	-	-	-
Depreciation	-	(81 293)	(16 758 219)	(690 428)	(3 105 470)	(135 854)
Carrying value of disposals	-	-	-	-	<b>(48 503)</b>	-
Cost/Revaluation	-	-	-	-	(60 164)	-
Accumulated depreciation and impairment losses	-	-	-	-	11 661	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>3 934 335</b>	<b>2 438 782</b>	<b>189 554 831</b>	<b>21 732 960</b>	<b>6 766 889</b>	<b>530 268</b>
Cost/Revaluation	3 934 335	2 601 367	222 492 679	22 970 841	17 824 666	770 422
Accumulated depreciation and impairment losses	-	(162 585)	(32 937 848)	(1 366 026)	(11 057 777)	(240 154)

Refer to note 38 for more detail on property, plant and equipment

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**5.3 Property, plant and equipment pledged as security**

The municipality leases photo copiers from Tsolo Office Machinery and Nashua. The leases have been classified as finance leases and the machinery are pledged under these leases.

**5.4 Details of valuation**

**Land and buildings**

The effective date of the revaluations was 30 June 2010 and this was de-escalated based on market conditions to provide a value as at 1 July 2009. Revaluations by Penny Lindstrom who is a Professional Valuer (Reg. N0 935/7) from Penny Lindstrom Valuations cc. Mrs Lindstrom is not connected to the entity.

Land and buildings are re-valued independently every 4 years in terms of the Municipal Property Rates Act.

The valuation was performed using the following methods:

- Direct Comparison Method was used for residential properties and vacant land. This was based on arms-length transactions which had taken place during the period.
- The Capitalization of Income Method was used for all properties from which an income was derived i.e. Investment Properties.
- The Discounted Replacement Value Method was used for properties which were used by the Municipality in their enterprise and therefore do not generate any income, offices, workshops etc. Factors considered to determine the discount rate, using this method, are the condition and age of the improvement as well as its function.

All assumptions were based on prevailing market conditions during the period of valuation.

**Infrastructure assets**

The process is as follows for arriving at the deemed value of assets prior to 1 July 2009:

1. Componentise the assets.
2. Calculate the Current Replacement Cost (CRC) from a catalogue of average unit rates as at 1 July 2011 for each asset.
3. The Current Replacement Cost at 1 July 2009 is calculated by discounting the CRC of 1 July 2011 using the SA Stats Construction indexes at these dates.
4. The RUL is back-calculated from 1 July 2011 to 1 July 2009.
5. The deemed cost is calculated at 1 July 2009 using the DRC formula with the CRC and RUL as at 1 July 2009.
6. From the take-on date of 1 July 2009, the asset is depreciated over the back-calculated RUL (Remaining Useful Life) to the end of its useful life.

For infrastructure projects completed since 1 July 2009 the actual cost is used and apportioned across the components making up the project.

**5.5 Details of property**

Details of the municipality's properties are listed in its asset register and valuation register.

The Municipal Demarcation Board announced on 1 September 2010 that portions of Intsika Yethu Local Municipality (Wards 1 and 2) will become part of Engcobo Municipality. Certain infrastructure and movable assets were transferred from Intsika Yethu Local Municipality and have been recognised in the accounting records of Engcobo Local Municipality in the current financial year.



**Total**

**R**

**222 578 594**

268 342 985

(45 764 391)

76 103 810

5 639 286

(23 381 207)

-

**95 249**

350 538

(255 288)

-

-

**280 845 233**

349 735 543

(68 890 309)

**Total**

**R**

**224 259 663**

249 160 151

(25 004 788)

12 310 320

9 312 147

(20 771 263)

**(48 503)**

(60 164)

11 661

-

**224 958 064**

270 594 309

(45 764 390)

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**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note 6                      2012  
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**6 INTANGIBLE ASSETS**

**6.1 Reconciliation of carrying value**

	<b>Computer Software</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>as at 1 July 2011</b>	<b>270 330</b>	<b>270 330</b>
Cost	334 169	334 169
Accumulated amortisation and impairment losses	(63 838)	(63 838)
Acquisitions	144 619	144 619
Amortisation	(144 103)	(144 103)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
<b>as at 30 June 2012</b>	<b>270 846</b>	<b>270 846</b>
Cost	478 788	478 788
Accumulated amortisation and impairment losses	(207 941)	(207 941)

**6.2 Reconciliation of carrying value**

	<b>Computer Software</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>as at 1 July 2010</b>	<b>11 458</b>	<b>11 458</b>
Cost	17 296	17 296
Accumulated amortisation and impairment losses	(5 838)	(5 838)
Acquisitions	316 873	316 873
Amortisation	(58 000)	(58 000)
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
<b>as at 1 July 2011</b>	<b>270 330</b>	<b>270 330</b>
Cost	334 169	334 169
Accumulated amortisation and impairment losses	(63 838)	(63 838)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

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

All of the municipality's Intangible Assets have not been pledged as security for any liabilities of the municipality

**6.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**Engcobo Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note 6

2012  
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**Engcobo Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note 6

2012  
R

**Engcobo Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

Note 6

2012  
R

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

	Note	2012 R	2011 R
<b>7 TRADE AND OTHER PAYABLES</b>			
Trade creditors		2 423 070	3 577 671
Debtors with credit balance		246 704	87 435
Other creditors		138 738	57 407
Staff leave accrual		2 170 950	3 143 121
<b>Total creditors</b>		<b>4 979 462</b>	<b>6 865 634</b>

The fair value of trade and other payables approximates their carrying amounts.

