

# 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 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*

#### **PRINCIPAL 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 63 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.

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*Mr. M.P Nonjola*  
**Municipal Manager**

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**Date**

**INSERT ACCOUNTING POLICY**

**MALETSWAI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

	Notes	2012 R	2011 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>239 715 931</b>	<b>246 393 406</b>
Accumulated Surplus		239 715 931	246 393 406
<b>Non-Current Liabilities</b>		<b>20 045 825</b>	<b>18 286 946</b>
Long-term Liabilities	1	5 109 827	4 022 336
Employee benefits	2	10 255 618	9 807 106
Non-Current Provisions	3	4 680 380	4 457 505
<b>Liabilities Associated with Discontinued Operations</b>	<b>20.2</b>	<b>2 524 107</b>	-
<b>Current Liabilities</b>		<b>33 963 971</b>	<b>25 634 678</b>
Consumer Deposits	4	1 745 697	1 670 152
Current Employee benefits	5	4 857 112	5 645 353
Payables from exchange transactions	6	7 072 820	7 814 032
Unspent Conditional Government Grants and Receipts	7	6 228 555	8 617 302
Cash and Cash Equivalents	19	12 755 663	728 767
Current Portion of Long-term Liabilities	1	1 304 124	1 159 071
<b>Total Net Assets and Liabilities</b>		<b>296 249 834</b>	<b>290 315 030</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>279 651 649</b>	<b>276 372 298</b>
Property, Plant and Equipment	9	234 790 235	233 314 639
Investment Property	10	40 845 159	38 742 639
Intangible Assets	11	437 527	681 888
Capitalised Restoration Costs	12	1 639 068	1 761 801
Non-Current Investments	13	665 309	627 431
Biological Assets	14	1 274 350	1 243 900
<b>Assets Associated with Discontinued Operations</b>	<b>20.1</b>	<b>3 264 964</b>	-
<b>Current Assets</b>		<b>13 333 221</b>	<b>13 942 732</b>
Inventory	15	464 599	416 250
Receivables from exchange transactions	16	10 809 642	9 228 561
Receivables from non-exchange transactions	17	904 299	2 000 910
Unpaid Conditional Government Grants and Receipts	7	810 866	1 277 086
Operating Lease Asset	18	-	32 049
Taxes	8	141 896	357 694
Cash and Cash Equivalents	19	201 920	630 182
<b>Total Assets</b>		<b>296 249 834</b>	<b>290 315 030</b>

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R
<b>CONTINUED OPERATIONS</b>			
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>50 453 922</b>	<b>52 682 800</b>
<b>Taxation Revenue</b>		<b>8 449 033</b>	<b>7 657 929</b>
Property taxes	21	8 449 033	7 657 929
<b>Transfer Revenue</b>		<b>41 610 466</b>	<b>44 380 200</b>
Government Grants and Subsidies - Capital	22	14 090 028	22 403 129
Government Grants and Subsidies - Operating	22	27 519 938	21 977 071
Public Contributions and Donations		500	-
<b>Other Revenue</b>		<b>394 422</b>	<b>644 671</b>
Actuarial Gains	2	144 465	193 383
Third Party Payments		-	178 175
Fines		249 957	273 112
<b>Revenue from Exchange Transactions</b>		<b>52 537 869</b>	<b>46 231 107</b>
Service Charges	23	44 532 197	38 346 922
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	30 450	126 275
<b>Total Revenue</b>		<b>102 991 791</b>	<b>98 913 907</b>
<b>EXPENDITURE</b>			
Employee related costs	27	36 295 916	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	15 130 710	13 552 275
Impairments	31	2 403	33 898
Repairs and Maintenance	32	4 926 992	3 369 107
Actuarial losses	2	615 102	3 559 374
Finance Charges	33	2 275 779	1 429 317
Bulk Purchases	34	36 203 960	27 394 842
Other Operating Grant Expenditure		2 203 429	1 793 868
General Expenses	35	15 527 038	13 572 009
Loss on disposal of Property, Plant and Equipment		1 536	665 194
<b>Total Expenditure</b>		<b>118 785 694</b>	<b>102 704 950</b>
<b>Operating Surplus/(Deficit) from continued operations</b>		<b>(15 793 902)</b>	<b>(3 791 043)</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>REVENUE</b>			
<b>Revenue from Exchange Transactions</b>		<b>19 300 185</b>	<b>14 703 954</b>
Service Charges	23	10 012 793	6 073 123
Water service authority contribution	24	9 234 315	8 550 292
Other Income	25	53 078	80 539
<b>Total Revenue</b>		<b>19 300 185</b>	<b>14 703 954</b>
<b>EXPENDITURE</b>			
Employee related costs	27	5 454 255	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
<b>Total Expenditure</b>		<b>10 183 758</b>	<b>11 288 369</b>
<b>Operating Surplus from discontinued operations</b>		<b>9 116 427</b>	<b>3 415 585</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(6 677 475)</b>	<b>(375 458)</b>

**MALETSWAI LOCAL MUNICIPALITY**

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

	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2010 - Previously stated</b>	<b>131 847 682</b>	<b>131 847 682</b>
Correction of error - See Note 36.11	114 921 182	114 921 182
<b>Restated Balance at 1 JULY 2010</b>	<b>246 768 864</b>	<b>246 768 864</b>
Net Surplus for the year	(375 458)	(375 458)
<b>Balance at 30 JUNE 2011</b>	<b>246 393 406</b>	<b>246 393 406</b>
Net Deficit for the year	(6 677 475)	(6 677 475)
<b>Balance at 30 JUNE 2012</b>	<b>239 715 931</b>	<b>239 715 931</b>



**MALETSWAI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		73 176 216	72 026 422
Government		39 687 439	49 891 909
Interest		1 088 333	1 146 952
<b>Payments</b>			
Suppliers and employees		(107 098 229)	(97 064 539)
Finance charges	<b>33</b>	(2 275 779)	(1 429 317)
<b>Cash generated by operations</b>	<b>38</b>	<b>4 577 982</b>	<b>24 571 427</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>9</b>	(16 106 587)	(20 336 379)
Purchase of Investment property	<b>10</b>	(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	<b>13</b>	(37 878)	(46 432)
<b>Net Cash from Investing Activities</b>		<b>(18 341 229)</b>	<b>(22 626 946)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(1 410 942)	(855 554)
New loans raised		2 643 485	1 573 184
Increase in Consumer Deposits		75 546	44 809
<b>Net Cash from Financing Activities</b>		<b>1 308 089</b>	<b>762 439</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(12 455 158)</b>	<b>2 706 920</b>
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	<b>39</b>	(12 553 743)	(98 586)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(12 455 158)</b>	<b>2 706 920</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9 PROPERTY, PLANT AND EQUIPMENT

