

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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Final Annual Financial Statements
for
Engcobo Local Municipality

for the year ended 30 June: **2012**

Province: Eastern Cape

AFS rounding: **R (i.e. only cents)**

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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. S Matomane

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First National Bank / ABSA Bank / Standard Bank

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General information (continued)

Physical address (Registered Address):

54 Union Street
Engcobo
5050

Postal address:

P.O Box 24
Engcobo
5050

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 57, 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 payments made to Councillors for loss of office, if any, as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

31 August 2012

Engcobo Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	55 071 714	26 504 703
Trade and other receivables from exchange transactions	2	4 521 605	4 245 602
Trade and other receivables from non-exchange transactions	3	3 852 230	2 482 609
Inventories	4	332 181	-
VAT receivable	7	6 705 184	3 785 718
Non-current assets			
Property, plant and equipment	5	277 588 474	223 043 775
Total assets		348 071 387	260 062 406
LIABILITIES			
Current liabilities			
Trade and other payables	6	1 303 991	1 708 196
Current provisions	8	4 703 024	4 787 696
Current portion of unspent conditional grants and receipts	9	50 888 948	22 489 687
Current portion of finance lease liability	10	245 782	328 765
Non-current liabilities			
Non-current finance lease liability	10	-	245 782
Total liabilities		57 141 745	29 560 126
Net assets		290 929 643	230 502 281
NET ASSETS			
Reserves		3 257 860	-
Accumulated surplus / (deficit)		287 671 782	230 502 282
Total net assets		290 929 642	230 502 282

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

	Note	2012 R	2011 R
Revenue			
<i>Non-exchange revenue</i>			
Property rates	12	3 314 727	3 373 429
<i>Exchange revenue</i>			
Service charges	13	2 769 005	680 884
Rental of facilities and equipment	14	123 514	104 565
Interest earned - external investments	15	2 229 611	1 337 619
Fines		59 347	67 095
Licences and permits		3 415 326	3 282 471
Government grants and subsidies	16	135 634 026	97 399 554
Other income	17	58 456 199	8 418 527
Total revenue		206 001 756	114 664 144
Expenses			
Employee related costs	18	27 683 086	21 028 733
Remuneration of councillors	19	9 131 017	6 623 642
Bad debts		1 349 194	-
Impairment losses		-	458 851
Depreciation and amortisation expense	20	33 500 020	19 549 588
Repairs and maintenance		7 642 593	4 145 656
Finance costs	21	71 919	37 001
Grants and subsidies paid	22	2 306 303	-
General expenses	23	73 353 132	58 199 124
Total expenses		155 037 264	110 042 595
Gain / (loss) on sale of assets	24	(95 249)	(48 503)
Surplus / (deficit) for the period		50 869 243	4 573 047

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
Balance at 30 June 2010		-	223 780 035	223 780 035
Correction of prior period error	34	-	(19 135)	(19 135)
Restated Balance		-	223 760 900	223 760 900
VAT Adjustment relating to 2009/10		-	1 537 540	1 537 540
Surplus / (deficit) for the period as initially stated	33/34	-	4 573 047	4 573 047
Balance at 30 June 2011		-	229 871 488	229 871 488
Correction of prior period error (VAT and PPE)	34	-	630 794	630 794
Restated balance		-	230 502 282	230 502 282
Surplus / (deficit) on revaluation of property of property, plant and equipment		3 257 860	-	3 257 860
Correction of accounts	34	-	6 300 258	6 300 258
Surplus / (deficit) for the period		-	50 869 243	50 869 243
Balance at 30 June 2012		3 257 860	287 671 782	290 929 642

**Engcobo Local Municipality
CASH FLOW STATEMENT**

as at 30 June 2012

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		200 087 472	111 017 578
Taxation			
Sales of goods and services		3 767 635	3 861 878
Grants		135 634 026	97 399 554
Interest received		2 229 611	1 337 619
Other receipts		58 456 199	8 418 527
Asset transfers/donations		-	-
Payments		(115 516 631)	(86 309 729)
Employee costs		(37 759 462)	(26 494 176)
Interest paid		(71 919)	(37 001)
Suppliers		(75 673 981)	(59 778 552)
Net cash flows from operating activities	25	84 570 840	24 707 850
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(84 074 324)	(18 569 142)
Change in accumulated surplus		-	-
Net cash flows from investing activities		(84 074 324)	(18 569 142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Finance lease liability		(328 765)	574 547
Proceeds from finance lease liability			
Net cash flows from financing activities		28 070 496	7 233 962
Net increase / (decrease) in net cash and cash equivalents		28 567 012	13 372 670
Net cash and cash equivalents at beginning of period		26 504 703	13 132 032
Net cash and cash equivalents at end of period	26	55 071 714	26 504 703

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 accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards 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 out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any 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 of the municipality.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

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

1.5 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 early adopted by the municipality:

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 of Finance and no standards have been early adopted. For the standards that have been approved, but an effective date has not been determined by the Minister of Finance at the reporting date, certain elements may 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 anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. Management applied Directive 5 in determining its reporting framework and accounting policies.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 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, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. 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 (major components) 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 cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated 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 reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

2.3 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 and impairment losses. Land is not depreciated 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 capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives in line with National Treasury guidelines:

