

Maletswai

LOCAL MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

MALETSWAI LOCAL MUNICIPALITY

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MALETSWAI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Maletswai Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Maletswai Local Municipality includes the following areas:

*Aliwal North
Jamestown*

MUNICIPAL MANAGER

Mr. M.P Nonjola

CHIEF FINANCIAL OFFICER

Mr. T. Maseko

REGISTERED OFFICE

Corner Somerset & Barkley Street, Aliwal North, 9750

AUDITORS

Auditor General South Africa

PRINCIPLE BANKERS

ABSA Bank, Aliwal North

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

*Douglas and Botha
Horn & Kumm*

MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF THE MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF COUNCIL

Mayor/PR Councillor	Cllr ZE Pungwani
PR Councillor	Cllr N Mathetha
PR Councillor	Cllr ES Mbana
PR Councillor	Cllr GD Fourie
PR Councillor	Cllr H du Preez
PR Councillor	Cllr M Jan
Ward 1 Councillor	Cllr KS Lange
Ward 2 Councillor	Cllr M. Mokhoabane
Ward 3 Councillor	Cllr Z Betana
Ward 4 Councillor	Cllr P Williams
Ward 5 Councillor	Cllr M Mdumisa
Ward 6 Councillor	Cllr M Tsolanku

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 83 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits 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.

Mr. M.P Nonjola
Municipal Manager

Date

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required 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 notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material 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.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	
GRAP 24 (Original – Nov 2007)	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	1 April 2012
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality does not participate in such business transactions.	
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. LEASES

1.8.1 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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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 and 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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.8.2 Municipality as Lessor

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 de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- 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. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential 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 of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a 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 possible.

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;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- 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.
- (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.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees . Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.15. BORROWING COSTS

Borrowing costs 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. 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. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 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. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. 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.

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 assets 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.

1.16.2 Subsequent Measurement – Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	100
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 an impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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.

Intangible assets are initially recognised at cost.

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.

1.17.2 Subsequent Measurement – Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.17.3 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. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed 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.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2011.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

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

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn 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. Property with a currently undetermined use, is also classified as investment property.

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), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.19 BIOLOGICAL ASSETS

1.19.1 Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Biological assets are initially measured at their fair value less cost to sell.

1.19.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.20. NON-CURRENT ASSETS HELD FOR SALE

1.20.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.20.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's 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 recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units

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expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

1.22. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated 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.

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.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.23. INVENTORIES

1.23.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable 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 Municipality 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.23.2 Subsequent Measurement

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. 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.24.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.24.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.24.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.24.2.3 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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.

1.24.3 De-recognition of Financial Instruments

1.24.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

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- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.24.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.24.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.25. REVENUE

1.25.1 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.

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

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, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.25.2 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. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 points per property.

Service charges relating to sanitation (sewerage) 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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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 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 are 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.

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

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The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

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- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.27. 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 a 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. 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, and (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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 2 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		240 431 455	246 726 209
Accumulated Surplus		240 431 455	246 726 209
Non-Current Liabilities		18 595 648	16 543 796
Long-term Liabilities	1	5 255 939	4 022 336
Employee benefits	2	10 255 618	9 807 106
Non-Current Provisions	3	3 084 091	2 714 354
Liabilities Associated with Discontinued Operations	20.2	2 276 556	-
Current Liabilities		38 498 360	28 956 529
Consumer Deposits	4	1 745 426	1 670 152
Current Employee benefits Provisions	5	4 169 297	5 359 690
Payables from exchange transactions	6	289 703	285 664
Unspent Conditional Government Grants and Receipts	7	11 515 132	11 135 883
Cash and Cash Equivalents	8	6 832 555	8 617 302
Current Portion of Long-term Liabilities	19	12 755 663	728 767
	1	1 190 583	1 159 071
Total Net Assets and Liabilities		299 802 019	292 226 533
ASSETS			
Non-Current Assets		277 079 193	272 738 506
Property, Plant and Equipment		233 592 997	232 043 148
Property, Plant and Equipment (Excluding Capitalised Restoration Costs)	10.1	233 592 997	232 043 148
Capitalised Restoration Costs	10.2	-	-
Investment Property	11	40 244 659	38 142 139
Intangible Assets	12	437 527	681 888
Non-Current Investments	13	665 309	627 431
Biological Assets	14	2 138 700	1 243 900
Assets Associated with Discontinued Operations	20.1	5 776 823	-
Current Assets		16 946 003	19 488 027
Inventory	15	464 599	416 250
Receivables from exchange transactions	16	14 401 641	14 801 390
Receivables from non-exchange transactions	17	925 082	1 973 377
Unpaid Conditional Government Grants and Receipts	8	810 866	1 277 086
Operating Lease Asset	18	-	32 049
Taxes	9	141 896	357 694
Cash and Cash Equivalents	19	201 920	630 182
Total Assets		299 802 019	292 226 533

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R
CONTINUED OPERATIONS			
REVENUE			
Revenue from Non-exchange Transactions		49 782 630	52 682 800
Taxation Revenue		8 449 033	7 657 929
Property taxes	21	8 449 033	7 657 929
Transfer Revenue		40 939 174	44 380 200
Government Grants and Subsidies - Capital	22	14 090 028	22 403 129
Government Grants and Subsidies - Operating	22	26 848 646	21 977 071
Public Contributions and Donations		500	-
Other Revenue		394 422	644 671
Actuarial Gains	2	144 465	193 383
Third Party Payments		-	178 175
Fines		249 957	273 112
Revenue from Exchange Transactions		53 049 289	46 701 351
Service Charges	23	44 179 266	38 817 166
Water service authority contribution	24	-	-
Rental of Facilities and Equipment		1 700 239	1 586 412
Interest Earned - external investments		207 331	353 007
Interest Earned - outstanding debtors		881 003	793 945
Licences and Permits		2 188 842	2 159 272
Agency Services		1 300 499	1 305 666
Other Income	25	1 654 989	1 503 898
Gain on disposal of Property, Plant & Equipment	26	42 320	55 709
Fair Value Adjustments	26	894 800	126 275
Total Revenue		102 831 919	99 384 151
EXPENDITURE			
Employee related costs	27	35 703 277	33 782 914
Remuneration of Councillors	28	2 575 860	2 585 696
Debt Impairment	29	3 026 970	966 456
Depreciation and Amortisation	30	14 936 127	13 355 536
Impairments	31	226 211	195 970
Repairs and Maintenance	32	4 926 992	3 369 107
Actuarial losses	2	615 102	3 559 374
Finance Charges	33	2 229 001	1 365 212
Bulk Purchases	34	36 725 368	30 732 066
Other Operating Grant Expenditure		2 203 429	1 793 868
General Expenses	35	15 553 480	13 584 169
Loss on disposal of Property, Plant and Equipment		1 536	665 194
Total Expenditure		118 723 351	105 955 562
Operating Surplus/(Deficit) from continued operations		(15 891 432)	(6 571 411)
DISCONTINUED OPERATIONS			
REVENUE			
Revenue from Exchange Transactions		19 697 421	14 862 807
Service Charges	23	10 410 028	6 231 976
Water service authority contribution	24	9 234 315	8 550 292
Other Income	25	53 078	80 539
Total Revenue		19 697 421	14 862 807
EXPENDITURE			
Employee related costs	27	5 371 239	4 802 675
Debt Impairment	29	2 534 872	2 799 567
Repairs and Maintenance	32	523 070	534 618
General Expenses	35	1 671 561	3 151 509
Total Expenditure		10 100 742	11 288 369
Operating Surplus from discontinued operations		9 596 679	3 574 438
NET SURPLUS/(DEFICIT) FOR THE YEAR		(6 294 754)	(2 996 973)

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus	Total
	R	R
Balance at 1 JULY 2010 - Previously stated	131 847 682	131 847 682
Prior Period Adjustments - See Note 36.14	117 875 501	117 875 501
Restated Balance at 1 JULY 2010	249 723 182	249 723 182
Net Deficit for the year	(2 996 973)	(2 996 973)
Balance at 30 JUNE 2011	246 726 209	246 726 209
Net Deficit for the year	(6 294 754)	(6 294 754)
Balance at 30 JUNE 2012	240 431 455	240 431 455

MALETSWAI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 (Actual) R	30 JUNE 2011 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		70 112 409	69 254 388
Government		39 620 147	49 891 909
Interest		1 088 333	1 146 952
Payments			
Suppliers		(69 528 014)	(61 564 805)
Employees		(35 522 402)	(33 498 718)
Finance charges	33	(1 063 036)	(531 839)
Cash generated by operations	38	4 707 438	24 697 886
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10.1	(13 463 102)	(18 763 195)
Purchase of Investment property	11	(2 237 165)	(2 065 603)
Proceeds on Disposal of Fixed Assets		75 603	62 522
Increase in Intangible Assets		(35 202)	(241 054)
Increase in Non-current Investments	13	(37 878)	(46 432)
Net Cash from Investing Activities		(15 697 744)	(21 053 762)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 540 127)	(982 013)
Increase in Consumer Deposits		75 275	44 809
Net Cash from Financing Activities		(1 464 852)	(937 204)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(12 455 158)	2 706 920
Cash and Cash Equivalents at the beginning of the year		(98 586)	(2 805 506)
Cash and Cash Equivalents at the end of the year	40	(12 553 743)	(98 586)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(12 455 158)	2 706 920

Refer to note 39 for further detail regarding the restatement of comparative figures

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10.1 PROPERTY, PLANT AND EQUIPMENT (EXCLUDING CAPITALISED RESTORATION COSTS)

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	60 810 817	579 979	-	-	61 390 796	671 116	239 467	-	910 583	60 480 213
Land	37 124 300	-	-	-	37 124 300	-	-	-	-	37 124 300
Buildings	23 686 517	579 979	-	-	24 266 496	671 116	239 467	-	910 583	23 355 913
Infrastructure	190 225 347	8 843 711	-	-	199 069 058	31 044 681	11 554 441	-	42 599 121	156 469 936
Roads and Stormwater	126 596 182	7 485 907	-	-	134 082 089	25 822 291	9 072 617	-	34 894 909	99 187 180
Electricity	63 518 007	1 192 211	-	-	64 710 217	5 207 818	2 476 250	-	7 684 069	57 026 149
Other	111 158	165 593	-	-	276 752	14 571	5 573	-	20 144	256 608
Community Assets	2 598 326	3 452 536	-	-	6 050 862	11 523	104 218	-	115 740	5 935 122
Recreation Grounds and Facilities	222 000	3 452 536	-	-	3 674 536	1 508	8 904	-	10 413	3 664 123
Cemetery	2 376 326	-	-	-	2 376 326	10 014	95 313	-	105 328	2 270 999
Lease Assets	2 077 099	2 239 490	-	(10 528)	4 306 062	1 523 299	863 218	(8 992)	2 377 526	1 928 536
Office Equipment	2 077 099	2 239 490	-	(10 528)	4 306 062	1 523 299	863 218	(8 992)	2 377 526	1 928 536
Other Assets	13 474 876	990 872	-	(79 592)	14 386 156	3 892 700	1 760 576	(46 310)	5 606 965	8 779 190
Office Equipment and tools	4 491 184	900 672	-	(79 592)	5 312 263	1 632 592	872 085	(46 310)	2 458 367	2 853 896
Motor vehicles and implements	8 983 693	90 200	-	-	9 073 893	2 260 107	888 491	-	3 148 598	5 925 294
	269 186 466	16 106 587	-	(90 120)	285 202 933	37 143 318	14 521 920	(55 302)	51 609 936	233 592 997

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance	Additions	Cost Transfers	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	60 756 072	54 745	-	-	60 810 817	434 798	236 318	-	671 116	60 139 701
Land	37 124 300	-	-	-	37 124 300	-	-	-	-	37 124 300
Buildings	23 631 772	54 745	-	-	23 686 517	434 798	236 318	-	671 116	23 015 401
Infrastructure	175 197 627	18 092 048	(2 376 326)	(688 002)	190 225 347	20 199 297	10 868 192	(22 808)	31 044 681	159 180 666
Roads and Stormwater	121 088 177	8 572 334	(2 376 326)	(688 002)	126 596 182	17 045 695	8 799 404	(22 808)	25 822 291	100 773 891
Electricity	53 998 292	9 519 714	-	-	63 518 007	3 144 588	2 063 230	-	5 207 818	58 310 188
Other	111 158	-	-	-	111 158	9 013	5 558	-	14 571	96 587
Community Assets	-	222 000	2 376 326	-	2 598 326	-	11 523	-	11 523	2 586 804
Recreation Grounds	-	222 000	-	-	222 000	-	1 508	-	1 508	220 492
Cemetery	-	-	2 376 326	-	2 376 326	-	10 014	-	10 014	2 366 312
Lease Assets	2 077 099	-	-	-	2 077 099	1 109 021	414 278	-	1 523 299	553 800
Office Equipment	2 077 099	-	-	-	2 077 099	1 109 021	414 278	-	1 523 299	553 800
Other Assets	11 518 273	1 967 586	-	(10 983)	13 474 876	2 449 137	1 447 732	(4 170)	3 892 700	9 582 177
Office Equipment and tools	3 914 750	587 416	-	(10 983)	4 491 184	972 778	663 984	(4 170)	1 632 592	2 858 591
Motor vehicles and implements	7 603 523	1 380 170	-	-	8 983 693	1 476 359	783 748	-	2 260 107	6 723 586
	249 549 071	20 336 379	-	(698 985)	269 186 466	24 192 253	12 978 042	(26 978)	37 143 318	232 043 148
Balance previously reported	121 685 654	21 345 848	-	(10 983)	143 020 519	-	-	-	-	143 020 519
Prior Period Adjustment - Refer to note 36.0'	127 863 418	(1 009 469)	-	(688 002)	126 165 947	24 192 253	12 978 042	(26 978)	37 143 318	89 022 629
	249 549 071	20 336 379	-	(698 985)	269 186 466	24 192 253	12 978 042	(26 978)	37 143 318	232 043 148

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10.1 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

Included in PPE balances at each reporting period are the following Work in Progress balances. No depreciation is charged on these balances before the project is completed.