<b>8 VAT RECEIVABLE</b>			
VAT receivable		4 499 341	8 696 220
		<b>4 499 341</b>	<b>8 696 220</b>

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

<b>9 PROVISIONS</b>			
Provision for long service bonuses-leave ( See 9.1)		49 714.53	-
Current portion of landfill site restoration provision (see note 12)		1 873 881	1 066 097
<b>Total Provisions</b>		<b>1 923 596</b>	<b>1 066 097</b>

**9.1 Provision for long service bonus**

This provision relates to expected outflows of economic benefits associated with paying employees that have completed a cycle of 5 years in the employ of the municipality

<b>Balance at the beginning of year (current and non-current)</b>	-	-
Increase in provision	49 715	-
<b>Balance at the end of year</b>	<b>49 715</b>	<b>-</b>

**10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**10.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants	10 587 478	10 796 485
Other	32 936 060	11 693 202
<b>Total Unspent Conditional Grants and Receipts</b>	<b>43 523 538</b>	<b>22 489 687</b>

<b>Non-current unspent conditional grants and receipts</b>	-	-
<b>Current portion of unspent conditional grants and receipts</b>	<b>43 523 538</b>	<b>22 489 687</b>

See Note 17 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**Restrictions**

Electrification grant - Used solely on the electrification of households within Engcobo jurisdiction.

EPWP - This should be used on the employment of Engcobo residents.

Small Town revitalisation - Funds should only be spent on revitalizing Engcobo

Mgwali Projects - Funds to be spent on Mgwali projects alone.

Charcoal - Funds should only be spent on charcoal projects.

MIG - Funds should only be spent on infrastructure roads.

MSIG - Funds should be spent on systems improvement only by the municipality.

FMG - Funds should only be spent on improving the financial systems of the municipality.

The rollover for the following grants was disallowed by Treasury. Discussions with National Treasury are in progress regarding the disallowance. The amounts disallowed for rollover are as follows: MIG (12.4 mil and FMG (0.56 mil). The municipality has underspent on grants amounting to R50 888 948. The underspent funds are committed.

**11 FINANCE LEASE LIABILITY**

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	256 397	(10 615)	245 782
Within two to five years	-	-	-
	<b>256 397</b>	<b>(10 615)</b>	<b>245 782</b>
Less: Amount due for settlement within 12 months (current portion)			<u>(245 782)</u>
			<u>-</u>



**Engcobo Local Municipality**  
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The municipality leases photo copiers from Tsolo Office Machinery and Nashua. The lease term is for 2 years commencing March 2011 for the Tsolo lease and 5 years for the Nashua lease which commenced in March 2008. Interest rates are fixed at the contract date. The Tsolo and Nashua leases have fixed repayment rates of R 24 800 and R 6446.70 per month respectively. No arrangements have been entered into for contingent rent.

2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	374 960	46 195	328 765
Within two to five years	256 397	10 615	245 782
	<u>631 357</u>	<u>56 810</u>	<u>574 547</u>
Less: Amount due for settlement within 12 months (current portion)			<u>(328 765)</u>
			<u><b>245 782</b></u>

**12 NON-CURRENT PROVISIONS**

Provision for rehabilitation of landfill sites	-	-
<b>Total Non-Current Provisions</b>	<u>-</u>	<u>-</u>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation using an interest rate of 0.78%. Improvements are being made to the site. The life expectancy as at the end of the financial year was 135 years.

1 873 881.30                      1 066 097

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year (current and non-current)</b>	1 066 097.30	1 177 454
Contributions to provision	905 034.00	-
Expenditure incurred	(128 000.00)	(228 182)
Increase in provision due to discounting	30 750.00	116 825
Transfer to current provisions	(1 873 881.30)	(1 066 097)
<b>Balance at the end of year</b>	<u>-</u>	<u>-</u>

**13 PROPERTY RATES**

<u>Actual</u>		
Residential	1 150 818.16	1 171 198
Commercial	1 461 362	1 487 242
State	559 130	569 032
Other	143 417	145 957
<b>Total property rates</b>	<u>3 314 727</u>	<u>3 373 429</u>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<u><b>3 314 727</b></u>	<u><b>3 373 429</b></u>
<b>Valuations</b>		
Residential	108 467 780	108 467 780
Commercial	137 737 400	137 737 400
State	52 699 560	52 699 560
Municipal	13 517 423	13 517 423
<b>Total Property Valuations</b>	<u><b>312 422 163</b></u>	<u><b>312 422 163</b></u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008.

A general rate of R 0.0132 is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 June 2012 (2011: 30 June).

**Engcobo Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
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**14 SERVICE CHARGES**

Sale of electricity	-	-
Sale of water	1 366 043	-
Refuse removal	662 149	680 884
Sewerage and sanitation charges	740 813	-
<b>Total Service Charges</b>	<b>2 769 005</b>	<b>680 884</b>

**15 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	123 514	104 565
<b>Total rentals</b>	<b>123 514</b>	<b>104 565</b>

**16 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	2 231 005	1 291 382
<b>Total interest</b>	<b>2 231 005</b>	<b>1 291 382</b>

**17 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	66 179 000	46 996 861
Other operational grants	-	4 200 751
MIG Grant	21 830 007	15 249 708
Other Government Grants and Subsidies	54 990 429	30 952 234
<b>Total Government Grant and Subsidies</b>	<b>142 999 436</b>	<b>97 399 554</b>

**17.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 50% of basic charge for water and sanitation and 6 kilolitres of free water, which is funded from the grant.