Infrastructure		Other	
Roads and Paving	3 - 50 years	Buildings	30 - 50 years
Pedestrian Malls		- Mobile offices	10 years
Electricity		- Specialist vehicles	6 years
Water		- Other vehicles	5 years
Sewerage		- Office equipment	5 years
		Furniture and fittings	6 years
		Specialised plant and equipment	10 years
		Other items of plant and equipment	5 years
Community		Landfill sites	30 - 55 years
Buildings	25 - 50 years	Emergency equipment	3 - 10 years
Recreational Facilities	25 - 30 years	- Computer equipment	3 years
Security		Intangible assets (Software)	3 years
Halls	25 - 50 years		
Libraries	25 - 30 years		
Parks and gardens			
Other assets	25 - 30 years		
Heritage assets			
Buildings			
Paintings and artifacts			
Finance lease assets			

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

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 intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for certain Machinery and Equipment and Transport assets with significant carrying values. For Machinery and Equipment and Transport (Above R5,000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance. Minor assets (Below R5,000) are recognised and depreciated annually to R1 and is included in the asset register mainly for completeness and monitoring purposes.

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

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful 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

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

2.6 TRANSITIONAL PROVISIONS

The municipality has brought in retrospectively all assets previously not disclosed as per the provisions of directive 4. The previously unrecognised assets were valued and retrospectively recognised in accordance with the provisions of directive 7.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development 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 economic benefits or service potential.
- 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-exchange transaction), the cost is deemed to be equal to the fair 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 combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual 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 are reviewed at each reporting date and any changes are 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 that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

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

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

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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

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

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

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Additions are added at cost and Investment property's carrying value is depreciated annually. Any gain or loss arising from a change in the fair value of the property (every 3

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, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to 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 and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries 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 held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

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 short-term highly liquid investments, readily 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 on hand, deposits held on call with banks, net of 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 expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

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

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

7 UNAUTHORISED EXPENDITURE

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

8 IRREGULAR EXPENDITURE

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

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

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

11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. 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 over and above the recognition criteria of a provision have been 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 services;
- 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 by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease 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 rentals are accrued 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 at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

12.2 MUNICIPALITY AS LESSOR

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for the year ending 30 June 2012

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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 at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

13 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 effective control over the goods sold;
- 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collectability of the revenue on initial recognition. The Municipality will assess collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss will be recognised as an expense.

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

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

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

Interest revenue is recognised on a time proportion basis.

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

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 service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

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

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

13.3 GRANTS, TRANSFERS AND DONATIONS

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

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Engcobo Local Municipality
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for the year ending 30 June 2012

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 EMPLOYEE BENEFITS

15.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include salaries and wages, short-term compensated absences and bonus plans. The entity recognises a liability and corresponding expense for short-term employee benefits when an employee has rendered services that entitle him/her to the benefits.

15.2 POST EMPLOYMENT BENEFITS

Payments made to defined contribution plans are recognised as an expense on the accrual basis. The municipality operates defined contributions plans. Once the contributions have been paid the municipality has no further payment obligation. The regular contributions constitute periodic costs for the year in which they are due and such are included in the staff costs.

15.3 LEAVE PAY ACCRUAL

The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

15.4 PERFORMANCE BONUSES

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is maintained.

15 IMPAIRMENT OF ASSETS

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

Engcobo Local Municipality
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for the year ending 30 June 2012

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 annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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.

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. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any 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 the carrying amount of the unit. 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 in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are 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 is recognised immediately in surplus or deficit. Any reversal of an impairment loss 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 costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used 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 deemed to be equal to 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 unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

17 INVESTMENT PROPERTY

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for the year ending 30 June 2012

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

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

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

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

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 owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts 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, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. 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

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

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

Impairments

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

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 to be derived and all gains or losses are recognised in the Statement of Financial Performance.

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

18 AGRICULTURE

Biological assets are measured at their fair value less estimated point-of-sale costs. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value. Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

19 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 when the Annual Financial Statements 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); and
- 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 after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

20 VALUE ADDED TAX (VAT)

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

21 INVESTMENT IN MUNICIPAL ENTITY

Group Annual Financial Statements

The group Annual Financial Statements include those of the municipality and its controlled entity (subsidiary). The results of the subsidiary is included from the effective date of aquisition. Consolidated Annual Financial Statements are prepared, and on aquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to sell, from the date the control commences until the control ceases.

Municipal Annual Financial Statements

In the municipality's separate Annual Financial Statements, the investment in the municipal entity are carried at cost, less any accumulated impairment.

The Municipal entity is an entity controlled and wholly owned by Nkonkobe Local Municipality. Control exists as the municipality has the power to govern the financial and operating policies, exercise direct control and the municipality provides a majority of the financial needs of the entity.

GRAP 6 - Consolidated and separate financial statements

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The Group Annual Financial Statements is presented in accordance with GRAP 6 - "Consolidated and separate financial statements". The standard is applied retrospectively for the separate financial statements. The effects at transaction date was determined and the opening accumulated surpluses and deficits adjusted as this is the first year that this standard is initially adopted. In terms of paragraph 19 of Directive 4, no comparative information is required to be disclosed, however, due to the simplicity of the transactions between the municipality and its sole wholly owned entity, the comparative consolidated figures is fully disclosed.