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
<b>Land and Buildings</b>	<b>60 210 317</b>	<b>579 979</b>	-	-	<b>60 790 296</b>	<b>671 116</b>	<b>239 467</b>	-	<b>910 583</b>	<b>59 879 713</b>
Land	36 523 800	-	-	-	36 523 800	-	-	-	-	36 523 800
Buildings	23 686 517	579 979	-	-	24 266 496	671 116	239 467	-	910 583	23 355 913
<b>Infrastructure</b>	<b>192 319 488</b>	<b>8 843 711</b>	-	-	<b>201 163 199</b>	<b>31 266 831</b>	<b>11 628 694</b>	-	<b>42 895 525</b>	<b>158 267 675</b>
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	65 612 148	1 192 211	-	-	66 804 359	5 429 968	2 550 503	-	7 980 472	58 823 887
Other	111 158	165 593	-	-	276 752	14 571	5 573	-	20 144	256 608
<b>Community Assets</b>	<b>2 598 326</b>	<b>3 452 536</b>	-	-	<b>6 050 862</b>	<b>11 523</b>	<b>104 218</b>	-	<b>115 740</b>	<b>5 935 122</b>
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
<b>Lease Assets</b>	<b>2 077 099</b>	<b>2 239 490</b>	-	<b>(10 528)</b>	<b>4 306 062</b>	<b>1 523 299</b>	<b>863 218</b>	<b>(8 992)</b>	<b>2 377 526</b>	<b>1 928 536</b>
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
<b>Other Assets</b>	<b>13 474 876</b>	<b>990 872</b>	-	<b>(79 592)</b>	<b>14 386 156</b>	<b>3 892 700</b>	<b>1 760 576</b>	<b>(46 310)</b>	<b>5 606 965</b>	<b>8 779 190</b>
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
	<b>270 680 107</b>	<b>16 106 587</b>	-	<b>(90 120)</b>	<b>286 696 574</b>	<b>37 365 468</b>	<b>14 596 173</b>	<b>(55 302)</b>	<b>51 906 339</b>	<b>234 790 235</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2011

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
<b>Land and Buildings</b>	<b>60 155 572</b>	<b>54 745</b>	-	-	<b>60 210 317</b>	<b>434 798</b>	<b>236 318</b>	-	<b>671 116</b>	<b>59 539 201</b>
Land	36 523 800	-	-	-	36 523 800	-	-	-	-	36 523 800
Buildings	23 631 772	54 745	-	-	23 686 517	434 798	236 318	-	671 116	23 015 401
<b>Infrastructure</b>	<b>177 291 769</b>	<b>18 092 048</b>	<b>(2 376 326)</b>	<b>(688 002)</b>	<b>192 319 488</b>	<b>20 347 397</b>	<b>10 942 242</b>	<b>(22 808)</b>	<b>31 266 831</b>	<b>161 052 657</b>
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	56 092 434	9 519 714	-	-	65 612 148	3 292 688	2 137 280	-	5 429 968	60 182 180
Other	111 158	-	-	-	111 158	9 013	5 558	-	14 571	96 587
<b>Community Assets</b>	<b>-</b>	<b>222 000</b>	<b>2 376 326</b>	<b>-</b>	<b>2 598 326</b>	<b>-</b>	<b>11 523</b>	<b>-</b>	<b>11 523</b>	<b>2 586 804</b>
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
<b>Lease Assets</b>	<b>2 077 099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 077 099</b>	<b>1 109 021</b>	<b>414 278</b>	<b>-</b>	<b>1 523 299</b>	<b>553 800</b>
Office Equipment	2 077 099	-	-	-	2 077 099	1 109 021	414 278	-	1 523 299	553 800
<b>Other Assets</b>	<b>11 518 273</b>	<b>1 967 586</b>	<b>-</b>	<b>(10 983)</b>	<b>13 474 876</b>	<b>2 449 137</b>	<b>1 447 732</b>	<b>(4 170)</b>	<b>3 892 700</b>	<b>9 582 177</b>
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
	<b>251 042 713</b>	<b>20 336 379</b>	<b>-</b>	<b>(698 985)</b>	<b>270 680 107</b>	<b>24 340 354</b>	<b>13 052 092</b>	<b>(26 978)</b>	<b>37 365 468</b>	<b>233 314 639</b>
Balance previously reported	121 685 654	21 345 848	-	(10 983)	143 020 519	-	-	-	-	143 020 519
Correction of error - Refer to note 36.01	129 357 059	(1 009 469)	-	(688 002)	127 659 588	24 340 354	13 052 092	(26 978)	37 365 468	90 294 120
	<b>251 042 713</b>	<b>20 336 379</b>	<b>-</b>	<b>(698 985)</b>	<b>270 680 107</b>	<b>24 340 354</b>	<b>13 052 092</b>	<b>(26 978)</b>	<b>37 365 468</b>	<b>233 314 639</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9 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 charges 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.

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	127 659 588
Accumulated depreciation on Property, Plant and Equipment	<u>(37 365 468)</u>
	<u>90 294 120</u>

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>1 LONG-TERM LIABILITIES</b>		
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
	<b>8 092 492</b>	<b>6 989 133</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>1 304 124</b>	<b>1 159 071</b>
Annuity Loans - At amortised cost	191 039	181 863
Hire Purchase	416 325	418 546
Capitalised Lease Liability - At amortised cost	696 761	558 663
	<b>6 788 368</b>	<b>5 830 062</b>
<b>Plus:</b> Unamortised charges on loans	<b>(1 678 542)</b>	<b>(1 807 727)</b>
Balance 1 July	(1 807 727)	(1 934 185)
Unwinding of unamortised discount on non-current liabilities	129 185	126 459
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>5 109 827</b>	<b>4 022 336</b>

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
<b>Less:</b> Future finance obligations	(1 946 505)	(2 169 503)
<b>Present value of annuity obligations</b>	<b>4 337 306</b>	<b>4 518 562</b>

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
<b>Less:</b> Future finance obligations	(735 656)	(121 065)
<b>Present value of lease obligations</b>	<b>2 140 375</b>	<b>772 535</b>

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
<b>Less:</b> Future finance obligations	(311 265)	(413 283)
<b>Present value of hire purchase obligations</b>	<b>1 614 811</b>	<b>1 698 036</b>