**17.2 MIG Grant**

<b>Balance unspent at beginning of year</b>	10 796 485	12 069 193
Current year receipts	21 621 000	13 977 000
Conditions met - transferred to revenue	(21 830 007)	(15 249 708)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>10 587 478</b>	<b>10 796 485</b>

**17.3 Other Government Grants and Subsidies**

<b>Balance unspent at beginning of year</b>	11 693 202	3 761 079
Current year receipts	47 601 483	38 884 357
Conditions met - transferred to revenue	(26 358 625)	(30 952 234)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>32 936 060</b>	<b>11 693 202</b>

**17.4 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**18.1 Other income**

Other fees	863 784	6 900 748
Reversal of provision for bad debts resulting from a change in estimate	605 026	-
<b>Total Other Income</b>	<b>1 468 811</b>	<b>6 900 748</b>

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18.2 Transfers**

**Transfers** (Refer to Note 5.5)

Included in transfers and donations income are the following:

Landfill site donated by DEAT	8 640 188	-
Fire Station donated by department	10 468 941	-
Movable assets from Intsika Yethu	26 246	-
Road Transport assets transferred due to demarcation	33 599 757	-
	<b>52 735 131</b>	

**19 EMPLOYEE RELATED COSTS**

	<b>27 683 086</b>	<b>21 028 733</b>
Employee related costs - Salaries and Wages	17 787 359	14 069 769
Employee related costs - Contributions for UIF, pensions and medical aids	3 557 331	2 509 145
Travel, motor car, accommodation, subsistence and other allowances	2 916 544	2 273 751
Housing benefits and allowances	65 856	58 310
Overtime payments	528 376	283 921
Other employee related costs	2 827 619	1 833 836
<b>Employee Related Costs</b>	<b>27 683 086</b>	<b>21 028 733</b>

There were no advances to employees.

Included in the total for employee costs above are remuneration of individual executive managers as detailed below:

**Remuneration of the Municipal Manager**

Annual Remuneration	152 638	-
Travel, motor car, accommodation, subsistence and other allowances	49 567	-
Contributions to UIF, Medical and Pension Funds	374	-
Severance Pay	-	650 000
<b>Total</b>	<b>202 579</b>	<b>650 000</b>

The Corporate Services Manager occupied the position of acting Municipal Manager for the year under audit.

**Remuneration of the Chief Finance Officer**

Annual Remuneration	278 638	470 646
Travel, motor car, accommodation, subsistence and other allowances	165 025	106 287
Contributions to UIF, Medical and Pension Funds	873	1 497
<b>Total</b>	<b>444 537</b>	<b>578 431</b>

**Remuneration of Individual Executive Directors**

	Technical Services R	Corporate Services R	Community Services R
<b>2012</b>			
Annual Remuneration	513 763	386 564	513 763
Acting Allowance	-	44 036	-
Travel, motor car, accommodation, subsistence and other allowances	113 552	117 460	106 267
Contributions to UIF, Medical and Pension Funds	1 497	1 123	63 837
<b>Total</b>	<b>628 813</b>	<b>549 183</b>	<b>683 867</b>

	Technical Services R	Corporate Services R	Community Services R
<b>2011</b>			
Annual Remuneration	468 972	468 972	468 972
Travel, motor car, accommodation, subsistence and other allowances	132 202	161 713	113 359
Contributions to UIF, Medical and Pension Funds	1 497	1 497	1 497
<b>Total</b>	<b>602 671</b>	<b>632 182</b>	<b>583 828</b>

**20 REMUNERATION OF COUNCILLORS**

Executive Mayor	561 580	552 280
Speaker	449 263	462 236
Councillors	5 098 531	3 583 791
Councillors' pension and medical aid contributions	68 337.92	94 643
Councillors' allowances	2 953 304.19	1 930 692
<b>Total Councillors' Remuneration</b>	<b>9 131 017</b>	<b>6 623 642</b>

**In-kind Benefits**

**Engcobo Local Municipality**  
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The Executive Mayor, Speaker and one member of the Executive Committee (chief wip) are full-time. The Mayor and the Speaker are provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor pays for electricity, refuse and water on own account. The Executive Mayor has use of a Council owned vehicle for official duties.

**21 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	23 553 672	19 549 588
<b>Total Depreciation and Amortisation</b>	<b>23 553 672</b>	<b>19 549 588</b>

**22 FINANCE COSTS**

Interest - Finance Lease Obligation	46 195	37 001
Consumer deposits	-	-
Bank overdrafts	-	-
<b>Total Finance Costs</b>	<b>46 195</b>	<b>37 001</b>

**23 GRANTS AND SUBSIDIES PAID**

Transfer of movable assets	2 306 303	-
	<b>2 306 303</b>	<b>-</b>

*Represents transfer of assets to Chris Hani District Municipality at cost.*

**24 GENERAL EXPENSES**

Included in general expenses are the following:-

Advertising	1 006 393	177 191
Audit fees	2 625 591	2 262 432
Bank charges	197 956	135 686
Cleaning	461 459	251 556
Conferences and delegations	169 446	-
Consulting fees	1 717 774	1 334 897
Entertainment	528 925	285 690
Fuel and oil	3 514 440	1 397 875
Insurance	155 941	168 320
Legal expenses	245 994	285 398
Levies paid	6 138	6 133
Membership fees	205 700	138 889
Postage	23 505	6 884