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

	Note	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS			
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		51 765 720	24 646 046
		<u>55 071 714</u>	<u>26 504 704</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank Limited - Engcobo Branch: Account Number 52171242061		3 303 169	1 855 833
Cash book balance at beginning of year		<u>1 855 833</u>	(281 120)
Cash book balance at end of year		<u>3 303 169</u>	1 855 833
Bank statement balance at beginning of year		<u>5 361 764</u>	2 623 485
Bank statement balance at end of year		<u>3 371 566</u>	2 265 545
<u>Current Account (Other Account)</u>			
First National Bank (M.I.G) - Account number: 62095050523 (Money Market Account)			
Cashbook Balance		11 819 370	5 450 511
Bank Statement Balance		11 819 370	5 450 511
First National Bank (Mun.systems improvement grant)- Account No: 62095030426 (Money Market Account)			
Cashbook Balance		645 342	10 306
Bank Statement Balance		645 342	10 306
First National Bank (Self Insurance Fund) - Acc number: 62101651976 (Self Insurance Fund)			
Cashbook Balance		270 335	259 984
Bank Statement Balance		270 335	259 984
First National Bank(Mun Finance Mangement Grant)-Acc number: 62095026524(Money Market Account)			
Cashbook Balance		1 382 869	10 564
Bank Statement Balance		1 382 869	10 564
Meeg Bank Investment - Account number : 9191868465 (Call Account)			
Cashbook Balance		-	660 561
Bank Statement Balance		-	660 561
First National Bank - Mun admn Programme- Acc number: 62095023728 (Money Market Account)			
Cashbook Balance		103 484	99 600
Bank Statement Balance		103 484	99 600
First National Bank- Kwagcina Agric Fund, Acc number: 62095029148			
Cashbook Balance		57 188	56 476
Bank Statement Balance		57 188	56 476
First National Bank - Pilot Housing , Account number: 61217013327 (Call Account)			
Cashbook Balance		2 008	1 988
Bank Statement Balance		2 008	1 988
First National Bank -03 Account , Account number: 62024356570 (Money Market Account)			
Cashbook Balance		2 419 522	2 327 593
Bank Statement Balance		2 419 522	2 327 593
First National Bank - Equitable Share No-02, Account number:62012728484 (Call Account)			
Cashbook Balance		-	15 206 361
Bank Statement Balance		-	15 206 361
Standard Bank - Employee Levy Fund, Account number : 287133591 (Savings)			
Cashbook Balance		-	59 671
Bank Statement Balance		-	59 671

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
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First National Bank - DBSA Investment, Account number: 61217016107 (Call Account)

Cashbook Balance	429 133	418 939
Bank Statement Balance	429 133	418 939

First National Bank- CMIP Account , Account number:62027299967 (Call Account)

Cashbook Balance	37 629	37 256
Bank Statement Balance	37 629	37 256

First National Bank- Equitable share no 1, Account number:74032009421

Cashbook balance	46 237	46 237
Bank Statement Balance	46 237	46 237

Cash book balance at beginning of year	24 646 046	13 413 153
Cash book balance at end of year	51 765 720	24 646 046
Bank statement balance at beginning of year	24 717 251	13 413 153
Bank statement balance at end of year	24 717 251	24 717 251
Cash on hand	2 825	2 825
Total cash and cash equivalents	55 071 714	26 504 704
Total bank overdraft	-	-

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for	Net Balance
<u>Trade receivables from exchange</u>	R	Doubtful Debts	R
as at 30 June 2012		R	R
Service debtors	-		
Refuse	688 041	(144 714)	543 327
Total	688 041	(144 714)	543 327
<u>Other receivables from exchange</u>			
Other receivables	53 007	(14 102)	38 905
CHDM Debtors account	4 559 627	(620 254)	3 939 373
Total Trade and other receivables from exchange	5 300 675	(779 070)	4 521 605
<u>Trade receivables from exchange</u>			
as at 30 June 2011			
Service debtors			
Refuse	698 288	(164 640)	533 648
Total	698 288	(164 640)	533 648
<u>Other receivables from exchange</u>			
Other receivables	232 939	(68 982)	163 958
CHDM Debtors account	4 107 297	(559 301)	3 547 996
Total Trade and other receivables from exchange	5 038 525	(792 923)	4 245 602

Refuse: Ageing

Current (0 – 30 days)	117 912	98 108
31 - 60 Days	61 452	29 046
61 - 90 Days	-	22 334
91 - 120 Days	482 380	18 385
121 - 365 Days	-	530 415
Total	661 744	698 288

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2012			
Current (0 – 30 days)	8 387.11	10 650	5 120
31 - 60 Days	4 268	5 420	2 606
61 - 90 Days	11	13	6
91 - 120 Days	33 262	42 237	20 305
121 - 365 Days	192 949	245 015	117 791
Sub-total	238 876.46	303 336.37	145 828
Less: Provision for doubtful debts	(50 242)	(63 800)	(30 672)
Total debtors by customer classification	188 634	239 536	115 157