	2012 R	2011 R
Infrastructure - Roads and Stormwater	5 832 168	7 030 618
Infrastructure - Electricity	-	1 648 649
Infrastructure - Other	165 593	-
Buildings	-	54 745
Recreation Grounds and Facilities	3 452 536	-
	<u>9 450 297</u>	<u>8 734 012</u>

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not previously measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land;
- Property, Plant and Equipment financed by way of finance leases;
- Property, Plant and Equipment financed by way of provisions;
- Property, Plant and Equipment transferred as a result of the transfer of functions; and
- Componentised infrastructure assets.

A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Since the previous reporting date the following adjustment were made to measure PPE in accordance with GRAP 17 and restated retrospectively:

	2011
Property, Plant and Equipment	126 165 947
Accumulated depreciation on Property, Plant and Equipment	(37 143 318)
	<u>89 022 629</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	4 337 306	4 518 562
Hire Purchase	1 614 811	1 698 036
Capitalised Lease Liability - At amortised cost	2 140 375	772 535
	8 092 492	6 989 133
Less: Current Portion transferred to Current Liabilities	1 190 583	1 159 071
Annuity Loans - At amortised cost	191 039	181 863
Hire Purchase	416 325	418 546
Capitalised Lease Liability - At amortised cost	583 220	558 663
	6 901 909	5 830 062
Plus: Unamortised charges on loans	(1 645 970)	(1 807 727)
Balance 1 July	(1 807 727)	(1 934 185)
Unwinding of unamortised discount on non-current liabilities	161 757	126 459
Total Long-term Liabilities - At amortised cost using the effective interest rate method	5 255 939	4 022 336

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2029. The loan is secured by an investment and call investment deposit disclosed in notes 13 and 19

The obligations under annuity loans are scheduled below

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	405 559	405 559
Payable within two to five years	1 622 236	1 622 236
Payable after five years	4 256 015	4 660 269
	6 283 810	6 688 065
Less: Future finance obligations	(1 946 505)	(2 169 503)
Present value of annuity obligations	4 337 306	4 518 562

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	886 558	670 200
Payable within two to five years	1 989 474	223 400
	2 876 032	893 600
Less: Future finance obligations	(735 656)	(121 065)
Present value of lease obligations	2 140 375	772 535

The outstanding finance lease liability is made up of the following agreements (Copiers;

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2012 R	2011 R	2012 R	2011 R
ITEC Rental	21.20%	01/11/2012	131 827	527 307	213 873	772 535
NRG Rental	16.67%	30/06/2016	1 790 365	-	1 926 503	-
			1 922 192	527 307	2 140 375	772 535

The obligations under hire purchase agreements are scheduled below

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	559 112	564 131
Payable within two to five years	1 366 965	1 537 363
Payable after five years	-	9 825
	1 926 077	2 111 319
Less: Future finance obligations	(311 265)	(413 283)
Present value of hire purchase obligations	1 614 811	1 698 036

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The outstanding finance lease liability is made up of the following agreements (Copiers)

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2012 R	2011 R	2012 R	2011 R
ABSA (Telephone system)	10.00%	15/05/2011	336 723	-	335 320	-
ABSA (Mercedes Refuse Truck)	9.03%	15/01/2012	727 152	930 276	-	166 573
ABSA (TATA Truck)	10.00%	05/08/2016	160 271	178 234	393 907	460 486
ABSA (Isuzu KB200I LWB)	10.00%	15/02/2016	108 201	122 554	114 207	138 739
ABSA (2011 Rear Tipping Trailor)	10.00%	15/02/2016	59 883	64 982	59 834	72 687
ABSA (2010 Vibrating Roller)	10.00%	15/02/2016	105 369	120 228	107 104	130 110
ABSA (Isuzu KB200I Fleetside)	10.00%	15/02/2016	134 680	154 067	145 507	176 762
ABSA (Sonalinka Tractor)	10.00%	15/02/2016	172 374	180 653	163 774	198 953
ABSA (Mazda CX 7)	10.00%	01/05/2016	289 219	309 743	295 158	353 726
			2 093 872	2 060 738	1 614 811	1 698 036

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases and hire purchases are secured by property, plant and equipment - Note 10.1

2	EMPLOYEE BENEFITS	2012 R	2011 R
	Post Retirement Medical Benefits - Refer to Note 2.1	10 138 658	8 697 359
	Long Service Awards - Refer to Note 2.2	1 423 595	1 109 747
	Total Non-current Employee Benefit Liabilities	11 562 253	9 807 106
	<u>Post Retirement Medical Benefits</u>		
	Balance 1 July	8 978 495	4 900 328
	Contribution for the year	1 187 204	807 220
	Expenditure for the year	(317 195)	(288 427)
	Actuarial Loss	615 102	3 559 374
	Total post retirement benefits 30 June	10 463 606	8 978 495
	Less: Transfer of Current Portion - Note 5	(324 948)	(281 136)
	Balance 30 June	10 138 658	8 697 359
	<u>Long Service Awards</u>		
	Balance 1 July	1 469 844	1 385 423
	Contribution for the year	431 284	414 755
	Expenditure for the year	(169 203)	(136 951)
	Actuarial Gain	(144 465)	(193 383)
	Total long service 30 June	1 587 460	1 469 844
	Less: Transfer of Current Portion - Note 5	(163 865)	(360 097)
	Balance 30 June	1 423 595	1 109 747
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	10 448 339	6 285 751
	Contribution for the year	1 618 488	1 221 975
	Expenditure for the year	(486 398)	(425 378)
	Actuarial Loss	470 637	3 365 991
	Total employee benefits 30 June	12 051 066	10 448 339
	Less: Transfer of Current Portion - Note 5	(488 813)	(641 233)
	Balance 30 June	11 562 253	9 807 106
	<u>Attributable to:</u>		
	Continued Operations	10 255 618	9 807 106
	Discontinued Operations	1 306 635	-
		11 562 253	9 807 106

Refer to note 20 for further disclosures regarding discontinued operations.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2.1 Post Retirement Benefits	2012	2011
<p>The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:</p>		
In-service (employee) members	69	77
In-service (employee) non-members	188	171
Continuation members (e.g. Retirees, widows, orphans)	14	13
Total Members	271	261
	2012	2011
	R	R
<p>The liability in respect of past service has been estimated to be as follows:</p>		
In-service members	5 901 575	5 140 619
Continuation members	4 562 031	3 837 876
Total Liability	10 463 606	8 978 495
	2010	2009
	R	R
<p>The liability in respect of periods commencing prior to the comparative year has been estimated as follows:</p>		
Total Liability	4 900 328	3 905 019
	2012	2011
	Rm	Rm
Liabilities: (Gain) / loss	0.018	2.109
Assets: Gain / (loss)	-	-
<p>The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25</p>		
<p>The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:</p>		
Bonitas;		
LA Health		
Hosmed		
Samwumed		
		2013
		R
<p>The following are estimates for the 2012/2013 financial year:</p>		
Future Service Cost		483 862
Interest Cost		814 862
	2012	2011
	%	%
<p>Key actuarial assumptions used:</p>		
i) Rate of interest		
Discount rate	7.91%	8.65%
Health Care Cost Inflation Rate	6.96%	7.32%
Net Effective Discount Rate	0.89%	1.24%
<p>The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"</p>		
ii) Mortality rates		
<p>The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.</p>		
iii) Normal retirement age		
<p>It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.</p>		

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	10 463 606	8 978 495
Net liability	10 463 606	8 978 495

The liability is not supported by any plan assets

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	8 978 495	4 900 328
Total expenses	870 009	518 793
Current service cost	422 508	363 310
Interest Cost	764 696	443 910
Benefits Paid	(317 195)	(288 427)
Actuarial losses	615 102	3 559 374
Present value of fund obligation at the end of the year	10 463 606	8 978 495
Less: Transfer of Current Portion - Note 5	(324 948)	(281 136)
Balance 30 June	10 138 658	8 697 359

Sensitivity Analysis on the Accrued Liability

Central Assumptions

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5.902	4.562	10.464	
Health care inflation	1%	7.192	5.040	12.232	17%
Health care inflation	-1%	4.885	4.148	9.033	-14%
Post-retirement mortality	-1 year	6.117	4.750	10.867	4%
Average retirement age	-1 year	6.429	4.562	10.991	5%
Withdrawal Rate	-50%	6.424	4.562	10.986	5%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		422 500	764 700	1 187 200	
Health care inflation	1%	528 300	893 200	1 421 500	20%
Health care inflation	-1%	341 600	660 600	1 002 200	-16%
Post-retirement mortality	-1 year	436 600	793 400	1 230 000	4%
Average retirement age	-1 year	469 900	801 400	1 271 300	7%
Withdrawal Rate	-50%	499 700	807 500	1 307 200	10%

2.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

The number of officials eligible for Long Service Bonuses	252	249
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The following are estimates for the 2012/2013 financial year:

	2012	2011
Future Service Cost		321 825
Interest Cost		91 032

Key actuarial assumptions used:

i) Rate of interest

	2012 %	2011 %
Discount rate	6.04%	7.42%
General Salary Inflation (long-term)	5.97%	6.18%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.07%	1.17%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 587 460	1 469 844
Net liability	1 587 460	1 469 844

The liability is not supported by any plan assets

	2010 R	2009 R	2008 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
Total Liability	1 385 423	1 147 073	1 087 510

Experience adjustments were calculated as follows:

	2012 R	2011 R
Liabilities: (Gain) / loss	(50 428)	(113 164)
Assets: Gain / (loss)	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 469 844	1 385 423
Total expenses	262 081	277 804
Current service cost	335 298	304 376
Interest Cost	95 986	110 379
Benefits Paid	(169 203)	(136 951)
Actuarial gains	(144 465)	(193 383)
Present value of fund obligation at the end of the year	1 587 460	1 469 844
Less: Transfer of Current Portion - Note 5	(163 865)	(360 097)
Balance 30 June	1 423 595	1 109 747

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.587	
General salary inflation	1%	1.670	5%
General salary inflation	-1%	1.511	-5%
Average retirement age	-2 yrs	1.539	-3%
Average retirement age	2 yrs	1.672	5%
Withdrawal rates	-50%	1.884	19%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		335 298	95 986	431 284	
General Salary Inflation	1%	349 214	100 776	449 990	4%
General Salary Inflation	-1%	322 676	91 565	414 241	-4%
Average retirement age	-2 years	323 748	93 062	416 810	-3%
Average retirement age	+2 years	349 316	102 680	451 996	5%
Withdrawal Rate	-50%	397 264	112 919	510 183	18%

2.3 Retirement funds

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	2 079 674	1 947 876
Cape Joint Retirement Fund	594 274	486 141
SAMWU National Provident Fund	1 601 162	1 536 146
	4 275 110	3 970 162

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

	2012 R	2011 R
Provision for Rehabilitation of Landfill-sites	3 084 091	2 714 354
Total Non-current Provisions	3 084 091	2 714 354

The municipality has 2 Landfill sites. The sites are situated in Jamestown and Aliwal North.

Landfill Sites

Balance 1 July	2 714 354	2 366 354
Balance previously reported		-
Prior Period Adjustment - Refer to note 36.05		2 366 354
Additions	226 211	195 970
Balance previously reported		-
Prior Period Adjustment - Refer to note 36.05		195 970
Unwinding of discounted interest	143 526	152 030
Balance previously reported		-
Prior Period Adjustment - Refer to note 36.05		152 030
Total provision 30 June	3 084 091	2 714 354
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	3 084 091	2 714 354

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The municipality did not measure the rehabilitation costs of the landfill-sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

2 714 354

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site. The assumptions used are as

	Aliwal North	Jamestown	Total
Shaping and finishing (R3/m ²)	33 300	30 000	63 300
Fence (R350/m)	220 500	203 000	423 500
Stormwater Diversion Measures (R60/m)	19 200	16 800	36 000
Final Landfill Cover (R150/m ²)	1 665 000	1 500 000	3 165 000
Preliminary and general (Rand)	51 000	51 000	102 000
Professional Fees and contingencies (Rand)	455 800	434 780	890 580
	2 444 800	2 235 580	4 680 380

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. The following rate was used - 5% (2011 - 5.29%)

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. Based on a technical opinion obtained from the Auditor General, the provision at year end was recognised based on the % of the sites utilised. Total estimated costs to rehabilitate the existing sites are as follows:

Location	Estimated decommission date	% utilised		Cost of rehabilitation	Cost of rehabilitation
		2012	2011	2012 R	2011 R
Aliwal North	2023	85%	80%	2 078 080	1 862 705
Jamestown	2029	45%	40%	1 006 011	851 650
				3 084 091	2 714 354

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
4 CONSUMER DEPOSITS		
Consumer Deposits	1 745 426	1 670 152
Total Consumer Deposits	1 745 426	1 670 152
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2012 R	2011 R
5 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 2	324 948	281 136
Current Portion of Long-Service Provisions - Note 2	163 865	360 097
Staff Leave	4 322 074	4 718 457
Compensation for injuries on duty contribution	-	-
Balance previously reported		285 664
Prior Period Adjustment - Refer to note 36.12		(285 664)
Total Current Employee Benefits	4 810 887	5 359 690
Attributable to:		
Continued Operations	4 169 297	5 359 690
Discontinued Operations	641 590	-
	4 810 887	5 359 690

Refer to note 20 for further disclosures regarding discontinued operations

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	4 718 457	4 962 233
Contribution to current portion	809 495	410 422
Expenditure incurred	(1 205 878)	(654 198)
Balance at end of year	4 322 074	4 718 457

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

6 PROVISIONS		
Compensation for injuries on duty contribution	289 703	285 664
Balance previously reported		-
Prior Period Adjustment - Refer to note 36.13		285 664
	289 703	285 664