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

Leases are secured by property, plant and equipment - Note 5

MALETSWAI MUNICIPALITY

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

2	<b>EMPLOYEE BENEFITS</b>	<b>2012 R</b>	<b>2011 R</b>
	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
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>11 562 253</b>	<b>9 807 106</b>
	<b><u>Post Retirement Medical Benefits</u></b>		
	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
	<b>Total post retirement benefits 30 June</b>	<b>10 463 606</b>	<b>8 978 495</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(324 948)	(281 136)
	<b>Balance 30 June</b>	<b>10 138 658</b>	<b>8 697 359</b>
	<b><u>Long Service Awards</u></b>		
	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)
	<b>Total long service 30 June</b>	<b>1 587 460</b>	<b>1 469 844</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(163 865)	(360 097)
	<b>Balance 30 June</b>	<b>1 423 595</b>	<b>1 109 747</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	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
	<b>Total employee benefits 30 June</b>	<b>12 051 066</b>	<b>10 448 339</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(888 813)	(641 233)
	<b>Balance 30 June</b>	<b>11 562 253</b>	<b>9 807 106</b>
	<b><u>Attributable to:</u></b>		
	Continued Operations	10 255 618	9 807 106
	Discontinued Operations	1 306 635	-
		<b>11 562 253</b>	<b>9 807 106</b>

Refer to note 20 for further disclosures regarding discontinued operations.

**2.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	69	77
In-service (employee) non-members	188	171
Continuation members (e.g. Retirees, widows, orphans)	14	13
<b>Total Members</b>	<b>271</b>	<b>261</b>

The liability in respect of past service has been estimated to be as follows:

	<b>2012 R</b>	<b>2011 R</b>
In-service members	5 901 575	5 140 619
Continuation members	4 562 031	3 837 876
<b>Total Liability</b>	<b>10 463 606</b>	<b>8 978 495</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2010 R</b>	<b>2009 R</b>	<b>2008 R</b>
Total Liability	4 862 852	4 514 041	3 905 019

MALETSWAI MUNICIPALITY

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

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Hosmed  
Samwumed

The following are estimates for the 2012/2013 financial year:

Future Service Cost	483 862
Interest Cost	814 862

Key actuarial assumptions used:	<b>2012</b>	<b>2011</b>
	%	%
<b>i) Rate of interest</b>		
Discount rate	7.91%	8.65%
Health Care Cost Inflation Rate	6.96%	7.32%
Net Effective Discount Rate	0.89%	1.24%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

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.

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

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
<b>Less:</b> Transfer of Current Portion - Note 5	(324 948)	(281 136)
<b>Balance 30 June</b>	<b>10 138 658</b>	<b>8 697 359</b>

**Sensitivity Analysis on the Accrued Liability**

	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>
<b>Assumption</b>			
Central Assumptions	5.902	4.562	10.464

The effect of movements in the assumptions are as follows:

		<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>	<b>% change</b>
<b>Assumption</b>	<b>Change</b>				
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%

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

	2012	2011
<b>2.2 Long Service Bonuses</b>		
The Long Service Bonus plans are defined benefit plans.		
The number of officials eligible for Long Service Bonuses	252	249
The following are estimates for the 2012/2013 financial year:		
Future Service Cost		321 825
Interest Cost		91 032
Key actuarial assumptions used:	<b>2012</b>	<b>2011</b>
	%	%
<b>i) Rate of interest</b>		
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%
	<b>2012</b>	<b>2011</b>
	R	R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 587 460	1 469 844
<b>Net liability</b>	<b>1 587 460</b>	<b>1 469 844</b>
The liability is not supported by any plan assets		
	<b>2010</b>	<b>2009</b>
	R	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
<b>1 087 510</b>		
<b>Reconciliation of present value of fund obligation:</b>		
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
<b>Less:</b> Transfer of Current Portion - Note 5	(163 865)	(360 097)
<b>Balance 30 June</b>	<b>1 423 595</b>	<b>1 109 747</b>
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>		
<b>Assumption</b>	<b>Change</b>	<b>Liability (Rm)</b>
Central assumptions		1.587
General salary inflation	1%	1.670
General salary inflation	-1%	1.511
Average retirement age	-2 yrs	1.539
Average retirement age	2 yrs	1.672
Withdrawal rates	-50%	1.884
		<b>% change</b>
		5%
		-5%
		-3%
		5%
		19%



MALETSWAI MUNICIPALITY

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

2.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**CAPE JOINT RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

Contributions paid recognised in the Statement of Financial Performance

	2012 R	2011 R
Contributions paid recognised in the Statement of Financial Performance	594 274	486 141

**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
Municipal Councillors Pension Fund	121 700	123 826
SAMWU National Provident Fund	1 601 162	1 536 146
	<u>3 802 535</u>	<u>3 607 847</u>

3

**NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

**Total Non-current Employee Benefit Liabilities**

Provision for Rehabilitation of Landfill-sites	4 680 380	4 457 505
<b>Total Non-current Employee Benefit Liabilities</b>	<u><b>4 680 380</b></u>	<u><b>4 457 505</b></u>

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

**Landfill Sites**

Balance 1 July	4 457 505	4 241 369
Balance previously reported		-
Correction of error - Refer to note 36.05		4 241 369
Unwinding of discounted interest	222 875	216 136
Balance previously reported		-
Correction of error - Refer to note 36.05		216 136
<b>Total provision 30 June</b>	<u><b>4 680 380</b></u>	<u><b>4 457 505</b></u>
<b>Less:</b> Transfer of Current Portion to Current Provisions	-	-
<b>Balance 30 June</b>	<u><b>4 680 380</b></u>	<u><b>4 457 505</b></u>

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 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:

4 457 505

**MALETSWAI MUNICIPALITY**

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

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	<u>Aliwal North</u>	<u>Jamestown</u>	<u>Total</u>
Shaping and finishing (R3/m <sup>2</sup> )	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 <sup>2</sup> )	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
	<u>2 444 800</u>	<u>2 235 580</u>	<u>4 680 380</u>

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>	<u>Cost of rehabilitation</u>
		<u>2012</u>	<u>2011</u>
		<u>R</u>	<u>R</u>
Aliwal North	2023	2 444 800	2 328 381
Jamestown	2029	2 235 580	2 129 124
		<u>4 680 380</u>	<u>4 457 505</u>

**4 CONSUMER DEPOSITS**

Consumer Deposits	1 745 697	1 670 152
<b>Total Consumer Deposits</b>	<u>1 745 697</u>	<u>1 670 152</u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u>-</u>	<u>-</u>

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

**5 CURRENT EMPLOYEE BENEFITS**

	<u>2012</u>	<u>2011</u>
	<u>R</u>	<u>R</u>
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	4 992 118	4 718 457
Compensation for injuries on duty contribution	265 322	285 664
<b>Total Current Employee Benefits</b>	<u>5 746 253</u>	<u>5 645 353</u>
<b>Attributable to:</b>		
Continued Operations	4 857 112	5 645 353
Discontinued Operations	889 141	-
	<u>5 746 253</u>	<u>5 645 353</u>

Refer to note 20 for further disclosures regarding discontinued operations

The movement in current employee benefits are reconciled as follows:

**Compensation for injuries on duty contributor:**

Balance at beginning of year	285 664	667 409
Contribution to current portion	311 461	285 664
Expenditure incurred	(331 802)	(667 409)
Balance at end of year	<u>265 322</u>	<u>285 664</u>

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.