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
Sub-total	242 433.97	307 853.86	148 000.14
Less: Provision for doubtful debts	(190 534)	(241 949)	(116 317)
Total debtors by customer classification	51 900	65 905	31 684

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	(792 923)	(704 071)
Contributions to provision	(34 021)	(88 851)
Doubtful debts written off against provision	-	-
Reversal of provision	47 874	-
Balance at end of year	(779 070)	(792 923)

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

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Trade receivables from non-exchange as at 30 June 2012

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Rates	3 115 184	(931 704)	2 183 481
Total	3 115 184	(931 704)	2 183 481

Trade receivables from non-exchange as at 30 June 2011

Rates	2 802 628	(839 477)	1 963 151
Total	2 802 628	(839 477)	1 963 151

Other receivables from non-exchange

Creditors with debit balances	-	-	-
Other debtors	1 668 749	-	519 458
Total Other Debtors	1 668 749	-	519 458

Total Trade and other receivables from non exchange transactions

3 852 230	2 482 609
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Rates: Ageing

Current (0 – 30 days)	(76 217)	3 722
31 - 60 Days	6 776	450
61 - 90 Days	-	154
91 - 120 Days	3 105 679	-
121 - 365 Days	-	2 798 255
+ 365 Days	-	-
Total	3 036 238	2 802 582

Reconciliation of the doubtful debt provision

Balance at beginning of the year	(839 477)	(1 987 256)
Contributions to provision	(1 897 452)	1 147 779
Reversal of provision	1 805 225	-
Balance at end of year	(931 704)	(839 477)

4 INVENTORIES

Opening balance of inventories:

Maintenance materials - at cost	-	-
Water	-	-
Additions:	332 181	-
Maintenance materials	241 398	-
Water	90 783	-

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	Total
	R	R	R	R	R	R	R
as at 1 July 2011	3 934 335	2 438 782	187 175 360	21 732 960	7 232 069	530 268	223 043 774
Cost/Revaluation	3 934 335	2 601 367	220 113 208	23 098 986	17 071 421	770 422	267 589 739
Accumulated depreciation and impairment losses	-	(162 585)	(32 937 848)	(1 366 026)	(9 839 352)	(240 154)	(44 545 965)
Acquisitions/Revaluations	1 283 665	(33 667)	62 005 543	13 507 862	5 526 626	-	82 290 029
Capital under Construction	-	-	5 821 578	-	-	-	5 821 578
Depreciation	-	(66 548)	(30 447 071)	(766 892)	(2 146 447)	(44 700)	(33 471 658)
Carrying value of disposals	-	-	-	-	95 249	-	95 249
Cost/Revaluation	-	-	-	-	350 538	-	350 538
Accumulated depreciation and impairment losses	-	-	-	-	(255 288)	-	(255 288)
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
as at 30 June 2012	5 218 000	2 338 567	224 555 410	34 473 930	10 516 999	485 568	277 588 474
Cost/Revaluation	5 218 000	2 567 700	287 940 329	36 606 848	22 247 510	770 422	355 350 809
Accumulated depreciation and impairment losses	-	(229 133)	(63 384 919)	(2 132 918)	(11 730 511)	(284 854)	(77 762 335)

Refer to note 36 for more detail on property, plant and equipment

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

5.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2010	3 934 335	2 648 219	189 227 226	22 111 540	6 126 300	223 500	224 271 120
Cost/Revaluation	3 934 335	2 729 512	205 406 855	22 787 138	14 096 107	223 500	249 177 447
Accumulated depreciation and impairment losses	-	(81 293)	(16 179 629)	(675 598)	(7 969 806)	(104 300)	(25 010 626)
Acquisitions	-	-	7 773 676	183 703	3 035 478	546 922	11 539 779
Capital under Construction	-	-	6 932 678	-	-	-	6 932 678
Depreciation	-	(81 293)	(16 758 219)	(690 428)	(1 881 206)	(135 854)	(19 547 000)
Carrying value of disposals	-	-	-	-	(48 503)	-	(48 503)
Cost/Revaluation	-	-	-	-	(60 164)	-	(60 164)
Accumulated depreciation and impairment losses	-	-	-	-	11 661	-	11 661
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
as at 30 June 2011	3 934 335	2 438 782	187 175 362	21 732 960	7 232 069	530 268	223 043 775
Cost/Revaluation	3 934 335	2 601 367	220 113 210	22 970 841	17 071 420	770 422	267 461 595
Accumulated depreciation and impairment losses	-	(162 585)	(32 937 848)	(1 366 026)	(9 839 352)	(240 154)	(44 545 965)

Refer to note 36 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 Tsoelo Office Machinery and Nashua. The leases have been classified as finance leases and the machinery are pledged as security 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 were performed by Penny Lindstrom who is a Professional Valuer (Reg. NO 93577) 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. i.e. offices, workshops etc. Factors considered to determine the discount rate, using this method, are the condition and age of the improvement as well as it's functionality and position.

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
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

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 Local Municipality. Infrastructure assets valued at R46 066 169.51 and movable assets amounting to R26 245.66 were transferred from Intsika Yethu Local Municipality and have been recognised in the accounting records of Engcobo Local Municipality in the current financial year.