The movement in current provisions are reconciled as follows:

Compensation for injuries on duty contributor

Balance at beginning of year	285 664	667 409
Contribution to current portion	305 850	285 664
Penalties incurred	29 992	-
Expenditure incurred	(331 802)	(667 409)
Balance at end of year	289 703	285 664

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	8 559 999	7 909 568
Balance previously reported		2 697 512
Prior Period Adjustment - Refer to note 36.07		5 212 056
Interest Accrued	64 374	63 945
Pre-paid electricity	894 722	300 993
Payments received in advance	1 083 234	1 687 285
Other Creditors	570 117	843 560
Balance previously reported		569 589
Prior Period Adjustment - Refer to note 36.07		273 971
Sundry deposits	342 687	330 532
Balance previously reported		342 815
Prior Period Adjustment - Refer to note 36.07		(12 283)
Total Trade Payables	11 515 132	11 135 883

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value

Sundry deposits include hall, housing and unidentified deposits.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	6 832 555	8 617 302
National Government Grants	1 748 383	-
Provincial Government Grants	5 079 405	8 008 589
District Municipality	4 767	600 270
Other Grant Providers	-	8 443
Less: Unpaid Grants	810 866	1 277 086
National Government Grants	559 427	1 007 291
Provincial Government Grants	251 439	269 795
Total Conditional Grants and Receipts	6 021 689	7 340 216

Refer to appendix D and note 22 for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Not all unspent grants are cash-backed at year end - Refer to note 44.1

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

9 TAXES

9.1 VAT Payable

VAT Payable (In suspense)	514 500	440 949
	514 500	440 949

9.2 VAT Receivable

VAT Receivable (In suspense)	268 318	21 956
VAT Receivable from SARS	59 747	776 686
	328 065	798 643

Net VAT Payable/(Receivable)

	186 435	(357 694)
Balance previously reported		431 695
Prior Period Adjustment - Refer to note 36.04		(789 389)
		(357 694)

Attributable to:

Continued Operations	(141 896)	(357 694)
Discontinued Operations	328 331	-
	186 435	(357 694)

Refer to note 20 for further disclosures regarding discontinued operations.
VAT is payable and receivable on the cash basis.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

PROPERTY PLANT AND EQUIPMENT

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10.2	PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COSTS	2012 R	2011 R
	Net Carrying amount at 1 July	-	-
	Acquisitions	226 211	195 970
	Balance previously reported		-
	Prior Period Adjustment - Refer to note 36.06		195 970
	Impairments	(226 211)	(195 970)
	Balance previously reported		-
	Prior Period Adjustment - Refer to note 36.06		(195 970)
	Net Carrying amount at 30 June	-	-
	Cost	1 773 619	1 547 408
	Accumulated Impairments	(1 773 619)	(1 547 408)

The municipality did not measure the rehabilitation costs of the landfill-sites in the past in terms of Directive 4, issued by the Accounting Standards Board.

Since the previous reporting period the municipality recognised all rehabilitation cost in line with GRAP 17. Also refer to note 3 for the related provision raised for rehabilitation of landfill-sites in the municipal area.

Landfill-sites financed by way of a provision recognised previously not recognised - Refer to note 3

11	INVESTMENT PROPERTY	2012 R	2011 R
	Net Carrying amount at 1 July	38 142 139	36 210 813
	Cost	38 544 603	36 479 000
	Balance Previously reported		25 038 001
	Prior Period Adjustment - Refer to note 36.03		11 440 999
	Accumulated Depreciation	(402 464)	(268 187)
	Balance Previously reported		-
	Prior Period Adjustment - Refer to note 36.03		(268 187)
	Acquisitions	2 237 165	2 065 603
	Balance Previously reported		-
	Prior Period Adjustment - Refer to note 36.03		2 065 603
	Disposals	-	-
	Depreciation for the year	(134 645)	(134 277)
	Balance Previously reported		-
	Prior Period Adjustment - Refer to note 36.03		(134 277)
	Net Carrying amount at 30 June	40 244 659	38 142 139
	Cost	40 781 769	38 544 603
	Accumulated Depreciation	(537 109)	(402 464)

Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:

Cost	11 440 999
Accumulated Depreciation	(402 464)
Total not previously recognised now restated retrospectively	11 038 535

Included in Investment property balance at year end, are the following work in progress balances:

Upgrading of Aliwal SPA	4 302 769	2 065 603
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There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12 INTANGIBLE ASSETS		
Net Carrying amount at 1 July	681 888	684 050
Cost	1 372 456	1 131 402
Accumulated Amortisation	(690 568)	(447 352)
Balance Previously reported		-
Prior Period Adjustment - Refer to note 36.02		(447 352)
Acquisitions	35 202	241 054
Balance Previously reported		235 066
Prior Period Adjustment - Refer to note 36.02		5 987
Amortisation	(279 562)	(243 216)
Balance Previously reported		-
Prior Period Adjustment - Refer to note 36.02		(243 216)
Net Carrying amount at 30 June	437 527	681 888
Cost	1 407 658	1 372 456
Accumulated Amortisation	(970 131)	(690 568)

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Cost	-
Accumulated Depreciation	(447 352)
Total not previously recognised now restated retrospectively	<u>(447 352)</u>

13 NON-CURRENT INVESTMENTS

Fixed Deposits	665 309	627 431
Total Non-Current Investments	665 309	627 431

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.39 % to 6.02 % per annum. (2011 - 5.64% to 6.02%)

Fixed deposits consist out of the following accounts

ABSA Fixed Deposit - Account number 20-6626-7402	638 535	602 090
ABSA Fixed Deposit - Account number 20-4791-9733	26 774	25 341
	<u>665 309</u>	<u>627 431</u>

Included in Non-Current investments are balances ring-fenced for the following specific purposes

Security for DBSA loan - Refer note 1	638 535	602 090
	<u>638 535</u>	<u>602 090</u>

14 BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2012 R	2011 R
Springbuck	228	450	102 600	96 600
Blesbuck	90	750	67 500	48 600
Black Wildebeest	42	1 500	63 000	46 800
Gemsbuck	29	3 000	87 000	77 500
Red Hartebeest	32	2 250	72 000	49 600
Eland	18	5 200	93 600	51 200
Zebra	20	4 800	96 000	70 000
Ostrich	15	800	12 000	3 600
Buffalo	14	110 357	1 545 000	800 000
			<u>2 138 700</u>	<u>1 243 900</u>

Fair value of biological assets is based on selling prices less costs to sell in an open active market.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Reconciliation of fair value:		
Opening Fair Value	1 243 900	1 117 625
Decrease in fair value due to disposals	(54 350)	(105 125)
Fair value adjustments - Physical changes and death	756 250	225 650
Fair value adjustments - Price adjustments	192 900	5 750
Closing Fair Value	<u>2 138 700</u>	<u>1 243 900</u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

15

INVENTORY

Consumable Stores - Diesel	-	10 890
Consumable Stores - Tarr Premix	3 994	49 277
Consumable Stores - Electrical Stock	460 605	350 291
Water	6 106	5 791
Balance previously reported		-
Prior Period Adjustment - Refer to note 36.09		5 791
	<u>470 705</u>	<u>416 250</u>

Attributable to:

Continued Operations	464 599	416 250
Discontinued Operations	6 106	-
	<u>470 705</u>	<u>416 250</u>

Refer to note 20 for further disclosures regarding discontinued operations.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water	<u>5 791</u>
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MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
16 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	6 635 840	5 428 383
Balance previously reported		3 272 248
Prior Period Adjustment - Refer to note 36.11		2 156 135
Electricity	6 847 412	5 153 138
Balance previously reported		1 736 445
Prior Period Adjustment - Refer to note 36.11		3 416 693
Refuse	1 911 256	1 583 259
Sewerage	2 533 195	2 116 598
Other Arrears	981 350	1 037 063
Total Service Receivables	18 909 055	15 318 440
Less: Allowance for Doubtful Debts	(6 763 658)	(5 544 012)
Net Service Receivables	12 145 396	9 774 428
Other Receivables		
Joe Gqabi District Municipality (Water and Sanitation)	8 026 962	5 026 962
Net Other Receivables	8 026 962	5 026 962
Total Receivables from exchange transactions	20 172 358	14 801 390
Attributable to:		
Continued Operations	14 401 641	14 801 390
Discontinued Operations	5 770 717	-
	20 172 358	14 801 390
Refer to note 20 for further disclosures regarding discontinued operations.		
Ageing of Receivables from Exchange Transactions		
(Water): Ageing		
Current (0 - 30 days)	3 572 108	3 039 569
31 - 60 Days	616 449	254 016
61 - 90 Days	357 923	193 880
+ 90 Days	2 089 361	1 940 917
Total	6 635 840	5 428 383
(Electricity): Ageing		
Current (0 - 30 days)	5 492 645	4 311 145
31 - 60 Days	543 979	89 510
61 - 90 Days	110 510	92 164
+ 90 Days	700 279	660 319
Total	6 847 412	5 153 138
(Refuse): Ageing		
Current (0 - 30 days)	231 230	207 366
31 - 60 Days	95 149	85 431
61 - 90 Days	73 340	67 346
+ 90 Days	1 511 537	1 223 116
Total	1 911 256	1 583 259
(Sewerage): Ageing		
Current (0 - 30 days)	254 364	213 808
31 - 60 Days	136 046	119 359
61 - 90 Days	106 595	99 337
+ 90 Days	2 036 189	1 684 094
Total	2 533 195	2 116 598

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>(Other arrears): Ageing</u>		
Current (0 - 30 days)	131 331	103 534
31 - 60 Days	99 337	50 745
61 - 90 Days	48 340	48 078
+ 90 Days	702 342	834 706
Total	981 350	1 037 063
<u>(Total): Ageing</u>		
Current (0 - 30 days)	9 681 678	7 875 423
31 - 60 Days	1 490 960	599 060
61 - 90 Days	696 709	500 805
+ 90 Days	7 039 708	6 343 151
Total	18 909 055	15 318 440
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	5 544 012	1 992 419
Contribution to provision	4 678 524	3 594 973
Bad Debts Written Off	(3 458 878)	(43 380)
Balance at end of year	6 763 658	5 544 012
The Provision for Impairment could be allocated between the different classes of receivables as follows		
Electricity	1 517 393	551 401
Water	1 547 463	1 661 193
Refuse	1 294 176	1 097 015
Sewerage	1 850 855	1 511 800
Other	553 772	722 603
	6 763 658	5 544 012

Refer to note 47 c) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

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

17

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables		
Rates	1 534 636	2 591 206
Balance previously reported		2 721 943
Prior Period Adjustment - Refer to note 36.08		(130 736)
Other Receivables	1 084 201	1 424 835
Accrued Interest	25 204	25 986
Staff	32 514	31 513
Deposits	107 446	49 130
Government	540 082	511 256
Other Debtors	378 954	806 949
Balance previously reported		17 852
Prior Period Adjustment - Refer to note 36.08		789 098
Total Service Receivables	2 618 837	4 016 041
Less: Allowance for Doubtful Debts	(1 693 755)	(2 042 664)
Total Net Receivables from Non-Exchange Transactions	925 082	1 973 377

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Ageing of Receivables from Non-Exchange Transactions		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	554 225	492 946
31 - 60 Days	135 290	133 310
61 - 90 Days	94 838	105 276
+ 90 Days	750 283	1 859 674
Total	1 534 636	2 591 206

Reconciliation of Provision for Bad Debts

Balance at beginning of year	2 042 664	1 416 648
Contribution to provision	847 493	626 015
Bad Debts Written Off	(1 196 402)	-
Balance at end of year	1 693 755	2 042 664

The Provision for Impairment could be allocated between the different classes of receivables as follows

Rates	1 245 924	1 388 188
Other	447 831	654 476
Total	1 693 755	2 042 664

Refer to note 47 c) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%

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

18 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	32 049	33 719
Movement during the year	(32 049)	(1 671)
Balance on 30 June	-	32 049

From the current financial year, the lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2012. The lease agreement for rented flats has a clause indicating that rent will be increased annually on 01 July.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	173 887	180 593
1 to 5 Years	158 248	147 253
More than 5 Years	24 443	26 336
Total Operating Lease Arrangements	356 578	354 182

19 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	106 812	535 782
Primary Bank Account	89 556	88 848
Cash Floats	5 552	5 552
Total Cash and Cash Equivalents - Assets	201 920	630 182

Liabilities

Primary Bank Account	12 755 663	728 767
Balance previously reported		731 684
Prior Period Adjustment - Refer to note 36.10		(2 917)
Total Cash and Cash Equivalents - Liabilities	12 755 663	728 767

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R 57 782 (2011 - R 535 782) is held as security for the DBSA loan. Refer note 1

No overdraft facility exist.