**24 GENERAL EXPENSES (Continued)**

Printing and stationery	1 550 308	806 738
Professional fees	4 668 221	3 104 504
Rental of office equipment	2 331 687	1 840 349
Other rentals	(2 212)	-
Security costs	969 747	922 336
Skills development levies	165 797	191 616
Stocks and material	1 957 957	194 558
Water reticulation	9 375 608	-
Telephone cost	1 015 472	860 583
Training	623 945	188 636
Travel and subsistence	1 737 821	1 963 777
Uniforms & overalls	452 795	189 597
Ward committee programmes	2 801 650	1 465 182
Integrated development plan	924 784	2 301 050
Charcoal projects	412 992	1 704 942
Marketing - LED Strategy	243 213	-
Mgwalu projects	598 022	525 867
Electricity purchases	157 762	1 368 928
Performance management systems	293 976	300 647
Skills development & capacity building	675 524	670 049
HIV / AIDS Programme	765 392	763 157
Refuse bags and bins	974 451	548 060
Financial Management & MFMA Implementation Systems	-16 229	369 266
Systems Improvement	344 879	870 973
Electrification expenses - DME	18 866 022	26 381 027
EPWP Programs	2 915 718	340 898
Development of policies and bylaws	23 013	236 650
Mayoral fund & mbizo	781 043	-
Special programmes unit	473 474	-
Disaster support	357 610	-
Fin managmt & mfma impl system	555 145	-
Project management unit	463 364	-
Rehabilitation of landfill sites	30 750	-
Fraud losses (see Note 24.1)	2 781 428	-
Study of rural component	463 918	-
Other	7 549 133	3 060 302
	<b>79 143 444</b>	<b>57 620 646</b>

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**24.1 Fraud losses**

Included in general expenses is an amount of R2 781 428 relating to fraud. The municipality discovered fraudulent transactions during the current year under review. This has been reported as stipulated in the MFMA Section 32 and in internal processes regarding the matter are in progress.

**25 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	(95 249)	(48 503)
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>(95 249)</b>	<b>(48 503)</b>

**26 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	59 855 661	3 160 693
Adjustment for:-		
Depreciation and amortisation	23 553 672	19 549 588
(Gain) / loss on sale of assets	95 249	48 503
Contribution to provisions - non-current		(1 097 324)
Other income from donated assets - (None cash item)	(52 735 131)	
Contribution to provisions - current	857 499	985 967
Bad debts written off during the year	1 270 819	
Debt impairment		885 667
Impairment loss / (reversal of impairment loss)	166 602	-
CHDM write-offs	2 306 303	
Other non-cash item (fraud losses)	2 781 428	-
<b>Operating surplus before working capital changes:</b>	<b>38 152 102</b>	<b>23 533 094</b>
(Increase)/decrease in Trade and other receivables from exchange transactions	(261 819)	(1 384 043)
(Increase)/decrease in Trade and other receivables from non- exchange transactions	(1 659 650)	(211 180)
(Increase)/decrease in Inventory	(332 181)	-
(Increase)/decrease in VAT receivable	4 196 879	6 495 340
Increase/(decrease) in Trade and other payables from exchange transactions	(1 886 171)	3 622 726
Increase/(decrease) in Consumer deposits	-	-
Increase/(decrease) in Current portion of unspent conditional grants and receipts	21 033 850	6 659 415
<b>Cash generated by/(utilised in) operations</b>	<b>59 243 010</b>	<b>38 715 353</b>

**27 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	56 695 620	26 458 467
Bank overdrafts	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>56 695 620</b>	<b>26 458 467</b>

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**28 DISALLOWED**

**28.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance	39 507 761	8 553 067
Unauthorised expenditure current year	36 629 046	40 417 346
Approved by Council or condoned	-	(9 462 652)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	76 136 807	39 507 761

Incident	Disciplinary steps/criminal proceedings
The municipality has identified possible fraudulent transactions amounting to R2,781,428.00. The matter is under investigation conducted by the Hawks. Internal disciplinary processes are in progress for the suspected employees.	

**28.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Opening balance -	-	16 643
Fruitless and wasteful expenditure current year	2 781 428	-
Condoned or written off by Council	-	(16 643)
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	2 781 428	-

Incident	Disciplinary steps/criminal proceedings
No fruitless and wasteful expenditure noted for the current year.	

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**28.3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	8 346 650	28 776 469
Irregular expenditure current year	44 385 037	8 346 650
Condoned or written off by Council	(18 673 991)	(28 776 469)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-
	<b>34 057 696</b>	<b>8 346 650</b>

Incident	Disciplinary steps/criminal proceedings

**29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**29.1 Contributions to organised local government**

Opening balance	-	-
Council subscriptions	-	14 231
Amount paid - current	-	(14 231)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**29.2 Audit fees**

Opening balance	-	-
Current year audit fee	2 625 591	2 262 432
Amount paid - current year	(2 625 591)	(2 262 432)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

All audit fees have been paid over before year-end.

**29.3 VAT**

VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

**29.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	3 350 895	1 966 727
Amount paid - current year	(3 350 895)	(1 966 727)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

All PAYE and UIF deductions have been paid over before year-end.

**29.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	3 476 614	4 122 986
Amount paid - current year	(3 476 614)	(4 122 986)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

All Pension and Medical Aid deductions have been paid over before year-end.