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

Note	2012 R	2011 R
6 TRADE AND OTHER PAYABLES		
Trade creditors	918 549	1 563 354
Debtors with credit balance	246 704	87 435
Other creditors	138 738	57 407
Total creditors	1 303 991	1 708 196

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

7 VAT RECEIVABLE		
Vat claimable	(10 201)	7 313 673
Vat control	1 009 236	272 269
Vat expenditure provisional	6 168 404	336 811
Vat income provisional	(462 256)	(460 106)
Vat payable	-	(3 676 929)
Net VAT receivable	6 705 184	3 785 718

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

8 PROVISIONS		
Staff leave accrual	2 170 950.30	3 143 121.37
Provision for long service bonuse-leave	49 714.53	
Current portion of landfill site restoration provision (see note 10)	1 873 881	1 066 097
Provision for legal costs	608 478	578 478
Total Provisions	4 703 024	4 787 696

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Unspent Conditional Grants from other spheres of Government

MIG Grants	12 480 515	10 796 485
Other	38 408 433	11 693 202
Total Unspent Conditional Grants and Receipts	50 888 948	22 489 687

Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	50 888 948	22 489 687

See Note 15 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

10 FINANCE LEASE LIABILITY

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

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
Amounts payable under finance leases			
Within one year	374 960	46 195	328 765
Within two to five years	256 397	10 615	245 782
	631 357	56 810	574 547
Less: Amount due for settlement within 12 months (current portion)			(328 765)
			245 782

11 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites	-	-
Total Non-Current Provisions	-	-

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, discounted at prime interest rate, over an average period of 3 years.

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

1 873 881.30 1 066 097

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

Provision for rehabilitation of landfill sites:

Balance at the beginning of year (current and non-current)	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)
Balance at the end of year	-	-

12 PROPERTY RATES

Actual

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

Total property rates

Property rates - penalties imposed and collection charges	-	-
Total	3 314 727	3 373 429

Valuations

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
Total Property Valuations	312 422 163	312 422 163

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).

13 SERVICE CHARGES

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

14 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	123 514	104 565
Total rentals	123 514	104 565

15 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	2 229 611	1 337 619
Total interest	2 229 611	1 337 619

16 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	66 179 000	46 996 861
Other operational grants	-	4 200 751
MIG Grant	19 936 970	15 249 708
Other Government Grants and Subsidies	49 518 056	30 952 234
Total Government Grant and Subsidies	135 634 026	97 399 554

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

16.1 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.

16.2 MIG Grant

Balance unspent at beginning of year	10 796 485	12 069 193
Current year receipts	21 621 000	13 977 000
Conditions met - transferred to revenue	(19 936 970)	(15 249 708)
Conditions still to be met - remain liabilities (see note 9)	12 480 515	10 796 485

16.3 Other Government Grants and Subsidies

Balance unspent at beginning of year	11 693 202	3 761 079
Current year receipts	75 583 179	38 884 357
Conditions met - transferred to revenue	(47 536 643)	(30 952 234)
Conditions still to be met - remain liabilities (see note 9)	39 739 738	11 693 202

16.4 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.

17 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

17.1 Other income

Other fees	863 784	6 900 748
Asset transfers/donations	57 592 415	-
Impairment error restated in prior year	-	458 851
Reversal of provision for bad debts resulting from a change in estimate	-	1 058 928
Total Other Income	58 456 199	8 418 527

18 EMPLOYEE RELATED COSTS

18 EMPLOYEE RELATED COSTS	27 683 086	21 028 733
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
Employee Related Costs	27 683 086	21 028 733

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 - Acting Allowance	44 036	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Severance Pay	-	650 000
Total	-	650 000

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

Remuneration of the Chief Finance Officer

Annual Remuneration	500 997	470 646
Travel, motor car, accommodation, subsistence and other allowances	148 811	106 287
Contributions to UIF, Medical and Pension Funds	10 679	1 497
Total	660 487	578 431

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

Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Community Services R
2012			
Annual Remuneration	513 763	539 203	513 763
Travel, motor car, accommodation, subsistence and other allowances	113 552	167 027	106 267
Contributions to UIF, Medical and Pension Funds	1 497	1 497	63 837
Total	628 813	707 727	683 867
	Technical Services R	Corporate Services R	Community Services R
2011			
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
Total	602 671	632 182	583 828

19 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
Total Councillors' Remuneration	9 131 017	6 623 642

In-kind Benefits

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.

20 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	33 500 020	19 549 588
Total Depreciation and Amortisation	33 500 020	19 549 588

21 FINANCE COSTS

Interest - Finance Lease Obligation	71 919	37 001
Consumer deposits	-	-
Bank overdrafts	-	-
Total Finance Costs	71 919	37 001

22 GRANTS AND SUBSIDIES PAID

Transfer of movable assets	2 306 303	-
	2 306 303	-

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

23 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	1 082 518	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	275 994	863 876
Levies paid	6 138	6 133
Membership fees	205 700	138 889
Postage	23 505	6 884