The municipality has the following bank accounts:

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Current Accounts		
ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194 (Primary Account)		
Cash book balance at beginning of year	(728 767)	(3 029 190)
Cash book balance at end of year	(12 755 663)	(728 767)
Bank statement balance at beginning of year	2 176 571	1 339 319
Bank statement balance at end of year	1 289 690	2 176 571
ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352		
Cash book balance at beginning of year	12 887	13 581
Cash book balance at end of year	12 110	12 887
Bank statement balance at beginning of year	12 887	13 618
Bank statement balance at end of year	12 110	12 887
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125		
Cash book balance at beginning of year	71 904	58 383
Cash book balance at end of year	74 140	71 904
Bank statement balance at beginning of year	71 904	69 069
Bank statement balance at end of year	74 140	71 904
ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037		
Cash book balance at beginning of year	4 057	4 756
Cash book balance at end of year	3 306	4 057
Bank statement balance at beginning of year	4 057	4 714
Bank statement balance at end of year	3 306	4 057
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
<u>Institution</u>	<u>Account Nr</u>	<u>Type</u>
ABSA	20-6626-7428	32 Days Notice
ABSA	92-7435-2868	Call Account
		-
		535 782
		106 812
		-
		106 812
		535 782
20	DISCONTINUED OPERATIONS	
	The municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.	
	The following assets and liabilities will be transferred on 1 July 2012.	
20.1	ASSETS ASSOCIATED WITH DISCONTINUED OPERATIONS	
	Receivable from non-exchange transactions (Water and sanitation)	5 770 717
	Inventory (Water)	6 106
		5 776 823
20.2	LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS	
	Employee Benefits	1 306 635
	Current Employee Benefits	641 590
	Taxes	328 331
		2 276 556

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	10 410 767	10 810 384
Residential, Commercial Property, State	10 410 767	10 810 384
Less: Rebates	(1 961 734)	(3 152 454)
Total Assessment Rates	8 449 033	7 657 929

Valuations

Rateable Land and Buildings

Aliwal Residential	1 160 432 600	1 139 432 100
Sectional Title	28 277 000	36 140 000
Jamestown	37 266 400	37 226 000
Dukathole	249 468 000	244 413 500
Aliwal Agricultural	527 371 370	528 515 120
Dordrecht Agricultural	373 697 500	380 263 000
Total Assessment Rates	2 376 512 870	2 365 989 720

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted. On registered indigent households rebate was approved up to a value of R65 000 per household. Further rebates were approved for agricultural properties that were phased in according to the Property Rates Act.

Rebates on Income - Basic Rate:

Residential Properties	0.701c/R	0.649c/R
Commercial/Business and Industrial Properties	0.841c/R	0.779c/R
Public Service Infrastructure properties	0.210c/R	0.195c/R
Public Benefit Organisation Properties	0.000c/R	0.000c/R
Agricultural Properties used for agricultural purposes	0.175c/R	0.162c/R
Agricultural Properties used for Commercial/Industrial purposes	0.351c/R	0.325c/R
Agricultural Properties used for Hunting/Trading of Game	0.351c/R	0.325c/R
State Owned properties	0.701c/R	0.649c/R
Municipal Properties	0.000c/R	0.000c/R
Mining Properties	1.402c/R	1.298c/R
Vacant Properties	1.402c/R	1.298c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	20 224 000	17 619 752
Equitable Share	20 224 000	17 619 752
Conditional Grants	20 714 674	26 760 448
Grants and Donations	20 714 674	25 481 173
Subsidies	-	1 279 275
Total Government Grants and Subsidies	40 938 674	44 380 200
Government Grants and Subsidies - Capital	14 090 028	22 403 129
Government Grants and Subsidies - Operating	26 848 646	21 977 071
	40 938 674	44 380 200

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	20 224 000	17 619 752
Executive & Council	230 000	159 474
Planning and Development	350 198	151 834
Budget and Treasury	4 590 971	2 185 846
Road Transport	7 607 538	10 575 245
Waste Management	-	60 000
Sport and Recreation	5 459 372	2 354 667
Community and Social Services	1 170 683	853 629
Health	-	1 279 275
Housing	39 000	3 400
Electricity	1 266 912	9 137 079
	40 938 674	44 380 200

The municipality does not expect any significant changes to the level of grants

22.01 Equitable share

Opening balance	-	-
Grants received	20 224 000	17 619 752
Conditions met - Operating	(20 224 000)	(17 619 752)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

22.02 Health Subsidy

Opening balance	-	-
Grants received	-	1 279 275
Conditions met - Operating	-	(1 279 275)
Conditions still to be met	-	-

Health subsidies was used fund primary health care services in the municipal area.

22.03 Finance Management Grant (FMG)

Opening balance	(175 932)	39 041
Grants received	1 500 000	1 250 000
Transfers	-	111 687
Conditions met - Operating	(1 568 734)	(1 300 522)
Conditions met - Capital	(174 942)	(276 138)
Grant expenditure to be recovered	(419 609)	(175 932)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

22.04 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	790 000	750 000
Transfers	-	(111 687)
Conditions met - Operating	(866 178)	(638 313)
Grant expenditure to be recovered	(76 178)	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22.05 Municipal Infrastructure Grant (MIG)		
Opening balance	(420 022)	(331 777)
Grants received	12 614 000	10 487 000
Conditions met - Operating	(2 058 523)	-
Conditions met - Capital	(10 199 095)	(10 575 245)
Grant expenditure to be recovered	<u>(63 640)</u>	<u>(420 022)</u>
<p>The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.</p>		
22.06 Housing Grants		
Opening balance	2 253 929	2 257 329
Conditions met - Operating	-	(3 400)
Conditions still to be met	<u>2 253 929</u>	<u>2 253 929</u>
<p>Housing grants was utilised for the development of erven and the erection of top structures.</p>		
22.07 Integrated National Electrification Grant		
Opening balance	(411 336)	(1 274 258)
Grants received	3 000 000	10 000 000
Conditions met - Operating	(177 368)	-
Conditions met - Capital	(1 266 912)	(9 137 079)
Conditions still to be met/(Grant expenditure to be recovered)	<u>1 144 384</u>	<u>(411 336)</u>
<p>The National Electrification Grant was used to upgrade the sub-station and electrification network.</p>		
22.08 Expanded Public Works Program (EPWP)		
Opening balance	-	-
Grants received	604 000	-
Conditions still to be met	<u>604 000</u>	<u>-</u>
<p>This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.</p>		
22.09 Department of Environmental Affairs and Tourism (DEAT)		
Opening balance	4 501 535	-
Grants received	-	6 905 035
Conditions met - Operating	(462 079)	(48 834)
Conditions met - Capital	(2 402 759)	(2 354 667)
Conditions still to be met	<u>1 636 697</u>	<u>4 501 535</u>
<p>The grant is utilised to protect, conserve and enhance our environment, natural and heritage assets and resources.</p>		
22.1 Other Grants		
Opening balance	1 592 041	1 138 170
Grants received	888 147	1 600 846
Conditions met - Operating	(1 491 765)	(1 086 975)
Conditions met - Capital	(46 320)	(60 000)
Conditions still to be met	<u>942 103</u>	<u>1 592 041</u>

Various grants were received from other spheres of government and includes for example the following: Spatial Development Framework, Skills Development Grant, Ukhahlamba Library Equipment Fund etc.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22.11 Total Grants		
Opening balance	7 340 216	1 828 505
Grants received	39 620 147	49 891 912
Conditions met - Operating	(26 848 646)	(21 977 071)
Conditions met - Capital	(14 090 028)	(22 403 129)
Conditions still to be met	6 021 689	7 340 216
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	6 832 555	8 617 302
Unpaid Conditional Government Grants and Receipts	(810 866)	(1 277 086)
	6 021 689	7 340 216
23 SERVICE CHARGES		
Electricity	46 709 746	41 394 853
Refuse Removal	6 021 479	5 212 279
Sewerage	6 715 297	5 598 007
Water	11 082 907	9 863 481
	70 529 429	62 068 620
Less: Rebates	(15 940 134)	(17 019 478)
Total Service Charges	54 589 295	45 049 142
<u>Attributable to:</u>		
Continued Operations	44 179 266	38 817 166
Discontinued Operations	10 410 028	6 231 976
	54 589 295	45 049 142
Refer to note 20 for further disclosures regarding discontinued operations.		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
24 WATER SERVICES AUTHORITY CONTRIBUTION		
Joe Gqabi District Municipality - Water and Sewerage functions	9 234 315	8 550 292
	9 234 315	8 550 292
<u>Attributable to:</u>		
Continued Operations	-	-
Discontinued Operations	9 234 315	8 550 292
	9 234 315	8 550 292
Refer to note 20 for further disclosures regarding discontinued operations.		
25 OTHER INCOME		
Admission Fees	231	194 503
Sundry Income	434 050	602 787
Lease payments recovered	625 818	-
Building Plan & Inspection Fees	63 218	88 465
Sale of Game	62 570	128 757
Electricity Re-Connection Fees	407 334	456 361
Cemetery Fees	113 895	112 703
Pound Fees	951	861
Total Other Income	1 708 067	1 584 437
<u>Attributable to:</u>		
Continued Operations	1 654 989	1 503 898
Discontinued Operations	53 078	80 539
	1 708 067	1 584 437
Refer to note 20 for further disclosures regarding discontinued operations.		

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 FAIR VALUE ADJUSTMENTS		
Fair value changes in biological assets - Note14	894 800	126 275
	894 800	126 275
27 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	26 031 550	24 367 639
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 078 148	5 816 854
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 029 595	2 738 208
Housing Benefits and Allowances	65 016	62 813
Overtime Payments	1 638 490	1 409 498
Bonuses	1 958 702	1 852 347
Performance Bonuses	-	626 552
Provision for leave	809 495	410 422
Contribution for training	385 628	334 409
Industrial Council Levy	14 235	13 497
Provision for compensation for injuries on duty	305 850	285 664
Long Service Awards	335 298	304 376
Post Retirement Medical	422 508	363 310
Total Employee Related Costs	41 074 516	38 585 589
Attributable to:		
Continued Operations	35 703 277	33 782 914
Discontinued Operations	5 371 239	4 802 675
	41 074 516	38 585 589
Refer to note 20 for further disclosures regarding discontinued operations.		
The performance bonuses included in employee related costs for 2011 is in respect of three financial years		
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager - MP Nonjola		
Annual Remuneration	945 877	919 043
Performance bonus	-	298 732
Other Allowance	30 000	18 000
Total	975 877	1 235 775
Remuneration of the Manager - Technical Services - TE Molefe		
Annual Remuneration	749 238	744 979
Acting Allowance	27 755	40 228
Performance bonus	-	229 003
Other Allowance	10 800	10 800
Total	787 793	1 025 011
Remuneration of the Manager - Community and Social Services - NBB Mokhantse		
Annual Remuneration	628 195	595 937
Performance bonus	-	17 528
Other Allowance	10 800	10 800
Total	638 995	624 265
Remuneration of the Manager - Corporate and Support Services - TE Wonga		
Annual Remuneration	672 753	638 363
Performance bonus	-	55 074
Other Allowance	10 800	10 800
Total	683 553	704 237
Remuneration of the Manager - Financial Services - BJ Rautenbach (1 July 2011 to 30 April 2012)		
Annual Remuneration	640 641	726 389
Other Allowance	9 000	10 755
Total	649 641	737 144

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Manager - Financial Services - T Maseko (1 May 2012 to 30 June 2012,		
Annual Remuneration	127 560	-
Other Allowance	1 800	-
Total	129 360	-
28 REMUNERATION OF COUNCILLORS		
Councillors	2 021 852	2 065 619
Travelling allowance	409 419	385 537
Telephone allowance	144 588	134 539
Total Councillors' Remuneration	2 575 860	2 585 696
29 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 16	4 678 524	3 594 973
Other Receivables from non-exchange transactions - Note 17	847 493	626 015
Total Contribution to Impairment Provision	5 526 017	4 220 988
VAT included in contribution for the year	35 825	(454 965)
Debt impairment recognised in statement of financial performance	5 561 842	3 766 023
Attributable to:		
Continued Operations	3 026 970	966 456
Discontinued Operations	2 534 872	2 799 567
	5 561 842	3 766 023
Refer to note 20 for further disclosures regarding discontinued operations.		
30 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	14 521 920	12 978 042
Investment Property	134 645	134 277
Intangible Assets	279 562	243 216
	14 936 127	13 355 536
31 IMPAIRMENTS		
Landfill Sites	226 211	195 970
	226 211	195 970
32 REPAIRS AND MAINTENANCE		
Land and Buildings	889 982	561 359
Tools and equipment	135 253	108 392
Furniture and office equipment	204 293	186 215
Vehicles and Implements	823 245	946 241
Water Reticulation	345 710	321 885
Streets and stormwater	1 809 654	839 741
Landfill Site	101 958	283 018
Electricity Reticulation	436 966	384 299
Fencing	221 283	84 204
Street Lights	387 716	25 987
Sewerage Reticulation	92 697	137 943
Other	1 305	24 441
	5 450 062	3 903 725
Attributable to:		
Continued Operations	4 926 992	3 369 107
Discontinued Operations	523 070	534 618
	5 450 062	3 903 725
Refer to note 20 for further disclosures regarding discontinued operations.		

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
33 FINANCE CHARGES		
DBSA loan	222 083	230 302
Unamortised Discount - Interest (DBSA Loan)	161 757	126 459
Hire Purchases	171 056	70 181
Finance leases	461 708	217 412
Overdraft Facilities	-	594
Post Retirement Medical	764 696	443 910
Long Service Awards	95 986	110 379
Interest on Creditors	208 190	13 945
Landfill Sites	143 526	152 030
Total finance charges	2 229 001	1 365 212
34 BULK PURCHASES		
Electricity	36 725 368	30 732 066
Total Bulk Purchases	36 725 368	30 732 066
35 GENERAL EXPENSES		
Advertisements	141 804	161 933
Audit Fees	2 300 934	1 637 349
Bank Charges	453 933	408 415
Books, Publications and magazines	59 631	38 616
Chemicals	811 509	665 395
Commission Prepaid Vendors	672 027	591 658
Insurance	1 187 232	1 000 137
Integrated development planning	53 750	56 222
Legal Costs	363 641	177 073
License Fees	828 671	643 584
Local Government Activities	245 591	244 853
Membership Fees	231 684	184 908
Printing and Stationary	518 659	510 466
Professional Services	336 637	260 538
Projects from own funds	2 025 351	2 026 909
Security Services	569 832	511 002
Subsistence and Travelling	1 382 024	1 558 143
Telephone Charges	1 052 223	1 118 252
Training	866 154	935 053
Vehicle: Fuel & Oil	1 382 743	1 029 474
Other	1 741 011	2 975 697
General Expenses	17 225 041	16 735 679
Attributable to:		
Continued Operations	15 553 480	13 584 169
Discontinued Operations	1 671 561	3 151 509
	17 225 041	16 735 679
Refer to note 20 for further disclosures regarding discontinued operations.		2011 R
36 PRIOR PERIOD ERRORS AND CHANGES IN ACCOUNTING POLICIES IN TERMS OF GRAP 3		

The following note sets to indicate the effect of both prior period errors which have been retrospectively adjusted against the individual components and Changes in accounting policy which have been retrospectively adjusted as a result of the Transitional provisions of Directive 4 no longer being available to the municipality on 30 June 2012. Where the below adjustments have been effected due to the provisions of Directive 4 no longer being applicable(change in accounting policy), this has been indicated and retrospectively adjusted. Prior period errors have also been retrospectively adjusted but do not relate to Directive 4 no longer being applicable.