**29.6 Councillor's arrear consumer accounts**

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

**as at 30 June 2012**

No Councillor arrears for the year

**Total Councillor Arrear Consumer Accounts**

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
-	-	-
-	-	-

**as at 30 June 2011**

No Councillor arrears for the year

**Total Councillor Arrear Consumer Accounts**

-	-	-
-	-	-

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

**as at 30 June 2012**

No Councillor arrears for the year

**as at 30 June 2011**

No Councillor arrears for the year

<b>Highest Amount Outstanding R</b>	<b>Ageing Days</b>
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**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**30 CAPITAL COMMITMENTS**

**30.1 Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure  
CHDM Other  
Other

	33 555 391	10 793 597
Infrastructure	30 698 438	9 439 333
CHDM Other	1 134 750	1 354 264
Other	1 722 204	

**- Approved but not yet contracted for**

Infrastructure

	-	2 100 000
		2 100 000

**Total**

	<b>33 555 391</b>	<b>12 893 597</b>
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This expenditure will be financed from:

- External Loans  
- Government Grants  
- Own resources  
- District Council Grants

	-	-
	33 555 391	12 893 597
	-	-
	-	-
	<b>33 555 391</b>	<b>12 893 597</b>

**31 RETIREMENT BENEFIT INFORMATION**

**31.1 Defined contribution plan**

The following are defined contribution plans: SAMWU Provident Fund, Cape Joint Pension Fund and Councillors' Pension Fund. These contributions have been expensed. These funds have been registered and governed under the Pension Fund Act, 1956 as amended.

There are 125 employees that belong to the SAMWU Provident Fund (2011: 103), 43 employees that belong to the Cape Joint Pension Funds (2011: 18) and there are 2 councillors that belong to the Councillors' Pension Fund (2011: 29).

Amounts contributed to the plans are as follows:

SAMWU Provident Fund

- employer  
- employee

	2012	2011
SAMWU Provident Fund	2 925 662	2 371 720
- employer	2 066 192	1 581 147
- employee	859 469	790 573

Cape Joint Pension Fund

- employer  
- employee

Cape Joint Pension Fund	1 031 568	720 932
- employer	686 594	476 846
- employee	344 974	244 086

Councillors' Pension Fund

- employer  
- employee

Councillors' Pension Fund	140 377	995 340
- employer	68 338	94 643
- employee	72 039	900 697

**31.2 Defined benefit plan**

The following are defined benefit plans: Cape Joint Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Certain employees of the municipality belong to the Cape Joint Pension Fund, a multi-employer plan. The most recent actuarial valuation was done on 30 June 2010.

An amount of R 68 337.92 (2011 : R720 932) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

**31.3 CONTINGENT LIABILITY**

Claim for damages

	380 000	1 242 488
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Management description of matter

**Estimated outflow  
including legal costs**

Noxolo Palmer vs Engcobo Municipality - Noxolo Palmer is directing the municipality to reinstate and pay her an amount of R500.00 monthly for housing allowance with effect from the 25th of October 2009 till termination of contract. The applicant brought this to court after the municipality terminated her housing allowance of R500 monthly. The Municipality opposed and instituted counter claim against Noxolo Palmer. This matter is still pending before court.

	2012	2011
	150 000.00	80 000.00

**Engcobo Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
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Aluvo Construction vs Engcobo Municipality - Aluvo Construction is suing the municipality based on the cession which was not signed by the municipality.	-	150 000.00
Phumzile Kilwa vs Engcobo Municipality - Phumzile Kilwa has instituted action against Municipality for alleged unlawful suspension from work. Pleadings have been closed in this matter. The parties are still exchanging discovery affidavits in preparation for trial.	30 000.00	130 000.00
Portia Tyanikazi Magwentshu vs Engcobo Municipality - The plaintiff instituted claim against Municipality in respect of refuse services charged by the Municipality, according to Portia Tyanikazi Magwentshu the Municipality is failing to collect refuse. Pleadings have been closed in this matter. The case has been finalised.	-	30 000.00
Chief M Sondlo and others vs Engcobo Municipality - The plaintiff is suing the municipality for demolishing Home steads.	-	567 330.00
Sibongiseni and Lusanda Grace Mpika vs Engcobo Municipality - The applicants are suing the Municipality for disclosure of information in terms of Access to information Act 2 of 2000 . This matter is still pending before court as the applicants are being substituted by the Executor of the Estate of late Thandiswa Mpika.	150 000.00	80 000.00
Vuyani Macingwane vs Engcobo Municipality - Vuyani Macingwane instituted action against Municipality for the alleged defamatory statements made publicly by the Municipal Manager . This matter is still at pleading stage.	30 000.00	50 000.00
Dumile Moses Mvulane vs Engcobo Municipality - There are a number of cases that the municipality dealt with which involved 3 attorneys and 2 advocates. The work done ranges from consultations, legal opinions, drafting to a number of court appearances. This case has been finalised.	-	155 158.00
Siphiwe Mfeya vs Engcobo municipality. The plaintiff is suing the municipality for the alleged unlawful and wrongful arrest and detention of the plaintiff by the municipality traffic officials.	20 000.00	-

**32 RELATED PARTIES**

Joint Ventures	<i>None identified</i>
Associates	<i>None identified</i>
Members of key management	<i>None identified</i>
Close family member of key management	<i>None identified</i>
Post employment benefit plan for employees of municipality and/or other related parties	<i>None identified</i>
Other related party relationships	<i>None identified</i>
Compensation to councillors and other key management (refer to note 17 & 18)	<i>None identified</i>

**33 EVENTS AFTER THE REPORTING DATE**

No events have occurred after 30 June 2012 which necessitates adjustment or disclosure within the annual financial statements.

**34 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment  
Recoverable amounts of property, plant and equipment  
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)  
Present value of defined benefit obligation  
Provision for doubtful debts  
Impairment of assets  
Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets  
Provisions

**35 RISK MANAGEMENT**

**35.1 Maximum credit risk exposure**

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



**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Cash & Bank	56 692 795	26 455 642
Trade and other receivables from exchange transactions	4 521 605	4 259 785
Trade and other receivables from non-exchange transactions	2 183 481	523 831

These balances represent the maximum exposure to credit risk.