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

23 GENERAL EXPENSES (Continued)

Printing and stationery	1 550 308	806 738
Professional fees	4 668 221	3 104 504
Rental of office equipment	3 213 113	1 840 349
Other rentals	(2 212)	-
Security costs	969 747	922 336
Skills development levies	165 797	191 616
Stocks and material	2 148 957	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	2 963 525	1 465 182
Integrated development plan	924 784	2 301 050
Charcoal projects	412 992	1 704 942
Marketing - LED Strategy	243 213	-
Mgwali 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	1 004 201	548 060
Financial Management & MFMA Implementation Systems	-16 229	369 266
Systems Improvement	344 879	870 973
Electrification expenses - DME	17 809 458	26 381 027
EPWP Programs	3 224 418	340 898
Development of policies and bylaws	23 013	236 650
Mayoral fund & mbizo	788 543	-
Special programmes unit	473 474	-
Disaster support	357 610	-
Fin managment & mfma impl system	555 145	-
Project management unit	492 814	-
Rehabilitaion of landfill sites	30 750	-
Study of rural component	463 918	-
Other	3 880 987	3 060 302
	<u>73 353 132</u>	<u>58 199 124</u>

24 GAIN / (LOSS) ON SALE OF ASSETS

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

25 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	50 839 199	4 573 047
Adjustment for-		
Depreciation and amortisation	33 500 020	19 549 588
(Gain) / loss on sale of assets	95 249	48 503
Contribution to provisions - current	79 715	578 478
Impairment loss / (reversal of impairment loss)	-	458 851
Other non-cash item		
Operating surplus before working capital changes:	<u>84 514 184</u>	<u>25 208 467</u>
(Increase)/decrease in Trade and other receivables	(4 565 090)	(2 488 368)
(Increase)/decrease in Inventory	(332 181)	-
(Increase)/decrease in VAT receivable		
Increase/(decrease) in Trade and other payables from exchange transactions	4 953 927	1 987 751
Cash generated by/(utilised in) operations	<u>84 570 840</u>	<u>24 707 850</u>

26 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	55 071 714	26 504 704
Net cash and cash equivalents (net of bank overdrafts)	<u>55 071 714</u>	<u>26 504 704</u>

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

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
27 DISALLOWED

27.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	38 598 176	8 553 067
Unauthorised expenditure current year	7 138 824	39 507 761
Approved by Council or condoned	-	(9 462 652)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>45 737 000</u>	<u>38 598 176</u>

Incident	Disciplinary steps/criminal proceedings

27.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	-	16 643
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	(16 643)
To be recovered – contingent asset (see note 30)	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

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

27.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	7 437 065	28 776 469
Irregular expenditure current year	31 996 711	7 437 065
Condoned or written off by Council	(18 673 991)	(28 776 469)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>20 759 785</u>	<u>7 437 065</u>

Incident	Disciplinary steps/criminal proceedings

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
28 MANAGEMENT ACT

28.1 Contributions to organised local government

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

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

28.2 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	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

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

28.3 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.

28.4 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	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

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

28.5 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	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

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

28.6 Councillor's arrear consumer accounts

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2012			
No Councillor arrears for the year	-	-	-
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>	<u>-</u>
as at 30 June 2011			
No Councillor arrears for the year	-	-	-
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>	<u>-</u>

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

	Highest Amount Outstanding R	Ageing Days
as at 30 June 2012		
No Councillor arrears for the year	-	-
as at 30 June 2011		
No Councillor arrears for the year	-	-

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

29 CAPITAL COMMITMENTS

29.1 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

	33 555 391	12 893 597
--	-------------------	-------------------

This expenditure will be financed from:

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

	-	-
	33 555 391	12 893 597
	-	-
	-	-
	33 555 391	12 893 597

30 RETIREMENT BENEFIT INFORMATION

30.1 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
	2 925 662	2 371 720
- employer	2 066 192	1 581 147
- employee	859 469	790 573

Cape Joint Pension Fund
- employer
- employee

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

Councillors' Pension Fund
- employer
- employee

	140 377	995 340
- employer	68 338	94 643
- employee	72 039	900 697

30.2 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.

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

30.3 CONTINGENT LIABILITY

	1 347 330	1 242 488
	Estimated outflow including legal costs	
Claim for damages		
Management description of matter		
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.	150 000.00	80 000.00
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	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 parties are still exchanging discovery affidavits in preparation for trial.	-	30 000.00
Chief M Sondlo and others vs Engcobo Municipality - The plaintiff is suing the municipality for demolishing Home steads.	567 330.00	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. All three cases are still pending before the courts.	-	155 158.00
ALCARI 708 CC vs Jongisizwe traffic/ Ngcobo Municipality - instituted claim against the municipality for the alleged breach of contract relating to the rendering of services by the plaintiff to the municipality in respect of prosecution of road traffic offenders, with traffic cameras for the purpose of enhancing the law enforcement junction of the municipality within its jurisdiction.	250 000.00	-
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	-
	<i>None identified</i>	
	<i>None identified</i>	
	<i>None identified</i>	
	<i>None identified</i>	
	<i>None identified</i>	
	<i>None identified</i>	

31 EVENTS AFTER THE REPORTING DATE

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

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

32 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

33 RISK MANAGEMENT

33.1 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.

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	55 068 889	26 501 879
Trade and other receivables	4 521 605	4 245 602

These balances represent the maximum exposure to credit risk.

33.2 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.