36.01 Property Plant and Equipment (Excluding Capitalised Restoration Costs)

Balance previously reported

Repairs and maintenance incorrectly capitalised as part of infrastructure electricity	143 020 519 (645 505)
Effect on periods commencing on or before 30 June 2010 - Refer to note 36.14	(512 038)
Effect on 2010/2011 - Refer to note 37	(133 466)

During the review of infrastructure projects and the unbundling thereof, it was identified that certain expenditure were incorrectly recognised as assets that should rather have been expensed as repairs and maintenance.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
Correction of stale cheque 25737 previously incorrectly reversed against accumulated surplus - Refer to note 36.1 ⁴	(209 548)
<p>During the review of infrastructure projects (Electricity), capital expenditure item relating to a cheque never presented for payment was identified. Further investigation confirmed that this cheque was reversed, but that the reversal was incorrectly allocated to accumulated surplus rather than the property plant and equipment vote.</p>	
Reallocation of repairs and maintenance incorrectly capitalised as roads infrastructure - Refer to note 37	(259 266)
<p>During the unbundling process of the Joe Gqabi bus route, stormwater and sidewalks, repairs and maintenance work were identified that was incorrectly capitalised in the previous period.</p>	
Reallocation of community assets incorrectly capitalised as part of roads infrastructure (2011	-
Effect on Infrastructure Roads and Stormwater	(2 376 326)
Effect on Community Assets	2 376 326
<p>The upgrade of the Aliwal North And Jamestown Cemetery was incorrectly capitalised as part of roads infrastructure. This was identified during the unbundling process of infrastructure assets and should have been transferred to community assets in the prior year.</p>	
Upgrading of Aliwal Spa previously incorrectly capitalised as PPE in 2010/2011 - Refer to note 36.0 ³	(2 065 603)
<p>During the review of municipal property in the current year, it was identified that the upgrade to the Aliwal Spa was incorrectly capitalised as PPE instead of investment property.</p>	
Scrapping of infrastructure assets previously not recognised - Refer to note 37	(665 194)
Effect on Infrastructure Roads and Stormwater (Cost)	(688 002)
Effect on Infrastructure Roads and Stormwater (Accumulated Depreciation)	22 808
<p>This scrapped asset relates to the Joe Gqabi bus route, stormwater and sidewalks construction Phase 1. When the Hospital Road project was launched, this portion of the old road was closed to make way for the new project. The Hospital Road Project commenced on 1 September 2010.</p>	
Recognise retentions and outstanding infrastructure costs previously not recognised - Refer to note 36.0 ⁷	1 507 662
Effect on Infrastructure Roads and Stormwater additions during 2010/2011	13 133
Effect on Infrastructure Electricity additions during 2010/2011	1 435 733
Effect on Infrastructure Electricity additions before 1 July 201 ⁰	58 796
<p>During the review of infrastructure projects, certain retentions and accrued costs were identified previously not recognise in the relevant financial period.</p>	
Measurement of loose assets, land and buildings in line with deemed cost on 30 June 2008 - Refer to note 36.1 ⁴	128 526 208
Effect on Land and Buildings	15 867 504
Effect on Infrastructure Roads and Stormwater	89 101 839
Effect on Infrastructure Electricity	19 846 867
Effect on Infrastructure Other	(8 863)
Effect on Leased Office Equipment	(162 772)
Effect on Vehicles and Implements	1 690 216
Effect on Office Equipment and Tools	2 191 417
<p>The municipality opted to take advantage of the provisions included in Directive 4 in the prior year. In order to comply with the measurement criteria of GRAP 17 the municipality utilised the provisions included in Directive 7 to measure all additions on/prior to 30 June 2008.</p>	
Restatement of accumulated depreciation on 30 June 2010 (review of useful life) - Refer to note 36.1 ⁴	(24 192 253)
Effect on Buildings	(434 798)
Effect on Infrastructure Roads and Stormwater	(17 045 695)
Effect on Infrastructure Electricity	(3 144 588)
Effect on Infrastructure Other	(9 013)
Effect on Leased Office Equipment	(1 109 021)
Effect on Office Equipment and Tools	(972 778)
Effect on Vehicles and Implements	(1 476 359)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in accumulated depreciation on 30 June 2010.</p>	

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
Restatement of depreciation for 2010/2011 (review of useful life) - Refer to note 37	(12 978 042)
Effect on Buildings	(236 318)
Effect on Community Assets	(11 523)
Effect on Infrastructure Roads and Stormwater	(8 799 404)
Effect on Infrastructure Electricity	(2 063 230)
Effect on Infrastructure Other	(5 558)
Effect on Leased Office Equipment	(414 278)
Effect on Office Equipment and Tools	(663 984)
Effect on Vehicles and Implements	(783 748)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in depreciation for the 2010/2011 financial year.</p>	
Correction of accumulated depreciation on loose assets scrapped in 2010/2011 - Refer to note 37	4 170
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality were not required to review useful lives in the prior year. This resulted in the gain on disposal of loose assets being understated with the depreciation charge previously not recognised.</p>	
	232 043 148
36.02 Intangible Assets	
Balance previously reported	1 366 469
Correction of intangible assets incorrectly expensed in 2010/2011 - Refer to note 37	5 987
<p>During the review of intangible assets, the municipality identified intangibles incorrectly expensed in the prior year.</p>	
Restatement of accumulated amortisation on 30 June 2010 (review of useful life) - Refer to note 36.14	(447 352)
<p>The municipality reviewed the useful lives of all intangible assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in accumulated amortisation on 30 June 2010 due to the full implementation of GRAP 102.</p>	
Restatement of amortisation for 2010/2011 (review of useful life) - Refer to note 37	(243 216)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in amortisation for the 2010/2011 financial year due to the full implementation of GRAP 102.</p>	
	681 888
36.03 Investment Property	
Balance previously reported	25 038 001
Correction of Investment Property (Cost) on 1 July 2008 - Refer to note 36.14	11 440 999
<p>The municipality opted to utilise the provisions contained in Directive 4 with regards to the measurement of investment property in prior years. In order to comply with the provisions of GRAP 16, the municipality valued all investment property in line with its municipal value. All municipal values are determined by independent valuers.</p>	
Upgrading of Aliwal Spa previously incorrectly capitalised as PPE in 2010/2011 - Refer to note	2 065 603
<p>During the review of municipal property in the current year, it was identified that the upgrade to the Aliwal Spa was incorrectly capitalised as PPE instead of investment property.</p>	
Recognition of depreciation on investment property up to 30 June 2010 - Refer to note 36.14	(268 187)
Recognition of depreciation on investment property for 2010/2011 - Refer to note 37	(134 277)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in the recognition of accumulated depreciation on 30 June 2010 as well as depreciation for 2010/2011 for the first time (GRAP 16).</p>	
	38 142 139

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
36.04 Taxes	
Balance previously reported	431 695
Correction of debt impairment charges incorrectly recognised inclusive of VAT in statement of financial performance	(767 432)
Effect on periods commencing on or before 30 June 2010 - Refer to note 36.14	(312 468)
Effect on 2010/2011 - Refer to note 37	(454 965)
 Debt impairment recognised in the statement of financial performance previously incorrectly included a portion attributable to output VAT in suspense. All entries relating to debt impairment were reviewed and the required corrections were made to rectify this allocation error relating to VAT	
 Correction of VAT relating to internal consumer accounts - Refer to note 37	(21 956)
 During the review of internal municipal accounts, it was noted that internal expenditure were incorrectly recognised inclusive of VAT. This resulted in an adjustment in VAT.	
	<u><u>(357 694)</u></u>
36.05 Non-Current Provisions	
Balance previously reported	-
First time recognition of restoration cost provision on 1 July 2010	2 366 354
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 36.06	1 351 438
Recognition of Interest Cost on Landfill Site Provisions up to 1 July 2010 - Refer to note 36.14	1 014 916
Recognition of asset addition during 2010/2011 previously not recognised - Refer to note 36.0f	195 970
 The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for this liability in prior financial years due to the provisions contained in Directive 4. A valuation has been performed by an independent valuator to quantify the Municipality's exposure - the prior year figures have been adjusted to include this estimate in line with GRAP 19.	
 Unwinding of interest during 2010/2011 - Refer to note 37	152 030
 The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for the unwinding of interest on this provision.	
	<u><u>2 714 354</u></u>
36.06 Property, Plant and Equipment - Capitalised Restoration Costs	
Balance previously reported	-
First time recognition of restoration cost provision on 1 July 2010	-
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 36.05	1 351 438
First time recognition of accumulated impairment on restoration costs up to 1 July 2010 - Refer to note 36.14	(1 351 438)
Recognition of asset addition during 2010/2011 previously not recognised - Refer to note 36.0f	195 970
Recognition of impairment on landfill sites during 2010/2011 - Refer to note 37	(195 970)
 The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for this liability or the associated asset in prior financial years due to the provisions contained in Directive 4. A valuation has been performed by an independent valuator to quantify the Municipality's exposure - the prior year figures have been adjusted to include this estimate in line with GRAP 17 and GRAP 26.	
	<u><u>-</u></u>
36.07 Payables from exchange transactions	
Balance previously reported	5 662 140
Incorrect allocation of other payable balance - Refer to note 36.0e	193 627
 During the review of payable and receivable balances it was identified that sundry payables were incorrectly included under receivables from non-exchange transactions.	
 Recognition of payables previously not recognised on 30 June 2011 - Refer to note 3i	3 837 311
 During the review of payments made after 30 June 2011, it was identified that certain liabilities were not accrued for in the previous financial year.	
 Correction of payables of payables incorrectly accrued for on 30 June 2011 - Refer to note 3j	(15 373)
 During the review of expenditure, certain items were identified that was incorrectly accrued for on 30 June 2011	
 Correction of incorrect provision made for general valuation costs during 2008/2009 - Refer to note 36.14	(117 544)
 After payment of the valuation costs in the 2011/2012 year, it was identified that the municipality overstated the payable relating to these costs.	

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R			
Correction of UIF incorrectly deducted and paid over in respect of councillors - Refer to note 36.0f	97 735			
<p>During the 2012 financial year, the municipality received clarity with regards to UIF deduction relating to Councillors. This resulted in UIF deduction and contributions, dating back to the 2003 financial year, to be recovered from SARS and the relevant portion to be paid back to the affected councillors.</p>				
Correction of unidentified deposits - Refer to note 37	(12 283)			
<p>During the review of the unidentified deposit account, it was identified that certain deposits were incorrectly allocated to this account instead of the correct income vote.</p>				
Transfer of medical contributions previously not recognised as an expense - Refer to note 37	32 171			
<p>All suspense accounts were reviewed in the current year. This resulted in these medical contributions to be reallocated to income and expenses.</p>				
Recognition of expenses recovered previously incorrectly allocated to a suspense vote - Refer to note 36.14	(49 562)			
<p>During the review of suspense account, certain costs recovered from third parties were incorrectly allocated to a suspense account. These costs were in respect of the grading of roads during 2008/2009.</p>				
Recognise retentions and outstanding infrastructure costs previously not recognised - Refer to note 36.01	1 507 662			
<p>During the review of infrastructure projects, certain retentions and accrued costs were identified previously not recognise in the relevant financial period.</p>				
	11 135 884			
36.08 Receivables from non-exchange transactions				
Balance previously reported	1 315 016			
Incorrect allocation of other payables - Refer to note 36.07	193 627			
<p>During the review of payable and receivable balances it was identified that sundry payables were incorrectly included under receivables from non-exchange transactions.</p>				
Correction of indigent rebates - Refer to note 37	(130 736)			
<p>Rates rebates were not granted to all indigents in the prior year. These corrections were made in the current year.</p>				
Correction of UIF incorrectly deducted and paid over in respect of councillors	195 470			
<p>UIF deductions to be refunded to councillors - Refer to note 36.07</p> <p>Council contributions to UIF made during 2010/2011 - Refer to note 37</p> <p>Council contributions to UIF made on or before 30 June 2010 - Refer to note 36.14</p>	<table border="1"> <tr> <td style="padding: 2px;">97 735</td> </tr> <tr> <td style="padding: 2px;">17 014</td> </tr> <tr> <td style="padding: 2px;">80 721</td> </tr> </table>	97 735	17 014	80 721
97 735				
17 014				
80 721				
<p>During the 2012 financial year, the municipality received clarity with regards to UIF deduction relating to Councillors. This resulted in UIF deduction and contributions, dating back to the 2003 financial year, to be recovered from SARS and the relevant portion to be paid back to the affected councillors.</p>				
Recognise receivable for stolen funds - Refer to note 36.14	400 000			
<p>Funds were stolen at the traffic department during the 2006/2007 financial year. The municipality recovered a portion of the stolen funds from the pension fund of Ms De Goede in the current year, but omitted to recognise a receivable for these stolen funds in the prior periods.</p>				
	1 973 377			
36.09 Inventory				
Balance previously reported	410 459			
First time measurement of water stock on 30 June 2011 - Refer to note 37	5 791			
<p>The municipality opted to take advantage of the provisions included in Directive 4 in the prior year. In order to comply with the measurement criteria of GRAP 12, the municipality measured all water stock on 30 June 2011.</p>				
	416 250			