**35.2 Liquidity risk**

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>At 30 June 2012</b>	<b>Less than 1 year</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>
Trade and other payables from exchange transactions	4 979 462	-	-
Current portion of unspent conditional grants and receipts	43 523 538	-	-
	<u>48 503 000</u>	<u>-</u>	<u>-</u>
<b>At 30 June 2011</b>	<b>Less than 1 year</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>
Trade and other payables from exchange transactions	6 865 634	-	-
Current portion of unspent conditional grants and receipts	22 489 687	-	-
	<u>29 355 321</u>	<u>-</u>	<u>-</u>

**35.3 Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

	<b>2012</b>	<b>2011</b>
Increase (decrease) in interest rates		
The estimated increase (decrease) in basis points	50	50
Effect on surplus	2 834 640	1 322 782

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

**36 PRIOR PERIOD ERRORS AND RESTATEMENT OF COMPARATIVE INFORMATION**

During the year the following prior period error corrections and reclassifications took place:

Finance lease - a finance lease arrangement with Nashua had been incorrectly accounted for as an operating lease since its inception in March 2008. Restatements of finance costs, lease liability, property, plant and equipment (leased assets) and general expenses have been made.

Property, Plant and Equipment - some assets were not accounted for in the previous financial year, and a resultant restatement affecting cost and accumulated depreciation has been made. These assets include leased assets stated above.

VAT receivable - Value Added Tax implications relating to the above and other adjustments have been made.

Landfill site corrections were made - see disclosure below for these and other prior period corrections.

**Statement of Financial Performance**

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

**General Expenses**

As previously stated	58 266 984
Correction of legal fees recognised in the previous year	(578 478)
Finance lease capital repayments treated as operating lease expenditure	(67 860)
<b>Balance as at 30 June 2011</b>	<b>57 620 646</b>

**Interest earned - external investments**

As previously stated	(1 337 619)
Interest income classified under bank and cash	46 237
<b>Balance as at 30 June 2011</b>	<b>(1 291 382)</b>

**Depreciation and amortisation expense**

As previously stated	19 490 194
Depreciation restatement for 2012 Retention payments capitalised in 2011	2 588
Depreciation for the year relating to leased asset previously treated as operating lease	44 700
Depreciation for additions previously unaccounted for	12 106
<b>Balance as at 30 June 2011</b>	<b>19 549 588</b>

**Finance costs**

As previously stated	11 277
Re-allocation of interest of finance leased asset in the prior year	25 724
<b>Balance as at 30 June 2011</b>	<b>37 001</b>

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2012

<b>Impairment losses</b>	
As previously stated	458 851
Impairment losses on assets incorrectly recognised in the prior year	<u>(458 851)</u>
<b>Balance as at 30 June 2011</b>	<u>-</u>
<b>Statement of Financial Position</b>	
The correction of the error(s) results in adjustments as follows:	
<b>Property, plant and equipment</b>	
As previously stated	222 100 048
Additions of Furniture & office equipment that were omitted in the 2010/09 financial year	62 075
2012 Retention payments capitalised in 2011	147 862
Furniture and fittings: accumulated depreciation adjustments and impairment loss reversal	(40 202)
Machinery and equipment: aggregate adjustments for retention payments, accumulated depreciations and reversal of impairment loss	429 756
Adjustment to accumulated depreciation for leased asset	(149 000)
WIP adjustments relating to 2012 Retention payments capitalised in 2011 and prior year restatement of landfill site	2 083 555
Adjustments to computer equipment additions for 2010/09 and 2011/10	11 636
Motor vehicles adjustments to cost	1 634 622
Motor vehicles - related depreciation	(1 282 264)
Recognition of leased asset	223 500
Additions of machinery and equipment	6 805
<b>Restated Balance</b>	<u>225 228 393</u>
Intangible assets presented separately in 2012 comparatives	<u>(270 330)</u>
<b>Balance as at 30 June 2011</b>	<u>224 958 063</u>
<b>Trade and other payables</b>	
As previously stated	(4 851 317)
Prior year creditors written off and accruals raised from WIP adjustments	<u>(2 014 316)</u>
<b>Balance as at 30 June 2011</b>	<u>(6 865 633)</u>
<b>VAT receivable</b>	
As previously stated	3 708 695
Adjustments to misallocated VAT on lease payments	(30 876)
Recognition of leased asset	31 290
VAT claimed in the current year	4 910 502
VAT misallocations	76 609
<b>Balance as at 30 June 2011</b>	<u>8 696 220</u>
<b>Cash and cash equivalents</b>	
As previously stated	26 504 703
Interest income classified under bank and cash	<u>(46 237)</u>
<b>Balance as at 30 June 2011</b>	<u>26 458 466</u>
<b>Current Provisions</b>	
As previously stated	(1 792 626)
Correction of prior year legal costs provision	578 478
Prior year restatement of landfill expenses reflected in WIP	148 052
<b>Balance as at 30 June 2011</b>	<u>(1 066 096)</u>
<b>Current portion of finance lease liability</b>	
As previously stated	(267 131)
Effects of correction of finance lease previously accounted for as operating lease (R115 548 apportioned)	<u>(61 634)</u>
<b>Balance as at 30 June 2011</b>	<u>(328 765)</u>
<b>Non-current finance lease liability</b>	
As previously stated	(191 868)
Effects of correction of finance lease previously accounted for as operating lease (R115 548 apportioned)	<u>(53 914)</u>
<b>Balance as at 30 June 2011</b>	<u>(245 782)</u>