At 30 June 2012	Less than 1 year	2 - 5 years	More than 5 years
Trade and other payables from exchange transactions	1 303 991	-	-
Current portion of unspent conditional grants and receipts	50 888 948	-	-
	<u>52 192 939</u>	<u>-</u>	<u>-</u>
At 30 June 2011	Less than 1 year	2 - 5 years	More than 5 years
Trade and other payables from exchange transactions	1 708 196	-	-
Current portion of unspent conditional grants and receipts	22 489 687	-	-
	<u>24 197 883</u>	<u>-</u>	<u>-</u>

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

33.3 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.

	2012	2011
Increase (decrease) in interest rates		
The estimated increase (decrease) in basis points	50	50
Effect on surplus	2 753 444	1 325 094

34 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 adjustments have been made.

VAT receivable - Portions of VAT (R4 117.95) relating to prior year, and another (R344 508.01) relating to current year which could not be traced to transactions were written off.

Appropriation: Income & Expenditure (General Ledger account number 629081092100) - amounts relating to accumulated surplus classified under a separate surplus account were aggregated into the main surplus account.

Current provisions - a provision for bad debts was not provided for on sanitation, refuse and water debtors. Prior period restatements have been made to provisions and the related expense.

Impairment loss - an impairment loss of R458 841 relating to some items of moveable assets was incorrectly recognised in the prior. Prior period restatements have been made to accumulated depreciation/impairment

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

As previously stated:

Statement of Financial Performance

Other income	8 418 526.90
Bad debts	
Depreciation and amortisation expense	19 549 588
Finance costs	37 001
General expenses	58199124.37

Statement of Financial Position

Property, plant and equipment	222 100 048
Trade and other receivables from exchange transactions	4 245 602
Trade and other receivables from non-exchange transactions	2 482 609
VAT receivable	3 785 718
Trade and other payables	1 708 196
	<u>1 518 406</u>

Restatement movements:

Interest	25 724
Rental expense	-67 860
Provision for bad debts	-1 944 595
Depreciation	59 394
Impairment loss reversal	-458 851

Net effect on accumulated surplus

Cumulative changes to opening balance of accumulated surplus

Property, plant and equipment	943 726
Trade and other receivables from exchange transactions	14 184
Trade and other receivables from non-exchange transactions	-1 958 779
VAT receivable	-77 023
Trade and other payables	-4 851 317
Current provisions	-1 792 626
Current portion of finance lease liability	-115 548

Total movement in Statement of Financial Position

-6 759 491

Restated balances:

Statement of Financial Performance

Other income	6 900 748
Bad debts	885 667
Depreciation and amortisation expense	19 490 194
Finance costs	11 277
General expenses	58 266 984

Statement of Financial Position

Property, plant and equipment	223 043 775
Trade and other receivables from exchange transactions	4 259 785
Trade and other receivables from non-exchange transactions	523 831
VAT receivable	3 708 695
Trade and other payables	-3 143 121
Current provisions	2 995 070
Current portion of finance lease liability	458 999
	-

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 of Creditors account

365 153

Writing off roads VAT

453 090

6 300 258

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

35 CHANGE IN ACCOUNTING ESTIMATE

Accounting estimates have been consistently applied, except as indicated below:

The municipality changes an accounting estimate only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on

The aggregate effect of the changes are included in the total movements in Note 24 above. The aggregate effect of the changes in accounting estimate on the annual financial statements for the year ended 30 June 2012 is as follows:

Statement of Financial Performance

Bad debts	3 298 803
-----------	-----------

Statement of Financial Position

Provision for bad debts	5 990 131
-------------------------	-----------

Restatement movements:

Bad debts expense reversal as a result of a decrease from 100% to 30% provision on outstanding debtors 90 days and above	4 357 732
--	-----------

Net effect on accumulated surplus	4 357 732
--	------------------

Cumulative changes to opening balance of accumulated surplus	-8 715 463
---	-------------------

Decrease in related of provision for bad debts	4 357 732
--	-----------

Total movement in Statement of Financial Position	4 357 732
--	------------------

Restated balances:

Statement of Financial Performance

Bad debts	-1 058 928
-----------	------------

Statement of Financial Position

Provision for bad debts	1 632 399
-------------------------	-----------

These changes in accounting estimate resulted from a change in the percentage provision of 100% to 30% on all debtors outstanding for 90 days and more.

Retrospective restatement to years preceding the comparative period is impracticable as the restatement relates to bad debts for which age analyses are not available.

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				
	R	R	R	R	R	R	R	R	R	R				
Land														
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
Buildings	2 601 367	(33 667)	-	-	2 567 700	(162 585)	(66 548)	-	-	(229 133)	-	-	-	2 338 567
Infrastructure														
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	204 867 017	62 005 543	-	-	266 872 560	(32 937 848)	(30 447 071)	-	-	(63 384 919)	-	-	-	203 487 641
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	15 246 193	-	-	5 821 578	21 067 771	-	-	-	-	-	-	-	-	21 067 771
	220 113 210	62 005 543	-	5 821 578	287 940 331	(32 937 848)	(30 447 071)	-	-	(63 384 919)	-	-	-	224 555 412
Community Assets														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	3 594 628	13 507 862	-	-	17 102 490	(225 766)	(196 762)	-	-	(422 528)	-	-	-	17 525 018
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	13 507 862	-	-	36 606 847	(1 366 026)	(766 892)	-	-	(2 132 919)	-	-	-	34 473 929
Heritage Assets														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	249 747 897	76 763 403	-	5 821 578	332 332 878	(34 466 460)	(31 280 511)	-	-	(65 746 971)	-	-	-	266 585 907