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
36.10 Cash and Cash Equivalents (Liability)	
Balance previously reported	731 684
Reversal of stale and cancelled payments - Refer to note 37	(2 917)
During the review of the bank reconciliation, cheques were identified that has never been presented for payment. These payments were subsequently cancelled.	
	<u><u>728 767</u></u>
36.11 Receivables from exchange transactions	
Balance previously reported	9 228 561
Provide for unmetered consumption at year-end - Electricity	3 416 693
Effect on 30 June 2010 - Refer to note 36.14	2 946 449
Effect during 2010/2011 - Refer to note 37	470 244
Provide for unmetered consumption at year-end - Water	2 156 135
Effect on 30 June 2010 - Refer to note 36.14	1 997 282
Effect during 2010/2011 - Refer to note 37	158 853
During the current year the municipality identified that they incorrectly did not provide for unmetered services at year end. Unmetered usage occurs due to timing differences of meter readings as well as meters where no readings were captured. The required adjustments were made to correct this error.	
	<u><u>14 801 390</u></u>
36.12 Current Employee Benefits	
Balance previously reported	5 645 353
Reallocation of balance to provisions - Refer to note 36.13	(285 664)
The municipality incorrectly included the Compensation for injuries on duty provision under employee benefits.	
	<u><u>5 359 690</u></u>
36.13 Provisions	
Balance previously reported	-
Reallocation of balance from current employee benefits provisions - Refer to note 36.12	285 664
The municipality incorrectly included the Compensation for injuries on duty provision under employee benefits.	
	<u><u>285 664</u></u>
36.14 Accumulated Surplus	
Balance previously reported	
First time recognition of accumulated impairment on restoration costs up to 1 July 2010 - Refer to note 36.0f	(1 351 438)
The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for this liability or the associated asset in prior financial years due to the provisions contained in Directive 4. A valuation has been performed by an independent valuator to quantify the Municipality's exposure - the prior year figures have been adjusted to include this estimate.	
Recognition of Interest Cost on Landfill Site Provisions up to 1 July 2010 - Refer to note 36.0f	(1 014 916)
The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for this liability in prior financial years due to the provisions contained in Directive 4. A valuation has been performed by an independent valuator to quantify the Municipality's exposure - the prior year figures have been adjusted to include this estimate.	
Repairs and maintenance incorrectly capitalised as part of infrastructure electricity - Refer to note 36.0g	(512 038)
During the review of infrastructure projects and the unbundling thereof, it was identified that certain expenditure were incorrectly recognised as assets that should rather have been expensed as repairs and maintenance.	
Correction of stale cheque 25737 previously incorrectly reversed against accumulated surplus - Refer to note 36.0h	(209 548)
During the review of infrastructure projects a capital expenditure item relating to a cheque never presented for payment was identified. Further investigation confirmed that this cheque was reversed, but that the reversal was incorrectly allocated to accumulated surplus rather than property, plant and equipment.	

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
Correction of debt impairment charges incorrectly recognised inclusive of VAT - Refer to note 36.04	312 468
<p>Debt impairment recognised in the statement of financial performance previously incorrectly included a portion attributable to output VAT in suspense. All entries relating to debt impairment were reviewed and the required corrections were made to rectify this allocation error relating to VAT</p>	
Correction of Investment Property (Cost) on 1 July 2008 - Refer to note 36.05	11 440 999
<p>The municipality opted to utilise the provisions contained in Directive 4 with regards to the measurement of investment property in prior years. In order to comply with the provisions of GRAP 16, the municipality valued all investment property in line with its municipal value. All municipal values are determined by independent valuers.</p>	
Recognition of depreciation on investment property up to 30 June 2010 - Refer to note 36.06	(268 187)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in the recognition of accumulated depreciation on 30 June 2010 for the first time.</p>	
Measurement of loose assets, land and buildings in line with deemed cost on 30 June 2008 - Refer to note 36.07	128 526 208
<p>The municipality opted to take advantage of the provisions included in Directive 4 in the prior year. In order to comply with the measurement criteria of GRAP 17 the municipality utilised the provisions included in Directive 7 to measure all additions on/prior to 30 June 2008.</p>	
Restatement of accumulated depreciation on 30 June 2010 (review of useful life) - Refer to note 36.01	(24 192 253)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in accumulated depreciation on 30 June 2010.</p>	
Correction of incorrect provision made for general valuation costs during 2008/2009 - Refer to note 36.07	117 544
<p>After payment of the valuation costs in the 2011/2012 year, it was identified that the municipality overstated the payable relating to these costs.</p>	
Correction of UIF incorrectly deducted and paid over in respect of councillors - Refer to note 36.08	80 721
<p>During the 2012 financial year, the municipality received clarity with regards to UIF deduction relating to Councillors. This resulted in UIF deduction and contributions, dating back to the 2003 financial year, to be recovered from SARS and the relevant portion to be paid back to the affected councillors.</p>	
Recognise receivable for stolen funds - Refer to note 36.08	400 000
<p>Funds were stolen at the traffic department during the 2006/2007 financial year. The municipality recovered a portion of the stolen funds from the pension fund of Ms De Goede in the current year, but omitted to recognise a receivable for these stolen funds in the prior periods.</p>	
Recognition of expenses recovered previously incorrectly allocated to a suspense vote - Refer to note 36.07	49 562
<p>During the review of suspense account, certain costs recovered from third parties were incorrectly allocated to a suspense account. These costs were in respect of the grading of roads during 2008/2009.</p>	
Restatement of accumulated amortisation on 30 June 2010 (review of useful life) - Refer to note 36.02	(447 352)
<p>The municipality reviewed the useful lives of all intangible assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in accumulated amortisation on 30 June 2010.</p>	
Provide for unmetered consumption at year-end - Electricity - Refer to note 36.11	2 946 449
Provide for unmetered consumption at year-end - Water - Refer to note 36.11	1 997 282
<p>During the current year the municipality identified that they incorrectly did not provide for unmetered services at year end. Unmetered usage occurs due to timing differences of meter readings as well as meters where no readings were captured. The required adjustments were made to correct this error.</p>	
	117 875 501

36.15 Employee Benefits

The municipality incorrectly disclosed the employee contributions made to the Municipal Councillors Pension Fund as employer contributions. This resulted in a contribution of R 123 826 incorrectly disclosed as part of note 2.3 on 30 June 2011, which was subsequently removed from the disclosure note in the current year.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37

RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR

2011
R

Balance previously reported

14 595 154

Incorrect allocation of expenditure items

-

Effect on operating grant expenditure

1 980 134

Effect on general expenses

(1 980 134)

During the review of the GRAP classification of expenditure items it was identified that certain projects financed from own funding were incorrectly classified as operating grant expenditure. Items were also identified where expenditure financed from grant funding were incorrectly recognised as general expenditure.

Unwinding of interest during 2010/2011 - Refer to note 36.05

(152 030)

The Municipality has an obligation to rehabilitate its landfill site at an expected date of closure. The Municipality had not previously accounted for the unwinding of interest on this provision due to the provisions contained in Directive 4.

Recognition of impairments on landfill sites during 2010/2011 - Refer to note 36.06

(195 970)

The Municipality had not previously accounted for any impairments on the capitalised rehabilitation costs relating to landfill sites due to the provisions contained in Directive 4.

Repairs and maintenance incorrectly capitalised as part of infrastructure electricity - Refer to note 36.07

During the review of infrastructure projects and the unbundling thereof, it was identified that certain expenditure were incorrectly recognised as assets that should rather have been expensed as repairs and maintenance.

(133 466)

Correction of debt impairment charges incorrectly recognised inclusive of VAT - Refer to note 36.04

454 965

Effect on debt impairment (all services excluding water and sanitation)

75 055

Effect on debt impairment (water and sanitation)

379 909

Debt impairment recognised in the statement of financial performance previously incorrectly included a portion attributable to output VAT in suspense. All entries relating to debt impairment were reviewed and the required corrections were made to rectify this allocation error relating to VAT.

Recognition of depreciation on investment property for 2010/2011 - Refer to note 36.08

(134 277)

The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in the recognition of depreciation during 2010/2011 for the first time.

Restatement of depreciation for 2010/2011 (review of useful life) - Refer to note 36.01

(12 978 042)

The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in depreciation for the 2010/2011 financial year.

First time measurement of water stock on 30 June 2011 - Refer to note 36.09

5 791

The municipality opted to take advantage of the provisions included in Directive 4 in the prior year. In order to comply with the measurement criteria of GRAP 12, the municipality measured all water stock on 30 June 2011.

Recognition of payables previously not recognised on 30 June 2011 - Refer to note 36.07

(3 837 311)

Effect on General expenses

(437 232)

Effect on General expenses (Water and sanitation)

(54 319)

Effect on Repairs and maintenance

(580)

Effect on Bulk Purchases

(3 337 224)

Effect on Service charges - Water (Internal account)

(7 956)

During the review of payments made after year 30 June 2011, it was identified that certain liabilities were not accrued for in the previous financial year.

Correction of VAT relating to internal consumer accounts - Refer to note 36.04

21 956

Effect on Service Charges - Electricity

14 728

Effect on Service Charges - Refuse

161

Effect on Service Charges - Sewerage

795

Effect on Service Charges - Water

6 272

During the review of internal municipal accounts, it was noted that internal expenditure were incorrectly recognised inclusive of VAT. As internal revenue and expenditure are not recognised as either income nor expenditure, this VAT adjustment directly impacted on the relevant service charge involved.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 R
Reversal of stale and cancelled payments - Refer to note 36.1C	2 917
Effect on General expenses	321
Effect on Service charges - Water	551
Effect on Service charges - Electricity	2 045
<p>During the review of the bank reconciliation, cheques were identified that has never been presented for payment. These payments were subsequently cancelled.</p>	
Correction of indigent rebates - Refer to note 36.08	(130 736)
<p>Rates rebates were not granted to all indigents in the prior year. These corrections were made in the current year.</p>	
Correction of payables of payables incorrectly accrued for on 30 June 2011 - Refer to note 36.07	15 373
<p>During the review of expenditure, certain items were identified that was incorrectly accrued for on 30 June 2011</p>	
Correction of UIF incorrectly deducted and paid over in respect of councillors - Refer to note 36.06	17 014
<p>During the 2012 financial year, the municipality received clarity with regards to UIF deduction relating to Councillors. This resulted in UIF deduction and contributions, dating back to the 2003 financial year, to be recovered from SARS and the relevant portion to be paid back to the affected councillors.</p>	
Correction of unidentified deposits - Refer to note 36.07	12 283
Effect on Rental of facilities and equipment	3 320
Effect on Other Income	8 963
<p>During the review of the unidentified deposit account, it was identified that certain deposits were incorrectly allocated to this account instead of the correct income vote.</p>	
Transfer of medical contributions previously not recognised as an expense - Refer to note 36.07	(32 171)
<p>All suspense accounts were reviewed in the current year. This resulted in these medical contributions to be reallocated to income and expenses.</p>	
Reallocation of repairs and maintenance incorrectly capitalised as roads infrastructure - Refer to note 36.07	(259 266)
<p>During the unbundling process of the Joe Gqabi bus route, stormwater and sidewalks, repairs and maintenance work were identified that was incorrectly capitalised in the previous period.</p>	
Scrapping of infrastructure assets previously not recognised - Refer to note 36.01	(665 194)
<p>This scrapped asset relates to the Joe Gqabi bus route, stormwater and sidewalks construction Phase 1. When the Hospital Road project was launched, this portion of the old road was closed to make way for the new project. The Hospital Road Project commenced on 1 September 2010.</p>	
Restatement of amortisation for 2010/2011 (review of useful life) - Refer to note 36.02	(243 216)
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in an adjustment in amortisation for the 2010/2011 financial year.</p>	
Correction of accumulated depreciation on loose assets scrapped in 2010/2011 - Refer to note 36.01	4 170
<p>The municipality reviewed the useful lives of all assets in the current year. In terms of Directive 4 the municipality was not required to review useful lives in the prior year. This resulted in the gain on disposal of loose assets being understated with the depreciation charge previously not recognised.</p>	
Correction of intangible assets incorrectly expensed in 2010/2011 - Refer to note 36.02	5 987
<p>During the review of intangible assets, the municipality identified intangibles incorrectly expensed in the prior year.</p>	
Provide for unmetered consumption at year-end - Electricity - Refer to note 36.11	470 244
Provide for unmetered consumption at year-end - Water - Refer to note 36.11	158 853
<p>During the current year the municipality identified that they incorrectly did not provide for unmetered services at year end. Unmetered usage occurs due to timing differences of meter readings as well as meters where no readings were captured. The required adjustments were made to correct this error.</p>	
	(2 996 973)

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year from continued operations	(15 891 432)	(6 571 411)
Adjustments for:		
Depreciation and Amortisation	14 936 127	13 355 536
Gain on disposal of property, plant and equipment	(42 320)	(55 709)
Loss on disposal of property, plant and equipment	1 536	665 194
Impairments	226 211	195 970
Contribution to employee benefits - non-current	1 618 488	1 221 975
Expenditure incurred - Employee Benefits	(486 398)	(425 378)
Actuarial losses	615 102	3 559 374
Actuarial gains	(144 465)	(193 383)
Contribution to - Current Employee Benefits	809 495	410 422
Contribution to employee benefits – current - expenditure incurred	(1 205 878)	(654 198)
Contribution to - Current Provisions	335 842	285 664
Contribution to Current Provisions - expenditure incurred	(331 802)	(667 409)
Contribution to provisions – non current	143 526	152 030
Bad debts	(2 373 885)	(43 380)
Contribution to provisions – bad debt	3 026 970	966 456
Fair Value Adjustments	(894 800)	(126 275)
Unamortised discount - Interest - Expenditure	161 757	126 459
Operating lease income accrued	32 049	1 671
Grants received	39 620 147	49 891 909
Grant expenditure incurred	(40 938 674)	(44 380 200)
Operating Surplus before discontinued operations and changes in working capita	(782 406)	17 715 316
Surplus from discontinued operations	9 596 679	3 574 438
Other adjustments associated with discontinued operations		
Bad debts	(2 281 395)	-
Contribution to provisions – bad debt	2 534 872	-
Operating Surplus before changes in working capital	9 067 750	21 289 753
Changes in working capital	(4 360 312)	3 408 132
Increase/(Decrease) in Payables from exchange transactions	379 249	(189 407)
Increase in Taxes	215 798	393 161
Increase in Inventory	(48 349)	(153 687)
Decrease in Receivables from exchange and non-exchange transactions	794 959	3 358 065
Increase in current assets and liabilities relating to Discontinued Operations	(5 701 970)	-
Cash generated by operations	4 707 438	24 697 886

39 RECONCILIATION OF CASH FLOW STATEMENT

Due to various retrospective adjustments made on the comparative figures for the year ending 30 June 2012 as disclosed in notes 36 and 37, the comparative figures as disclosed in the Cash Flow Statement were also affected.