**Engcobo Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June. Details of the appropriations are as follows:

**Unappropriated Surplus Account:**

	2010/11	2009/10	2008/09
Correction of finance lease liability	-	-	(66 230)
Correction of depreciaton relating to finance lease liability	-	-	104 300
Correction of prior period PPE opening balance	-	(73 539)	-
Correction of prior period PPE opening balance adjustment for depreciation	-	54 603	-
Correction of prior period PPE error adjustment for cost	(359 335)	-	-
Correction of prior VAT claimed in the current year	(4 910 502)	-	-
Correction of a prior year VAT error	(76 609)	-	-
Correction of creditors (write-off)	(365 153)	-	-
<b>Total movement directly into equity per financial year</b>	<b>(5 711 599)</b>	<b>(18 936)</b>	<b>38 070</b>
<b>Total Cummulative Movement from earliest adjustment period</b>			<b>(5 692 465)</b>

**Accumulated Surplus/Deficit**

As previously stated	(227 504 434)
Movements in the Statement of Financial Performance:	
Depreciation and amortisation	59 394
General Expenses	(646 338)
Interest earned on external investments	46 237
Finance costs	25 724
Impairment losses	(458 851)
Adjustments accounted for directly into the Statement of changes in Net Assets:	(5 692 465)
<b>Balance as at 30 June 2011</b>	<b>(234 170 733)</b>

**37 OTHER ITEMS PROCESSED DIRECTLY INTO ACCUMULATED SURPLUS IN THE CURRENT YEAR**

Consolidation of other accumulated surplus account	(4 891 303)
Salary control account adjustment	22 904
Write-off of VAT not traceable to transactions	(348 626)
Write-off of unspent conditional grant not supported by cash in the bank	(295 034)
VAT write offs	30 043
Writing off roads VAT	(453 090)
Effects of corrections to VAT processed to accumulated surplus in the current year	4 710 032
	<b>(1 225 073)</b>

**38 CHANGE IN ESTIMATE**

The useful life of certain infrastructural assets was estimated on 30 June 2009 to be 3 years. In the current period, management have revised their estimate to be a further 3 years. The effect of this revision has increased/(decreased) the depreciation charges for the current and future periods by R -584390 (2012 decrease) and R292 277 (increase in 2013 and 2014 financial years).

**Engcobo Local Municipality**  
**NOTE 38**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
<b>Land</b>														
Land	3 934 335	1 283 665	-	-	5 218 000	-	-	-	-	-	-	-	-	5 218 000
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3 934 335	1 283 665	-	-	5 218 000	-	-	-	-	-	-	-	-	5 218 000
<b>Buildings</b>	2 601 367	(33 667)	-	-	2 567 700	(162 585)	(66 548)	-	-	(229 133)	-	-	-	2 338 567
<b>Infrastructure</b>														
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	204 867 017	55 234 443	-	-	260 101 459	(32 937 848)	(20 500 723)	-	-	(53 438 571)	-	-	-	206 662 888
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	15 246 193	-	-	5 639 286	20 885 479	-	-	-	-	-	-	-	-	20 885 479
	220 113 210	55 234 443	-	5 639 286	280 986 939	(32 937 848)	(20 500 723)	-	-	(53 438 571)	-	-	-	227 548 368
<b>Community Assets</b>														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	3 594 628	13 690 154	-	-	17 284 782	(225 766)	(196 762)	-	-	(422 528)	-	-	-	17 707 310
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	19 504 357	-	-	-	19 504 357	(1 140 261)	(570 130)	-	-	(1 710 391)	-	-	-	21 214 748
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	23 098 985	13 690 154	-	-	36 789 139	(1 366 026)	(766 892)	-	-	(2 132 919)	-	-	-	34 656 221
<b>Heritage Assets</b>														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	249 747 897	70 174 595	-	5 639 286	325 561 778	(34 466 460)	(21 334 163)	-	-	(55 800 623)	-	-	-	269 761 155

**Engcobo Local Municipality**  
**NOTE 36**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
<b>Total brought forward</b>	R 249 747 897	R 70 174 595	R -	R 5 639 286	R 325 561 778	R (34 466 460)	R (21 334 163)	R -	R -	R (55 800 623)	R -	R -	R 269 761 155
<b>Other Assets</b>													
Office Equipment (Incl. In furniture below)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Office equipment	2 122 104	684 021	(196 649)	-	2 609 475	(1 349 529)	(240 688)	136 510	-	(1 453 708)	-	-	1 155 768
Machinery & Equipment	9 004 560	4 609 865	(34 540)	-	13 579 885	(5 613 422)	(957 146)	23 755	-	(6 546 813)	-	-	7 033 073
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport assets	4 891 916	177 803	-	-	5 069 718	(2 913 709)	(349 076)	-	-	(3 262 785)	-	-	1 806 934
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 806 087	457 526	(119 349)	-	2 144 264	(1 181 118)	(455 435)	95 024	-	(1 541 528)	-	-	602 736
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	17 824 666	5 929 215	(350 538)	-	23 403 344	(11 057 777)	(2 002 344)	255 288	-	(12 804 833)	-	-	10 598 511
<b>Finance Lease Assets</b>													
Office Equipment	770 422	-	-	-	770 422	(240 154)	(44 700)	-	-	(284 854)	-	-	485 568
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	485 568
<b>Total</b>	<b>267 572 563</b>	<b>76 103 810</b>	<b>(350 538)</b>	<b>5 639 286</b>	<b>348 965 121</b>	<b>(45 524 237)</b>	<b>(23 336 508)</b>	<b>255 288</b>	<b>-</b>	<b>(68 605 456)</b>	<b>-</b>	<b>-</b>	<b>280 845 233</b>