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b><u>Staff Leave</u></b>		
Balance at beginning of year	4 718 457	4 962 233
Contribution to current portion	1 479 539	410 422
Expenditure incurred	(1 205 878)	(654 198)
Balance at end of year	<b>4 992 118</b>	<b>4 718 457</b>

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 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	4 684 867	4 587 718
Balance previously reported		2 697 512
Correction of error - Refer to note 36.07		1 890 205
Interest Accrued	64 374	63 945
Pre-paid electricity	340 705	300 993
Payments received in advance	1 083 234	1 687 285
Other Creditors	556 953	843 560
Balance previously reported		569 589
Correction of error - Refer to note 36.07		273 971
Sundry deposits	342 687	330 532
Balance previously reported		342 815
Correction of error - Refer to note 36.07		(12 283)
<b>Total Trade Payables</b>	<b>7 072 820</b>	<b>7 814 032</b>

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.

**7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	6 228 555	8 617 302
National Government Grants	1 144 383	-
Provincial Government Grants	5 079 405	8 008 589
District Municipality	4 767	600 270
Other Grant Providers	-	8 443
<b>Less: Unpaid Grants</b>	810 866	1 277 086
National Government Grants	559 427	1 007 291
Provincial Government Grants	251 439	269 795
<b>Total Conditional Grants and Receipts</b>	<b>5 417 689</b>	<b>7 340 216</b>

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.

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

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>8 TAXES</b>		
<b>8.1 VAT Payable</b>		
VAT Payable (In suspense)	514 500	440 949
	<u>514 500</u>	<u>440 949</u>
<b>8.2 VAT Receivable</b>		
VAT Receivable (In suspense)	268 318	21 956
VAT Receivable from SARS	59 747	776 686
	<u>328 065</u>	<u>798 643</u>
<b>Net VAT Payable/(Receivable)</b>	<u>186 435</u>	<u>(357 694)</u>
Balance previously reported		431 695
Correction of error - Refer to note 36.04		(789 389)
		<u>(357 694)</u>
<b><u>Attributable to:</u></b>		
Continued Operations	(141 896)	(357 694)
Discontinued Operations	328 331	-
	<u>186 435</u>	<u>(357 694)</u>

Refer to note 20 for further disclosures regarding discontinued operations.

VAT is payable and receivable on the cash basis.

**MALETSWAI MUNICIPALITY**

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

**PROPERTY PLANT AND EQUIPMENT**





MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>10 INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>38 742 639</b>	<b>36 811 313</b>
Cost	39 145 103	37 079 500
Balance Previously reported		25 038 001
Correction of error - Refer to note 36.03		12 041 499
Accumulated Depreciation	(402 464)	(268 187)
Balance Previously reported		-
Correction of error - Refer to note 36.03		(268 187)
Acquisitions	2 237 165	2 065 603
Balance Previously reported		-
Correction of error - Refer to note 36.03		2 065 603
Disposals	-	-
Depreciation for the year	(134 645)	(134 277)
Balance Previously reported		-
Correction of error - Refer to note 36.03		(134 277)
<b>Net Carrying amount at 30 June</b>	<b>40 845 159</b>	<b>38 742 639</b>
Cost	41 382 269	39 145 103
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	12 041 499
Accumulated Depreciation	(402 464)
Total not previously recognised now restated retrospectively	<b>11 639 035</b>

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.

	2012 R	2011 R
<b>11 INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>681 888</b>	<b>684 050</b>
Cost	1 372 456	1 131 402
Accumulated Amortisation	(690 568)	(447 352)
Balance Previously reported		-
Correction of error - Refer to note 36.02		(447 352)
Acquisitions	35 202	241 054
Balance Previously reported		235 066
Correction of error - Refer to note 36.02		5 987
Amortisation	(279 562)	(243 216)
Balance Previously reported		-
Correction of error - Refer to note 36.02		(243 216)
<b>Net Carrying amount at 30 June</b>	<b>437 527</b>	<b>681 888</b>
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	<b>(447 352)</b>



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

	2012 R	2011 R
<b>12 CAPITALISED RESTORATION COSTS</b>		
<b>Net Carrying amount at 1 July</b>	<b>1 761 801</b>	<b>1 918 387</b>
Balance previously reported		-
Correction of error - Refer to note 36.06		1 918 387
Acquisitions	-	-
Depreciation	(120 330)	(122 689)
Balance previously reported		-
Correction of error - Refer to note 36.06		(122 689)
Impairment	(2 403)	(33 898)
Balance previously reported		-
Correction of error - Refer to note 36.06		(33 898)
<b>Net Carrying amount at 30 June</b>	<b>1 639 068</b>	<b>1 761 801</b>
Cost	2 744 382	2 744 382
Accumulated Depreciation	(1 054 257)	(933 927)
Accumulated Impairments	(51 057)	(48 654)

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

**1 761 801**

**13 NON-CURRENT INVESTMENTS**

Fixed Deposits	665 309	627 431
<b>Total Non-Current Investments</b>	<b>665 309</b>	<b>627 431</b>

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
	<b>665 309</b>	<b>627 431</b>

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
	<b>638 535</b>	<b>602 090</b>

**14 BIOLOGICAL ASSETS**

	Quantity (Units)	Fair Value R	2012 R	2011 R
Springbuck	228	350	79 800	96 600
Blesbuck	90	600	54 000	48 600
Black Wildebeest	42	1 300	54 600	46 800
Gemsbuck	29	2 500	72 500	77 500
Red Hartebeest	32	2 000	64 000	49 600
Eland	18	4 400	79 200	51 200
Zebra	20	4 500	90 000	70 000
Ostrich	15	350	5 250	3 600
Buffalo	14	55 357	775 000	800 000
			<b>1 274 350</b>	<b>1 243 900</b>

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

MALETSWAI 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	51 250	225 650
Fair value adjustments - Price adjustments	33 550	5 750
Closing Fair Value	<b>1 274 350</b>	<b>1 243 900</b>

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.