Other corrections also includes reclassification errors, as well as adjustments made for non-cash items incorrectly included in the Cash Flow Statements

The comparative figures were adjusted as follows:

	2011 (Previously reported) R	2011 (Adjustments) R	2011 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	69 475 039	(220 652)	69 254 388
Government	49 891 909	-	49 891 909
Interest	1 146 952	-	1 146 952
Payments			
Suppliers and employees	(95 794 329)	95 794 329	-
Suppliers	-	(61 564 805)	(61 564 805)
Employees	-	(33 498 718)	(33 498 718)
Finance charges	(1 213 181)	681 342	(531 839)
Cash generated by operations	23 506 390	1 191 496	24 697 886

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2011 (Previously reported) R	2011 (Adjustments) R	2011 (Restated) R
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(21 345 848)	2 582 653	(18 763 195)
Purchase of Investment property	-	(2 065 603)	(2 065 603)
Proceeds on Disposal of Fixed Assets	62 522	-	62 522
Increase in Intangible Assets	(235 066)	(5 987)	(241 054)
Increase in Non-current Investments	(46 432)	-	(46 432)
Net Cash from Investing Activities	(21 564 825)	511 063	(21 053 762)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans raised/(repaid)	717 629	(1 699 642)	(982 013)
Increase in Consumer Deposits	44 809	-	44 809
Net Cash from Financing Activities	762 438	(1 699 642)	(937 204)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 704 004	2 916	2 706 920
Cash and Cash Equivalents at the beginning of the year	(2 805 506)	-	(2 805 506)
Cash and Cash Equivalents at the end of the year	(101 502)	2 916	(98 586)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 704 004	2 916	2 706 920

40 **CASH AND CASH EQUIVALENTS**

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

Call Investments Deposits - Note 19	106 812	535 782
Cash Floats - Note 19	5 552	5 552
Bank - Note 19	89 556	88 848
Bank overdraft - Note 19	(12 755 663)	(728 767)
Total cash and cash equivalents	(12 553 743)	(98 586)

41 **RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 40	(12 553 743)	(98 586)
Investments - Note 13	665 309	627 431
Less:	(11 888 434)	528 846
	7 577 902	9 755 174
Unspent Committed Conditional Grants - Note 8	6 832 555	8 617 302
VAT - Note 9	-	-
Secured Investments and cash	745 347	1 137 872
Resources available for working capital requirements	(19 466 336)	(9 226 329)

42 **UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Note 1	8 092 492	6 989 133
Used to finance property, plant and equipment - at cost	(8 092 492)	(6 989 133)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5% and will be fully redeemed on 30 September 2027.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
43.3 Capital expenditure by vote				
Executive & Council	78 223	20 000	58 223	291%
Planning and Development	174 277	3 703 000	(3 528 723)	(95%)
Budget and Treasury	3 183 495	1 615 000	1 568 495	97%
Public Safety	8 500	100 000	(91 500)	(92%)
Road Transport	7 591 619	12 120 351	(4 528 732)	(37%)
Waste Management	561 229	2 720 000	(2 158 771)	(79%)
Sport and Recreation	5 701 127	9 658 777	(3 957 650)	(41%)
Community and Social Services	50 075	63 000	(12 925)	(21%)
Housing	6 098	5 000	1 098	22%
Electricity	1 250 522	3 706 580	(2 456 058)	(66%)
	18 605 165	33 711 708	(15 106 543)	(45%)

Details of material variances

Overspending on Budget and Treasury vote mainly due to leased assets acquired in the current amounting to R 2 239 490 not budgeted for in the capital budget

	2012 R	2011 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
44.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	14 077 459	17 479 479
Unspent grant funding utilised to fund operating expenditure - refer Note 41	6 832 555	8 617 302
Unauthorised expenditure current year - capita	1 627 817	1 047 073
Unauthorised expenditure current year - operating	19 365 649	4 413 084
Approved by Council or condoned	(13 468 699)	(17 479 479)
Unauthorised expenditure awaiting authorisation	28 434 781	14 077 459

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

44.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	13 945	267 437
Fruitless and wasteful expenditure current year	238 182	13 945
Condoned or written off by Council	(13 945)	(267 437)
Fruitless and wasteful expenditure awaiting condonement	238 182	13 945
Incident	Disciplinary steps/criminal proceedings	
Interest paid on late payment	None	208 190
Penalties incurred (Workmens Compensation)	None	29 992
		238 182
		13 945

44.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	3 236 052	-
Irregular expenditure current year	10 184 515	3 236 052
Condoned or written off by Council	(3 236 052)	-
Irregular expenditure awaiting condonement	10 184 515	3 236 052

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
Incident	Disciplinary steps/criminal proceedings		
<i>CIBD Provisions not complied with:</i>			
<i>Buffelspruit Nature Reserve- Game Fence (Amandla General Construction)</i>	<i>None</i>	-	180 000
<i>Fencing Johanna Park (Zoleka Estate)</i>	<i>None</i>	-	93 682
<i>Shaping of Sports field in Jamestown (Cotterrell's Construction)</i>	<i>None</i>	-	253 080
<i>Construction of Public Toilets (Mandarena Trading 128 CC)</i>	<i>None</i>	-	-
<i>Electrification of Area 13 (Ikageng Electrical)</i>	<i>None</i>	-	2 709 289
<i>Non-Compliance with Supply Chain:</i>			
<i>Induscomm Power Projects CC (Preference point system)</i>	<i>None</i>	425 552	-
<i>Nobhembe Trading CC (Preference points not stipulated - supplier in the service of the state)</i>	<i>None</i>	300 000	-
<i>Coterrells Construction (Preference points not stipulated)</i>	<i>None</i>	5 506 906	-
<i>Mvelase & Rethusehile JV (Preference points not stipulated - supplier in the service of the state)</i>	<i>None</i>	3 673 316	-
<i>Charmaine Van Schalkwyk Consulting (Valid Procurement)</i>	<i>None</i>	278 741	-
<i>Mubesko Africa CC (Valid Procurement)</i>	<i>None</i>	-	-
<i>Beka (Pty) Ltd (Supply and delivery of street lighting material)</i>	<i>None</i>	-	180 000
		<u>10 184 515</u>	<u>3 236 052</u>

44.4 Material Losses

Electricity distribution losses

Units purchased (Kwh)	66 175 773	63 445 572
Units sold (Kwh)	53 931 427	54 070 426
Units lost during distribution (Kwh)	12 244 346	9 375 146
Percentage lost during distribution	18.50%	14.78%
Loss in Rand Value	3 515 352	2 615 665

Water distribution losses

Kilo Litres Purified	3 829 081	3 584 336
Kilo Litres Sold	3 278 772	2 169 216
Kilo Litres Lost in distribution	550 309	1 415 120
Percentage lost during distribution	14.37%	39.48%
Loss in Rand Value	452 890	467 197

2012 **2011**
R **R**

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	226 462	177 096
Amount paid - current year	(226 462)	(177 096)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

45.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	152 164
Current year audit fee	2 900 934	1 906 562
External Audit - Auditor-General	2 410 897	1 517 417
Internal Audit	441 359	363 512
Audit Committee	48 678	25 633
Amount paid - current year	(1 865 786)	(2 058 726)
Balance unpaid (included in creditors)	<u>1 035 149</u>	<u>-</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
45.3		
<u>VAT - [MFMA 125 (1)(c)]</u>		
Opening balance	776 686	116 416
Amounts received - current year	(2 313 081)	(3 285 056)
Amounts received - previous years	(776 686)	(244 241)
Amounts claimed - current year	2 372 828	4 061 743
Amounts paid - previous years	-	127 826
Amounts payable - current year	(54 084)	(391 993)
Amounts paid - current year	54 084	391 993
Closing balance	59 747	776 686
Vat in suspense due to cash basis of accounting	(246 183)	(418 992)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

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

Refer to note 9 for further disclosure regarding the balances receivable from and payable to SARS

45.4		
<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
Current year payroll deductions and Council Contributions	4 914 418	4 727 535
Amount paid - current year	(4 914 418)	(4 727 535)
Balance unpaid (included in creditors)	-	-

45.5		
<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
Current year payroll deductions and Council Contributions	8 986 183	8 223 333
Amount paid - current year	(8 986 183)	(8 223 333)
Balance unpaid (included in creditors)	-	-

45.6 **Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2012:

None

45.7 **Non-Compliance with Supply Chain Management Regulations**

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.

45.8 **Other Non-Compliance**

The municipality made use of a credit card facility, which is in contradiction with Paragraph 4.5 of MFMA Circular 55.

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

The municipality did not comply with Section 12 (6) of the Division of Revenue Act (DORA) stating that a receiving officer must, within two months after the end of the financial year, and where relevant, the municipal financial year, evaluate its performance in respect of programmes or functions funded or partially funded by an allocation and submit such evaluation to the transferring national officer.

The municipality did not comply with Section 12(2)(c) of the Division of Revenue Act (DORA) stating that the relevant receiving officer must, in respect of a Schedule 5, 6, 8 or 9 allocation transferred to a province or a municipality, submit a quarterly performance report within 30 days after the end of each quarter to the transferring national officer, the relevant provincial treasury and the National Treasury

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The municipality did not comply with Section 52 of the MFMA states that the mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

The municipality did not comply with Section 165 (2) of the MFMA that governs the functions and responsibilities of the internal audit unit

The municipality did not comply with Part 3 of Government Gazette 34280, to ensure that, in terms of the MIG, the project registrations forms for the projects to be implemented in 2011/12 have been submitted to the provincial department responsible for local government and that detailed project implementation plans for all the projects to be implemented in the 2012/2013 financial year have been submitted to the national department.

The municipality did not comply with Part 3 of Government Gazette 34280, to ensure that the monthly expenditure reports is submitted in terms of the MSIG within 20 days after the end of each month.

The municipality did not comply with Section 129(3) of the MFMA stating that the accounting officer must make public the oversight report within seven days of its adoption.

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

	4 048 939	2 452 127
Infrastructure	4 048 939	2 452 127
Total	4 048 939	2 452 127

This expenditure will be financed from:

Government Grants

	4 048 939	2 452 127
	4 048 939	2 452 127

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FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

2012	2011
R	R

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The municipality did not hedge against any interest rate risks during the current year

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2011 - 0.5%) Increase in interest rates	(107 123)	(36 862)
0.5% (2011 - 0.5%) Decrease in interest rates	107 123	36 862

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired are as follows:

Rates	-	710 073
Electricity	-	290 592
Water	1 516 269	727 621
Refuse	385 851	278 878
Sewerage	427 976	390 989
Other	296 248	210 926
	2 626 344	2 609 077

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

No restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Financial assets exposed to credit risk at year end are as follows	2012	2011
	R	R
Receivables (Exchange and Non-Exchange)	15 485 842	16 226 224
Cash and Cash Equivalents	201 920	630 182
Non-Current Investments	665 309	627 431
Unpaid conditional grants and subsidies	810 866	1 277 086
	<u>17 163 936</u>	<u>18 760 923</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	2 228 220
Capital repayments	191 039	865 889	1 352 957	1 927 422
Interest	214 520	756 347	674 839	300 798
Long Term liabilities - Finance Leases	886 558	1 989 474	-	-
Capital repayments	583 220	1 557 156	-	-
Interest	303 338	432 318	-	-
Long Term liabilities - Hire Purchases	559 112	1 366 965	-	-
Capital repayments	416 325	1 198 486	-	-
Interest	142 787	168 478	-	-
Provisions - Landfill Sites	-	-	3 554 222	2 305 796
Capital repayments	-	-	2 078 080	1 006 011
Interest	-	-	1 476 142	1 299 785
Trade and Other Payables	9 537 177	-	-	-
Unspent conditional government grants and receipts	6 832 555	-	-	-
Cash and Cash Equivalents	12 755 663	-	-	-
	<u>30 976 623</u>	<u>4 978 675</u>	<u>5 582 017</u>	<u>4 534 015</u>
2011				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	2 632 474
Capital repayments	181 863	824 298	1 287 971	2 224 430
Interest	223 697	797 938	739 825	408 044
Long Term liabilities - Finance Leases	670 200	223 400	-	-
Capital repayments	558 663	213 873	-	-
Interest	111 537	9 527	-	-
Long Term liabilities - Hire Purchases	564 131	1 537 363	9 825	-
Capital repayments	418 546	1 269 745	9 745	-
Interest	145 586	267 617	80	-
Provisions - Landfill Sites	-	-	-	5 394 746
Capital repayments	-	-	-	2 714 354
Interest	-	-	-	2 680 392
Trade and Other Payables	9 147 605	-	-	-
Unspent conditional government grants and receipts	8 617 302	-	-	-
Cash and Cash Equivalents	728 767	-	-	-
	<u>20 133 565</u>	<u>3 382 999</u>	<u>2 037 621</u>	<u>2 632 474</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
48	FINANCIAL INSTRUMENTS		
	In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:		
48.1	Financial Assets		
	Investments		
	Fixed Deposits	665 309	627 431
	Consumer Debtors		
	Receivables from exchange transactions	14 401 641	14 801 390
	Receivables from non-exchange transactions	1 084 201	1 424 835
	Unpaid Conditional Grants and Receipts		
	Other Spheres of Government	810 866	1 277 086
	Short-term Investment Deposits		
	Call Deposits	106 812	535 782
	Bank Balances and Cash		
	Bank Balances	89 556	88 848
	Cash Floats and Advances	5 552	5 552
		17 163 936	18 760 923
	SUMMARY OF FINANCIAL ASSETS		
	At Amortised cost	17 163 936	18 760 923
48.2	Financial Liability		
	Long-term Liabilities and provisions		
	Annuity Loans	4 337 306	4 518 562
	Hire Purchase	1 614 811	1 698 036
	Capitalised Lease Liability	2 140 375	772 535
	Non-Current Provisions - Landfill Sites	3 084 091	2 714 354
	Payables from Exchange transactions		
	Trade creditors	8 559 999	7 909 568
	Accrued Interest	64 374	63 945
	Other Creditors	570 117	843 560
	Deposits: Other	342 687	330 532
	Unspent Conditional Grants and Receipts		
	Other Spheres of Government	6 832 555	8 617 302
	Cash and Cash Equivalents		
	Bank Overdraft	12 755 663	728 767
	Current Portion of Long-term Liabilities		
	Annuity Loans	191 039	181 863
	Hire Purchase	416 325	418 546
	Capitalised Lease Liability	583 220	558 663
		41 492 561	29 356 233
	SUMMARY OF FINANCIAL LIABILITY		
	At amortised cost	41 492 561	29 356 233

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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EVENTS AFTER THE REPORTING DATE

2012	2011
R	R

Subsequent to year end the municipality entered into an agreement with an outsourced service provider to undertake the process of evaluation all key management personnel to determine the performance bonus. Council policy limits the performance bonus to fourteen percent of the employee's total package.