as at 30 June 2011  
NOTE 36  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
<b>Land</b>														
Land	3 934 335	-	-	-	3 934 335	-	-	-	-	-	-	-	-	3 934 335
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3 934 335	-	-	-	3 934 335	-	-	-	-	-	-	-	-	3 934 335
<b>Buildings</b>	2 601 367	-	-	-	2 601 367	(81 293)	(81 293)	-	-	(162 585)	-	-	-	2 438 782
<b>Infrastructure</b>														
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	197 241 203	7 625 814	-	-	204 867 017	(16 177 041)	(16 760 807)	-	-	(32 937 848)	-	-	-	171 929 169
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	8 165 652	-	-	9 460 010	17 625 662	-	-	-	-	-	-	-	-	17 625 662
	205 406 855	7 625 814	-	9 460 010	222 492 679	(16 177 041)	(16 760 807)	-	-	(32 937 848)	-	-	-	189 554 831
<b>Community Assets</b>														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	3 410 926	183 703	-	-	3 594 628	(105 468)	(120 298)	-	-	(225 766)	-	-	-	3 368 863
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	19 504 357	-	-	-	19 504 357	(570 130)	(570 130)	-	-	(1 140 261)	-	-	-	18 364 096
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	22 915 283	183 703	-	-	23 098 985	(675 598)	(690 428)	-	-	(1 366 026)	-	-	-	21 732 959
<b>Heritage Assets</b>														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total carried forward</b>	234 857 840	7 809 516	-	9 460 010	252 127 366	(16 933 932)	(17 532 528)	-	-	(34 466 460)	-	-	-	217 660 906

**Engcobo Local Municipality**  
**NOTE 36**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought forward</b>	234 857 840	7 809 516	-	9 460 010	252 127 366	(16 933 932)	(17 532 528)	-	-	(34 466 460)	-	-	217 660 906
<b>Other Assets</b>													
Office Equipment (Incl. In furniture below)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Office equipment	1 743 952	378 601	(449)	-	2 122 104	(1 021 189)	(328 373)	33	-	(1 349 529)	-	-	772 575
Machinery & Equipment	7 385 963	1 654 867	(36 271)	-	9 004 560	(4 981 698)	(637 310)	5 587	-	(5 613 422)	-	-	3 391 138
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport assets	3 254 837	1 637 079	-	-	4 891 916	(1 299 686)	(1 614 023)	-	-	(2 913 709)	-	-	1 978 207
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 694 059	135 472	(23 444)	-	1 806 087	(661 395)	(525 763)	6 041	-	(1 181 118)	-	-	624 969
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	14 078 811	3 806 019	(60 164)	-	17 824 666	(7 963 968)	(3 105 470)	11 661	-	(11 057 777)	-	-	6 766 889
<b>Finance Lease Assets</b>													
Office Equipment	223 500	546 922	-	-	770 422	(104 300)	(135 854)	-	-	(240 154)	-	-	530 269
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	546 922	-	-	546 922	-	(91 154)	-	-	(91 154)	-	-	530 269
<b>Total</b>	<b>248 880 408</b>	<b>10 837 731</b>	<b>(60 164)</b>	<b>7 228 592</b>	<b>266 886 568</b>	<b>(24 849 135)</b>	<b>(19 490 194)</b>	<b>11 661</b>	<b>(458 851)</b>	<b>(44 786 519)</b>	<b>-</b>	<b>-</b>	<b>224 958 064</b>



**Engcobo Local Municipality**

**NOTE 39**

**STATEMENT OF BUDGET AND ACTUAL INFORMATION**

as at 30 June 2012

Description	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget
	4	5	6	7	8
	R	R	R	R	R
<b>Financial Performance</b>					
Property Rates	4 387 930	3 314 727		-1 073 203	-32%
Service Charges	2 927 658	2 769 005		-158 653	-6%
Investment Revenue	1 000 000	2 229 611		1 229 611	55%
Transfers Recognised - Operational	96 736 030	135 634 026		38 897 996	29%
Other Own Revenue	10 081 539	62 054 387		51 972 848	84%
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>115 133 157</b>	<b>206 001 756</b>			
Employee Costs	31 674 046	27 683 086	3 990 960	3 990 960	13%
Remuneration Of Councillors	7 113 821	9 131 017	-2 017 196	-2 017 196	0%
Debt Impairment	-	1 349 194	-1 349 194	-1 349 194	0%
Depreciation & Asset Impairment	-	33 500 020	-33 500 020	-33 500 020	0%
Finance Charges	150 000	71 919	78 081	78 081	52%
Materials & Bulk Purchases	2 050 000	-	2 050 000	2 050 000	0%
Transfers & Grants		2 306 303	-2 306 303	-2 306 303	0%
Other Expenditures	91 719 942	80 995 725	10 724 217	10 724 217	12%
<b>Total Expenditure</b>	<b>132 707 809</b>	<b>155 037 264</b>	<b>-22 329 455</b>	<b>-22 329 455</b>	<b>177 366 718</b>
<b>Gains / loss</b>		<b>95 249</b>		<b>-95 249</b>	
<b>Surplus/(Deficit)</b>					
Transfers Recognised - Capital	65 621 000	-			
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>48 046 348</b>	<b>95 249</b>			
<b>Surplus/(Deficit For The Year)</b>					

completed info.