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		-
Correction of error - Refer to note 36.09		5 791
	<b>470 705</b>	<b>416 250</b>

**Attributable to:**

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

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	5 791
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16 **RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**Service Receivables**

Water	4 123 981	3 272 248
Electricity	3 255 413	1 736 445
Refuse	1 911 256	1 583 259
Sewerage	2 533 195	2 116 598
Other Arrears	981 350	1 037 063

**Total Service Receivables**  
Less: Allowance for Doubtful Debts

**12 805 196**  
**(6 763 658)**

**Net Service Receivables**

**9 745 611**  
**(5 544 012)**  
**6 041 538**

**Other Receivables**

Joe Gqabi District Municipality (Water and Sanitation)	8 026 962	5 026 962
<b>Net Other Receivables</b>	<b>8 026 962</b>	<b>5 026 962</b>

**Total Receivables from exchange transactions**

**14 068 500**

**9 228 561**

**Attributable to:**

Continued Operations	10 809 642	9 228 561
Discontinued Operations	3 258 858	-
	<b>14 068 500</b>	<b>9 228 561</b>

Refer to note 20 for further disclosures regarding discontinued operations.

**Ageing of Receivables from Exchange Transactions**

	2012 R	2011 R
<b>(Water): Ageing</b>		
Current (0 - 30 days)	1 060 249	883 434

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

31 - 60 Days	616 449	254 016
61 - 90 Days	357 923	193 880
+ 90 Days	2 089 361	1 940 917
<b>Total</b>	<b>4 123 981</b>	<b>3 272 248</b>
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	1 900 646	894 452
31 - 60 Days	543 979	89 510
61 - 90 Days	110 510	92 164
+ 90 Days	700 279	660 319
<b>Total</b>	<b>3 255 413</b>	<b>1 736 445</b>
<b><u>(Refuse): Ageing</u></b>		
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
<b>Total</b>	<b>1 911 256</b>	<b>1 583 259</b>
<b><u>(Sewerage): Ageing</u></b>		
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
<b>Total</b>	<b>2 533 195</b>	<b>2 116 598</b>
<b><u>(Other arrears): Ageing</u></b>		
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
<b>Total</b>	<b>981 350</b>	<b>1 037 063</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	3 577 820	2 302 595
31 - 60 Days	1 490 960	599 060
61 - 90 Days	696 709	500 805
+ 90 Days	7 039 708	6 343 151
<b>Total</b>	<b>12 805 196</b>	<b>9 745 611</b>
<b>Reconciliation of Provision for Bad Debts</b>		
	<b>R</b>	<b>R</b>
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)
<b>Balance at end of year</b>	<b>6 763 658</b>	<b>5 544 012</b>

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
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
	<b>6 763 658</b>	<b>5 544 012</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade 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
Correction of error - Refer to note 36.08		(130 736)

**Other Receivables**

	1 063 417	1 452 368
Accrued Interest	25 204	25 986
Staff	32 514	59 046
Balance previously reported		31 513
Correction of error - Refer to note 36.08		27 533
Deposits	99 555	49 130
Government	540 082	511 256
Other Debtors	366 061	806 949
Balance previously reported		17 852
Correction of error - Refer to note 36.08		789 098

**Total Service Receivables**

	<b>2 598 053</b>	<b>4 043 574</b>
--	------------------	------------------

Less: Allowance for Doubtful Debts

	(1 693 755)	(2 042 664)
--	-------------	-------------

**Total Net Receivables from Non-Exchange Transactions**

	<b>904 299</b>	<b>2 000 910</b>
--	----------------	------------------

**Ageing of Receivables from Non-Exchange Transactions**

**(Rates): Ageing**

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
<b>Total</b>	<b>1 534 636</b>	<b>2 591 206</b>

**Reconciliation of Provision for Bad Debts**

	2012 R	2011 R
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)	-
<b>Balance at end of year</b>	<b>1 693 755</b>	<b>2 042 664</b>

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
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
	<b>1 693 755</b>	<b>2 042 664</b>

Concentrations of credit risk with respect to receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's 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	-	<b>32 049</b>

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	<b>356 578</b>	<b>354 182</b>

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	<b>201 920</b>	<b>630 182</b>

Liabilities

Primary Bank Account	12 755 663	728 767
Balance previously reported		731 684
Correction of error - Refer to note 36.10		(2 917)
Total Cash and Cash Equivalents - Liabilities	<b>12 755 663</b>	<b>728 767</b>

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 MUNICIPALITY

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

	2012 R	2011 R
<b><u>Current Accounts</u></b>		
<b><i>ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194 (Primary Account)</i></b>		
Cash book balance at beginning of year	(728 767)	(3 029 190)
Cash book balance at end of year	<u>(12 755 663)</u>	<u>(728 767)</u>
Bank statement balance at beginning of year	2 176 571	1 339 319
Bank statement balance at end of year	<u>1 289 690</u>	<u>2 176 571</u>
<b><i>ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352</i></b>		
Cash book balance at beginning of year	12 887	13 581
Cash book balance at end of year	<u>12 110</u>	<u>12 887</u>
Bank statement balance at beginning of year	12 887	13 618
Bank statement balance at end of year	<u>12 110</u>	<u>12 887</u>
<b><i>ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125</i></b>		
Cash book balance at beginning of year	71 904	58 383
Cash book balance at end of year	<u>74 140</u>	<u>71 904</u>
Bank statement balance at beginning of year	71 904	69 069
Bank statement balance at end of year	<u>74 140</u>	<u>71 904</u>
<b><i>ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037</i></b>		
Cash book balance at beginning of year	4 057	4 756
Cash book balance at end of year	<u>3 306</u>	<u>4 057</u>
Bank statement balance at beginning of year	4 057	4 714
Bank statement balance at end of year	<u>3 306</u>	<u>4 057</u>
<b><u>Call Investment Deposits</u></b>		
Call investment deposits consist out of the following accounts:		
<b><u>Institution</u></b>	<b><u>Account Nr</u></b>	<b><u>Type</u></b>
ABSA	20-6626-7428	32 Days Notice
ABSA	92-7435-2868	Call Account
		-
		535 782
		106 812
		<u>-</u>
		<u>106 812</u>
		<u>535 782</u>
<b>20</b>	<b>DISCONTINUED OPERATIONS</b>	
	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.	
<b>20.1</b>	<b>ASSETS ASSOCIATED WITH DISCONTINUED OPERATIONS</b>	
	Receivable from non-exchange transactions (Water and sanitation)	3 258 858
	Inventory (Water)	6 106
		<u>-</u>
		<u>3 264 964</u>
<b>20.2</b>	<b>LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS</b>	
	Employee Benefits	1 306 635
	Current Employee Benefits	889 141
	Taxes	328 331
		<u>-</u>
		<u>2 524 107</u>
		<u>-</u>