The process was concluded and the following performance bonuses were proposed

Municipal Manager - MP Nonjola	136 623	-
Manager Technical Services - TE Molefe	110 291	-
Manager Community and Social Services - NBB Mokhantso	89 459	-
Manager Corporate and Support Services - TE Wonga	95 288	-
Manager Financial Services - T Maseko	109 060	-
	<hr/>	<hr/>
	540 721	-
	<hr/>	<hr/>

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IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

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PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

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CONTINGENT LIABILITY

Total contingent liabilities	<hr/>	<hr/>
	500 000	3 600 000
Possible exposure due to litigation claims instituted against the municipality	-	3 600 000
Steenkamp, Botha & Botha - Litigation on the damage suffered by a child burnt by electric cables at Aliwal Spa. The matter was negotiated for an out of court settlement.	<hr/>	<hr/>
	500 000	-
	<hr/>	<hr/>
	500 000	3 600 000
	<hr/>	<hr/>

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RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.1 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements

53.2 Other related party transactions

The following councillors were members of entities which was listed on the approved supplier database

<u>Name</u>	<u>Company</u>
Councillor Z Betana	Bright idea Project 665CC

The municipality engaged with the following related entities:

BJ Vorster (Heinrich Vorster (child) employed by entity):			
Assistant Manager: Financial Services	Gariep Technologies	12 863	13 616
Fibhi Mvelase (Daughter of contractor): Accountant			
Expenditure	Mvelase and Rethusehlr JV	<hr/>	<hr/>
		3 673 316	-
		<hr/>	<hr/>
		3 686 179	13 616
		<hr/>	<hr/>

The Municipal Manager of the Maletswai Local Municipality is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

Maletswai Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The number of days it takes to collect money from consumer debtors has increased from the prior year and this has placed constraints on the cash flow resulting in delays in settling the creditors.

Although the debtors' collection period has increased compared to prior year, management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in both electricity and water usage to the value of R 3 515 352 (2011 - R2 615 665) and R 452 890 (2011 - R467 197) respectively. This represents a loss of 18.50% (2011 - 15%) on electricity and 15% (2011 - 57%) on water consumption.

Operating Indicators

The use of conditional grants for operations increased in the current year. An unspent conditional grant amounting to R 8 617 302 was used meet the operational expenditure requirements.

The amount of R 8 026 962 million owed by Joe Gqabi District Municipality has been outstanding for a long period of time. A total of R 5 026 962 relates to the 2008/09 financial year with the balance of R 3 000 000 relating to the current financial year. The settlement of the outstanding amount by the district municipality will alleviate the current cashflow challenges.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 40 above.

Contingent liability of approximately R 500 000 was pending at year end and could result in claims that the municipality is unlikely to be able to satisfy.

APPENDIX A - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	4 518 562	-	181 256	4 337 306
Total Annuity Loans				4 518 562	-	181 256	4 337 306
HIRED PURCHASES							
ABSA (Telephone system)	10.00%	70836411	15/05/2011	-	403 995	68 674	335 320
ABSA (Mercedes Refuse Truck)	9.03%	73442180	15/01/2012	166 573	-	166 573	-
ABSA (TATA Truck)	10.00%	81205030	05/08/2016	460 486	-	66 579	393 907
ABSA (Isuzu KB200I LWB)	10.00%	80693198	15/02/2016	138 739	-	24 532	114 207
ABSA (2011 Rear Tipping Tractor)	10.00%	80693759	15/02/2016	72 687	-	12 852	59 834
ABSA (2010 Vibrating Roller)	10.00%	80693899	15/02/2016	130 110	-	23 006	107 104
ABSA (Isuzu KB200I Fleetside)	10.00%	80698530	15/02/2016	176 762	-	31 255	145 507
ABSA (Sonalinka Tractor)	10.00%	80701808	15/02/2016	198 953	-	35 179	163 774
ABSA (Mazda CX 7)	10.00%	80993701	01/05/2016	353 726	-	58 568	295 158
Total Hire Purchases				1 698 036	403 995	487 220	1 614 811
LEASE LIABILITY							
ITEC Rental	21.20%		01/11/2012	772 535	-	558 663	213 873
NRG Rental	16.67%		30/06/2016	-	2 239 490	312 987	1 926 503
Total Lease Liabilities				772 535	2 239 490	871 650	2 140 375
TOTAL EXTERNAL LOANS				6 989 133	2 643 485	1 540 126	8 092 492

APPENDIX B - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
944 515	(8 374 774)	(7 430 260)	Council	1 075 000	(9 345 622)	(8 270 622)
-	(2 362 192)	(2 362 192)	Municipal Manager	-	(2 029 502)	(2 029 502)
50 000	(339 181)	(289 181)	Integrated Development Planning	-	(444 737)	(444 737)
-	(699 455)	(699 455)	Special Program Unit	500	(448 872)	(448 372)
130 346	(7 505 786)	(7 375 439)	Corporate Services	888 597	(8 626 689)	(7 738 092)
3 734 211	(2 933 360)	800 851	Traffic	3 677 361	(3 318 492)	358 869
6 326	(55 965)	(49 639)	Aerodrome	5 773	(102 819)	(97 046)
205 273	(11 776)	193 497	Commonage	153 432	(6 272)	147 161
12 992 919	(13 409 081)	(416 162)	Financial Services	24 762 033	(15 098 498)	9 663 536
7 657 929	-	7 657 929	Assessment Rates	8 449 033	-	8 449 033
8 525	(1 875 809)	(1 867 284)	Technical Services	-	(1 612 208)	(1 612 208)
-	(3 342)	(3 342)	Mechanical Workshop	-	-	-
1 073 558	(1 780 558)	(707 000)	Administration and Land Affairs	1 265 186	(2 412 714)	(1 147 529)
10 654 176	(13 514 980)	(2 860 803)	Public Works	7 617 163	(14 337 765)	(6 720 602)
5 164 710	(4 812 783)	351 928	Refuse Removal	2 699 437	(5 285 592)	(2 586 154)
61 590	(2 537 113)	(2 475 523)	Parks and Public Places	-	(2 942 288)	(2 942 288)
1 059	(762 354)	(761 295)	Cleansing	-	(690 947)	(690 947)
-	(1 503 982)	(1 503 982)	Community Services	-	(1 553 154)	(1 553 154)
1 279 275	(1 199 135)	80 140	Health	-	(4 887)	(4 887)
101 834	(359 489)	(257 655)	Local Economic Development	350 198	(515 828)	(165 629)
112 703	(54 942)	57 761	Cemetery	122 337	(56 027)	66 310
17 851	(10 013)	7 837	Sport Grounds	3 228 426	(15 633)	3 212 793
860 469	(1 087 630)	(227 161)	Libraries	1 166 349	(1 166 199)	149
2 915 870	(2 551 918)	363 952	Aliwal Spa	2 545 846	(2 589 639)	(43 793)
155 318	(51 827)	103 490	Conference Centre	169 956	(75 249)	94 706
258 144	(94 581)	163 564	Nature Reserve	957 601	(197 359)	760 242
-	(1 108)	(1 108)	Museum	-	(2 153)	(2 153)
3 400	(972 760)	(969 360)	Housing	39 000	(1 173 345)	(1 134 345)
50 994 150	(37 089 669)	13 904 481	Electricity	43 658 690	(44 666 788)	(1 008 099)
9 643 524	(8 128 415)	1 515 109	Water	12 458 436	(7 229 083)	5 229 353
114 246 958	(117 243 931)	(2 996 973)	Total	122 529 340	(128 824 094)	(6 294 754)

APPENDIX C - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
944 515	(10 736 967)	(9 792 452)	Executive & Council	1 075 000	(11 375 124)	(10 300 124)
151 834	(1 398 125)	(1 246 291)	Planning and Development	350 698	(1 409 437)	(1 058 739)
21 854 753	(22 695 425)	(840 672)	Budget and Treasury	35 364 849	(26 141 974)	9 222 875
3 734 211	(2 933 360)	800 851	Public Safety	3 677 361	(3 318 492)	358 869
10 662 701	(15 394 130)	(4 731 430)	Road Transport	7 617 163	(15 949 972)	(8 332 809)
469 743	(162 321)	307 422	Other	1 116 806	(306 450)	810 356
5 219 283	(3 159 955)	2 059 328	Waste Water Management	7 238 985	(2 871 659)	4 367 326
5 227 359	(8 112 249)	(2 884 890)	Waste Management	2 699 437	(8 918 827)	(6 219 389)
2 933 721	(2 561 931)	371 790	Sport and Recreation	5 774 272	(2 605 271)	3 169 000
1 128 490	(2 699 489)	(1 570 999)	Community and Social Services	1 458 642	(2 852 783)	(1 394 141)
1 279 275	(1 199 135)	80 140	Health	-	(4 887)	(4 887)
3 400	(972 760)	(969 360)	Housing	39 000	(1 173 345)	(1 134 345)
9 643 524	(8 128 415)	1 515 109	Water	12 458 436	(7 229 083)	5 229 353
50 994 150	(37 089 669)	13 904 481	Electricity	43 658 690	(44 666 788)	(1 008 099)
114 246 958	(117 243 931)	(2 996 973)	Total	122 529 340	(128 824 094)	(6 294 754)

**APPENDIX D - Unaudited
MALETSWAI LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2011	Correction of error	Restated balance 1 JULY 2011	Grants Received	Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Equitable Share	-	-	-	20 224 000	-	20 224 000	-	-
Skills Development Grant	-	-	-	209 230	-	209 230	-	-
Finance Management Act.	(175 932)	-	(175 932)	1 500 000	-	1 568 734	174 942	(419 609)
MSIG Funds	-	-	-	790 000	-	866 178	-	(76 178)
MIG Funds	(420 022)	-	(420 022)	12 614 000	-	2 058 523	10 199 095	(63 640)
DME Electricity Reticulation Fund	(411 337)	-	(411 337)	3 000 000	-	177 368	1 266 912	1 144 383
Expanded Public Works Program	-	-	-	604 000	-	-	-	604 000
	(1 007 291)	-	(1 007 291)	38 941 230	-	25 104 033	11 640 949	1 188 957
Provincial Government Grants								
VUNA Awards	-	-	-	45 000	-	45 000	-	-
Spatial Development Plan	400 000	-	400 000	-	-	39 000	-	361 000
1218 Link Houses	271 617	-	271 617	-	-	-	-	271 617
78 Sites Services	(18 306)	-	(18 306)	-	18 306	-	-	-
78 Sites Survey	(50)	-	(50)	-	50	-	-	-
330 Houses	199 789	-	199 789	-	-	-	-	199 789
Area 5 Services	63 514	-	63 514	-	-	-	-	63 514
Hilton 89 Houses	25 102	-	25 102	-	(18 356)	-	-	6 746
Area 13 - Fund	254 064	-	254 064	-	-	-	-	254 064
Aliwal Noord 100 Houses Fund	(251 439)	-	(251 439)	-	-	-	-	(251 439)
318 Houses Jamestown	373 367	-	373 367	-	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	6 090	-	-	-	-	6 090
Jamestown 858 Houses	639 778	-	639 778	-	-	-	-	639 778
838 Wonings Fonds	690 403	-	690 403	-	-	-	-	690 403
DEAT - Upgrading of Spa	2 550 368	-	2 550 368	-	-	313 203	2 237 165	-
DEAT - Waste Recycling Project	1 951 166	-	1 951 166	-	-	148 876	165 593	1 636 697
Land Survey Management	467 500	-	467 500	-	-	-	-	467 500
LED Garden Project Jamestown	115 828	-	115 828	-	-	6 991	-	108 837
	7 738 792	-	7 738 792	45 000	-	553 070	2 402 759	4 827 963
District Municipality Grants								
LED	-	-	-	67 180	-	67 180	-	-
Ukhahlamba Library Equipment Fund	600 270	-	600 270	566 737	-	1 115 920	46 320	4 767
	600 270	-	600 270	633 917	-	1 183 100	46 320	4 767
Other Grant Providers								
Van Coller Grave	8 443	-	8 443	-	-	8 443	-	-
	8 443	-	8 443	-	-	8 443	-	-
Total	7 340 216	-	7 340 216	39 620 147	-	26 848 646	14 090 028	6 021 689