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			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	249 747 897	76 763 403	-	5 821 578	332 332 878	(34 466 460)	(31 280 511)	-	-	(65 746 971)	-	-	266 585 907
Other Assets													
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	9 551 768	4 062 657	(34 540)	-	13 579 885	(5 613 422)	(957 146)	23 755	-	(6 546 813)	-	-	7 033 073
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport assets	3 257 294	177 803	-	-	3 435 096	(1 631 445)	(349 076)	-	-	(1 980 521)	-	-	1 454 576
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	334 169	144 619	-	-	478 788	(63 838)	(144 103)	-	-	(207 941)	-	-	270 846
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	17 071 421	5 526 626	(350 538)	-	22 247 509	(9 839 352)	(2 146 447)	255 288	-	(11 730 511)	-	-	10 516 998
Finance Lease Assets													
Office Equipment	770 422	-	-	-	770 422	(240 154)	(44 700)	-	-	(284 854)	-	-	485 568
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	485 568
Total	266 819 318	82 290 029	(350 538)	5 821 578	354 580 387	(44 305 812)	(33 426 959)	255 288	-	(77 477 482)	-	-	277 588 474

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				
Land														
Land	3 934 335	-	-	-	3 934 335	-	-	-	-	-	-	-	-	3 934 335
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3 934 335	-	-	-	3 934 335	-	-	-	-	-	-	-	-	3 934 335
Buildings	2 601 367	-	-	-	2 601 367	(81 293)	(81 293)	-	-	(162 585)	-	-	-	2 438 782
Infrastructure														
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	-	-	7 080 541	15 246 193	-	-	-	-	-	-	-	-	15 246 193
	205 406 855	7 625 814	-	7 080 541	220 113 210	(16 177 041)	(16 760 807)	-	-	(32 937 848)	-	-	-	187 175 362
Community Assets														
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
Heritage Assets														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	234 857 840	7 809 516	-	7 080 541	249 747 897	(16 933 932)	(17 532 528)	-	-	(34 466 460)	-	-	-	215 281 437

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
Total brought forward	234 857 840	7 809 516	-	7 080 541	249 747 897	(16 933 932)	(17 532 528)	-	-	(34 466 460)	-	-	215 281 437
Other Assets													
Office Equipment (Incl. In furniture below)	-	-	-	-	2 122 104	(1 021 189)	(328 373)	33	-	(1 349 529)	-	-	772 575
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	2 202 075	(36 271)	-	9 551 768	(4 981 698)	(637 310)	5 587	-	(5 613 422)	-	-	3 938 346
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport assets	3 254 837	2 457	-	-	3 257 294	(1 299 686)	(331 759)	-	-	(1 631 445)	-	-	1 625 849
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	17 296	316 873	-	-	334 169	(5 838)	(58 000)	-	-	(63 838)	-	-	270 330
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	14 096 107	3 035 478	(60 164)	-	17 071 421	(7 969 806)	(1 881 206)	11 661	-	(9 839 352)	-	-	7 232 069
Finance Lease Assets													
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
Total	248 880 408	10 837 731	(60 164)	7 228 592	266 886 568	(24 849 135)	(19 490 194)	11 661	(458 851)	(44 786 519)	-	-	223 043 775

Engcobo Local Municipality
NOTE 37
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

2011			2012		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
2 154 290.00	17 537 533.00	-15 383 243.00	1 066 851.00	23 952 789.00	-22 885 938.00
60 465 505.00	12 784 693.00	47 680 812.00	101 990 739.00	13 121 802.00	88 868 937.00
78 761.00	14 296 736.00	-14 217 975.00	54 816.00	16 289 105.00	-16 234 289.00
4 204 888.00	28 451 062.00	-24 246 174.00	4 230 196.00	48 241 082.00	-44 010 886.00
42 042 170.00	34 804 792.00	7 237 378.00	41 066 739.00	51 221 433.00	-10 154 694.00
4 200 751.40	650 000.00	3 550 751.40	57 592 415.17	2 306 302.79	55 286 112.38
113 146 365.40	108 524 816.00	4 621 549.40	206 001 756.17	155 132 513.79	50 869 242.38
-	-	-	-	-	-
113 146 365	108 524 816	4 621 549	206 001 756	155 132 514	50 869 242

Less: Inter-Department Charges
Total

Engcobo Local Municipality
NOTE 38
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
Financial Performance					
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%
Total Revenue (Excluding Capital Transfers & Contributions)	115 133 157	206 001 756			
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%
Total Expenditure	132 707 809	155 037 264	-22 329 455	-22 329 455	177 366 718
Gains / loss		95 249		-95 249	
Surplus/(Deficit)					
Transfers Recognised - Capital	65 621 000	-			
Surplus/(Deficit) After Capital Transfers & Contributions	48 046 348	95 249			
Surplus/(Deficit For The Year					

completed info.