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>Current Accounts</b>		
<b>21 PROPERTY RATES</b>		
<u>Actual</u>		
<b>Rateable Land and Buildings</b>	10 410 767	10 810 384
Residential, Commercial Property, State	10 410 767	10 810 384
<b>Less: Rebates</b>	(1 961 734)	(3 152 454)
<b>Total Assessment Rates</b>	<b>8 449 033</b>	<b>7 657 929</b>
<u>Valuations</u>		
<b>Rateable Land and Buildings</b>		
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
<b>Total Assessment Rates</b>	<b>2 376 512 870</b>	<b>2 365 989 720</b>

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**

<b>Unconditional Grants</b>	<b>20 291 292</b>	<b>17 619 752</b>
Equitable Share	20 291 292	17 619 752
<b>Conditional Grants</b>	<b>21 318 674</b>	<b>26 760 448</b>
Grants and Donations	21 318 674	25 481 173
Subsidies	-	1 279 275
<b>Total Government Grants and Subsidies</b>	<b>41 609 966</b>	<b>44 380 200</b>
Government Grants and Subsidies - Capital	14 090 028	22 403 129
Government Grants and Subsidies - Operating	27 519 938	21 977 071
	<b>41 609 966</b>	<b>44 380 200</b>

**MALETSWAI 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	20 291 292	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	8 211 538	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
	<u><u>41 609 966</u></u>	<u><u>44 380 200</u></u>

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

**22.01 Equitable share**

Opening balance	-	-
Grants received	20 291 292	17 619 752
Conditions met - Operating	<u>(20 291 292)</u>	<u>(17 619 752)</u>
Conditions still to be met	<u><u>-</u></u>	<u><u>-</u></u>

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	<u>-</u>	<u>(1 279 275)</u>
Conditions still to be met	<u><u>-</u></u>	<u><u>-</u></u>

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	<u>(174 942)</u>	<u>(276 138)</u>
Grant expenditure to be recovered	<u><u>(419 609)</u></u>	<u><u>(175 932)</u></u>

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	<u>(866 178)</u>	<u>(638 313)</u>
Grant expenditure to be recovered	<u><u>(76 178)</u></u>	<u><u>-</u></u>

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



MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>22.05 Municipal Infrastructure Grant (MIG)</b>		
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>
The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.		
<b>22.06 Housing Grants</b>		
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>
Housing grants was utilised for the development of erven and the erection of top structures.		
<b>22.07 Integrated National Electrification Grant</b>		
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>
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
<b>22.08 Expanded Public Works Program (EPWP)</b>		
Opening balance	-	-
Grants received	604 000	-
Conditions met - Operating	(604 000)	-
Conditions still to be met	<u>-</u>	<u>-</u>
This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.		
<b>22.09 Department of Environmental Affairs and Tourism (DEAT)</b>		
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>
The grant is utilised to protect, conserve and enhance our environment, natural and heritage assets and resources.		
<b>22.1 Other Grants</b>		
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 MUNICIPALITY

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

	2012 R	2011 R
<b>22.11 Total Grants</b>		
Opening balance	7 340 216	1 828 505
Grants received	39 687 439	49 891 912
Conditions met - Operating	(27 519 938)	(21 977 071)
Conditions met - Capital	(14 090 028)	(22 403 129)
Conditions still to be met	<b>5 417 689</b>	<b>7 340 216</b>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	6 228 555	8 617 302
Unpaid Conditional Government Grants and Receipts	(810 866)	(1 277 086)
	<b>5 417 689</b>	<b>7 340 216</b>
<b>23 SERVICE CHARGES</b>		
Electricity	47 088 457	40 924 609
Refuse Removal	6 021 479	5 212 279
Sewerage	6 715 297	5 598 007
Water	10 727 183	9 704 628
	70 552 416	61 439 523
<b>Less: Rebates</b>	(16 007 426)	(17 019 478)
<b>Total Service Charges</b>	<b>54 544 989</b>	<b>44 420 046</b>
<u>Attributable to:</u>		
Continued Operations	44 532 197	38 346 922
Discontinued Operations	10 012 793	6 073 123
	<b>54 544 989</b>	<b>44 420 046</b>
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.		
<b>24 WATER SERVICES AUTHORITY CONTRIBUTION</b>		
Joe Gqabi District Municipality - Water and Sewerage functions	9 234 315	8 550 292
	<b>9 234 315</b>	<b>8 550 292</b>
<u>Attributable to:</u>		
Continued Operations	-	-
Discontinued Operations	9 234 315	8 550 292
	<b>9 234 315</b>	<b>8 550 292</b>
Refer to note 20 for further disclosures regarding discontinued operations.		
<b>25 OTHER INCOME</b>		
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
<b>Total Other Income</b>	<b>1 708 067</b>	<b>1 584 437</b>
<u>Attributable to:</u>		
Continued Operations	1 654 989	1 503 898
Discontinued Operations	53 078	80 539
	<b>1 708 067</b>	<b>1 584 437</b>
Refer to note 20 for further disclosures regarding discontinued operations.		

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>26 FAIR VALUE ADJUSTMENTS</b>		
Fair value changes in biological assets - Note14	30 450	126 275
	<b>30 450</b>	<b>126 275</b>
<b>27 EMPLOYEE RELATED COSTS</b>		
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	1 479 539	410 422
Contribution for training	385 628	334 409
Industrial Council Levy	14 235	13 497
Provision for compensation for injuries on duty	311 461	285 664
Long Service Awards	335 298	304 376
Post Retirement Medical	422 508	363 310
<b>Total Employee Related Costs</b>	<b>41 750 171</b>	<b>38 585 589</b>
<b>Attributable to:</b>		
Continued Operations	36 295 916	33 782 914
Discontinued Operations	5 454 255	4 802 675
	<b>41 750 171</b>	<b>38 585 589</b>
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		
<b>KEY MANAGEMENT PERSONNEL</b>		
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.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Municipal Manager - MP Nonjola</b>		
Annual Remuneration	945 877	919 043
Performance bonus	-	298 732
Other Allowance	30 000	18 000
<b>Total</b>	<b>975 877</b>	<b>1 235 775</b>
<b>Remuneration of the Manager - Technical Services - TE Molefe</b>		
Annual Remuneration	749 238	744 979
Acting Allowance	27 755	40 228
Performance bonus	-	229 003
Other Allowance	10 800	10 800
<b>Total</b>	<b>787 793</b>	<b>1 025 011</b>
<b>Remuneration of the Manager - Community and Social Services - NBB Mokhantse</b>		
Annual Remuneration	628 195	595 937
Performance bonus	-	17 528
Other Allowance	10 800	10 800
<b>Total</b>	<b>638 995</b>	<b>624 265</b>
<b>Remuneration of the Manager - Corporate and Support Services - TE Wonga</b>		
Annual Remuneration	669 829	638 363
Performance bonus	-	55 074
Other Allowance	10 800	10 800
<b>Total</b>	<b>680 629</b>	<b>704 237</b>
<b>Remuneration of the Manager - Financial Services - BJ Rautenbach (1 July 2011 to 30 April 2012)</b>		
Annual Remuneration	640 641	726 389
Other Allowance	9 000	10 755
<b>Total</b>	<b>649 641</b>	<b>737 144</b>

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>Remuneration of the Manager - Financial Services - T Maseko (1 May 2012 to 30 June 2012,</b>		
Annual Remuneration	127 560	-
Other Allowance	1 800	-
<b>Total</b>	<b>129 360</b>	<b>-</b>
<b>28 REMUNERATION OF COUNCILLORS</b>		
Councillors	2 021 852	2 065 619
Travelling allowance	409 419	385 537
Telephone allowance	144 588	134 539
<b>Total Councillors' Remuneration</b>	<b>2 575 860</b>	<b>2 585 696</b>
<b>29 DEBT IMPAIRMENT</b>		
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
<b>Total Contribution to Impairment Provision</b>	<b>5 526 017</b>	<b>4 220 988</b>
VAT included in contribution for the year	35 825	(454 965)
<b>Debt impairment recognised in statement of financial performance</b>	<b>5 561 842</b>	<b>3 766 023</b>
<b>Attributable to:</b>		
Continued Operations	3 026 970	966 456
Discontinued Operations	2 534 872	2 799 567
	<b>5 561 842</b>	<b>3 766 023</b>
Refer to note 20 for further disclosures regarding discontinued operations.		
<b>30 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	14 596 173	13 052 092
Investment Property	134 645	134 277
Intangible Assets	279 562	243 216
Landfill sites	120 330	122 689
	<b>15 130 710</b>	<b>13 552 275</b>
<b>31 IMPAIRMENTS</b>		
Landfill Sites	2 403	33 898
	<b>2 403</b>	<b>33 898</b>
<b>32 REPAIRS AND MAINTENANCE</b>		
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
	<b>5 450 062</b>	<b>3 903 725</b>
<b>Attributable to:</b>		
Continued Operations	4 926 992	3 369 107
Discontinued Operations	523 070	534 618
	<b>5 450 062</b>	<b>3 903 725</b>
Refer to note 20 for further disclosures regarding discontinued operations.		

MALETSWAI MUNICIPALITY

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

	2012 R	2011 R
<b>33 FINANCE CHARGES</b>		
DBSA loan	222 083	230 302
Unamortised Discount - Interest (DBSA Loan)	129 185	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	222 875	216 136
<b>Total finance charges</b>	<b>2 275 779</b>	<b>1 429 317</b>
<b>34 BULK PURCHASES</b>		
Electricity	36 203 960	27 394 842
<b>Total Bulk Purchases</b>	<b>36 203 960</b>	<b>27 394 842</b>
<b>35 GENERAL EXPENSES</b>		
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	355 032	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	878 314	922 893
Vehicle: Fuel & Oil	1 382 743	1 029 474
Other	1 711 019	2 975 697
<b>General Expenses</b>	<b>17 198 599</b>	<b>16 723 519</b>
<b>Attributable to:</b>		
Continued Operations	15 527 038	13 572 009
Discontinued Operations	1 671 561	3 151 509
	<b>17 198 599</b>	<b>16 723 519</b>

Refer to note 20 for further disclosures regarding discontinued operations.

	2011 R
<b>36 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>36.01 Property Plant and Equipment</b>	
<b>Balance previously reported</b>	<b>143 020 519</b>
Repairs and maintenance incorrectly capitalised as part of infrastructure electricity	(2 434 620)
Effect on periods commencing on or before 30 June 2010 - Refer to note 36.11	(2 301 154)
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.	
Correction of stale cheque 25737 previously incorrectly reversed against accumulated surplus - Refer to note 36.1	(209 548)
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.	

**MALETSWAI MUNICIPALITY**

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

**2011  
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Reallocation of repairs and maintenance incorrectly capitalised as roads infrastructure - Refer to note 37 (259 266)

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.

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

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.

Upgrading of Aliwal Spa previously incorrectly capitalised as PPE in 2010/2011 - Refer to note 36.0: (2 065 603)

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.

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

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.

Recognise retentions and outstanding infrastructure costs previously not recognised - Refer to note 36.0: 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 2010	58 796

During the review of infrastructure projects, certain retentions and accrued costs were identified previously not recognise in the relevant financial period.

Measurement of loose assets, land and buildings in line with deemed cost on 30 June 2008 - Refer to note 36.11 131 808 965

Effect on Land and Buildings	15 267 004
Effect on Infrastructure Roads and Stormwater	89 101 839
Effect on Infrastructure Electricity	23 730 124
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

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.

Restatement of accumulated depreciation on 30 June 2010 (review of useful lives) - Refer to note 36.11 (24 340 354)

Effect on Buildings	(434 798)
Effect on Infrastructure Roads and Stormwater	(17 045 695)
Effect on Infrastructure Electricity	(3 292 688)
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)

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.

MALETSWAI MUNICIPALITY

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

	2011 R
Restatement of depreciation for 2010/2011 (review of useful lives) - Refer to note 37	(13 052 092)
Effect on Buildings	(236 318)
Effect on Community Assets	(11 523)
Effect on Infrastructure Roads and Stormwater	(8 799 404)
Effect on Infrastructure Electricity	(2 137 280)
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>	
	<b>233 314 639</b>
<b>36.02 Intangible Assets</b>	
<b>Balance previously reported</b>	<b>1 366 469</b>
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 lives) - Refer to note 36.11	(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>	
Restatement of amortisation for 2010/2011 (review of useful lives) - 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.</p>	
	<b>681 888</b>
<b>36.03 Investment Property</b>	
<b>Balance previously reported</b>	<b>25 038 001</b>
Correction of Investment Property (Cost) on 1 July 2008 - Refer to note 36.11	12 041 499
<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 36.11	(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.</p>	
	<b>38 742 639</b>

**MALETSWAI MUNICIPALITY**

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

	2011 R
<b>36.04 Taxes</b>	
<b>Balance previously reported</b>	<b>431 695</b>
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 36.11	(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>
<b>36.05 Non-Current Provisions</b>	
<b>Balance previously reported</b>	-
First time recognition of restoration cost provision on 1 July 2010	4 241 369
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 36.06	2 744 382
Recognition of Interest Cost on Landfill Site Provisions up to 1 July 2010 - Refer to note 36.11	1 496 988
 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.	
 Unwinding of interest during 2010/2011 - Refer to note 37	216 136
 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>4 457 505</u></u>
<b>36.06 Capitalised Restoration Cost</b>	
<b>Balance previously reported</b>	-
First time recognition of restoration cost provision on 1 July 2010	1 918 387
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 36.05	2 744 382
First time recognition of accumulated depreciation and impairment on restoration costs up to 1 July 2010 - Refer to note 36.11	(825 995)
Recognition of impairments on landfill sites during 2010/2011 - Refer to note 37	(33 898)
Recognition of depreciation on landfill sites during 2010/2011 - Refer to note 37	(122 689)
 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.	
	<u><u>1 761 801</u></u>
<b>36.07 Payables from exchange transactions</b>	
<b>Balance previously reported</b>	<b>5 662 140</b>
Incorrect allocation of other payable balance - Refer to note 36.06	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 37	500 087
 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 incorrect provision made for general valuation costs during 2008/2009 - Refer to note 36.11	(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.	
	<b>2011 R</b>
Correction of UIF incorrectly deducted and paid over in respect of councillors - Refer to note 36.06	97 735



**MALETSWAI MUNICIPALITY**

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

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.

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 36.1'	(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>	
	<b><u>7 814 033</u></b>
<b>36.08 Receivables from non-exchange transactions</b>	
<b>Balance previously reported</b>	<b>1 315 016</b>
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>	
Recognition of receivable for training costs recovered - Refer to note 37	27 533
<p>The municipality omitted to recognise a debtor for the training costs to be recovered from officials</p>	
Correction of UIF incorrectly deducted and paid over in respect of councillors	195 470
UIF deductions to be refunded to councillors - Refer to note 36.07	97 735
Council contributions to UIF made during 2010/2011 - Refer to note 37	17 014
Council contributions to UIF made on or before 30 June 2010 - Refer to note 36.11	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 36.11	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>	
	<b><u>2 000 910</u></b>
<b>36.09 Inventory</b>	
<b>Balance previously reported</b>	<b>410 459</b>
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>	
	<b><u>416 250</u></b>

MALETSWAI MUNICIPALITY

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

	2011 R
<b>36.10 Cash and Cash Equivalents (Liability)</b>	
<b>Balance previously reported</b>	<b>731 684</b>
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>
<b>36.11 Accumulated Surplus</b>	
<b>Balance previously reported</b>	
First time recognition of accumulated depreciation and impairment on restoration costs up to 1 July 2010 - Refer to note 36.0f	(825 995)
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	(1 496 988)
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 36.0f	(2 301 154)
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 36.0f	(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.	
Correction of debt impairment charges incorrectly recognised inclusive of VAT - Refer to note 36.04	312 468
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 Investment Property (Cost) on 1 July 2008 - Refer to note 36.0f	12 041 499
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 valutors.	
Recognition of depreciation on investment property up to 30 June 2010 - Refer to note 36.0f	(268 187)
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.	
Measurement of loose assets, land and buildings in line with deemed cost on 30 June 2008 - Refer to note 36.0f	131 808 965
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.	
Restatement of accumulated depreciation on 30 June 2010 (review of useful lives) - Refer to note 36.01	(24 340 354)
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.	
Correction of incorrect provision made for general valuation costs during 2008/2009 - Refer to note 36.0f	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 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	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 36.0g	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 36.0h	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 lives) - Refer to note 36.0i	(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>	
	114 921 182

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**RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR**

<b>Balance previously reported</b>	<b>14 595 154</b>
Incorrect allocation of expenditure items	-
Effect on operating grant expenditure	1 980 134
Effect on general expenses	(1 980 134)
<p>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.</p>	
Unwinding of interest during 2009/2010 - Refer to note 36.0j	(216 136)
<p>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.</p>	
Recognition of impairments on landfill sites during 2010/2011 - Refer to note 36.0k	(33 898)
Recognition of depreciation on landfill sites during 2010/2011 - Refer to note 36.0l	(122 689)
<p>The Municipality had not previously accounted for any depreciation and impairments on the capitalised rehabilitation costs relating to landfill sites due to the provisions contained in Directive 4.</p>	
Repairs and maintenance incorrectly capitalised as part of infrastructure electricity - Refer to note 36.0m	
<p>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.</p>	
	(133 466)
Correction of debt impairment charges incorrectly recognised inclusive of VAT - Refer to note 36.0n	454 965
Effect on debt impairment (all services excluding water and sanitation)	75 055
Effect on debt impairment (water and sanitation)	379 909
<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>	
Recognition of depreciation on investment property for 2010/2011 - Refer to note 36.0o	(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 depreciation during 2010/2011 for the first time.</p>	
Restatement of depreciation for 2010/2011 (review of useful lives) - Refer to note 36.0p	(13 052 092)
<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>	

MALETSWAI MUNICIPALITY

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

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First time measurement of water stock on 30 June 2011 - Refer to note 36.09	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>	
Recognition of payables previously not recognised on 30 June 2011 - Refer to note 36.07	(500 087)
Effect on General expenses	(437 232)
Effect on General expenses (Water and sanitation)	(54 319)
Effect on Repairs and maintenance	(580)
Effect on Service charges - Water (Internal account)	(7 956)
<p>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.</p>	
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
<p>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.</p>	
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>	
Recognition of receivable for training costs recovered - Refer to note 36.0E	27 533
<p>The municipality omitted to recognise a debtor for the training costs to be recovered from officials.</p>	
Correction of UIF incorrectly deducted and paid over in respect of councillors - Refer to note 36.0F	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>	

MALETSWAI MUNICIPALITY

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

Restatement of amortisation for 2010/2011 (review of useful lives) - Refer to note 36.02 (243 216)

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.

Correction of accumulated depreciation on loose assets scrapped in 2010/2011 - Refer to note 36.01 4 170

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.

Correction of intangible assets incorrectly expensed in 2010/2011 - Refer to note 36.02 5 987

During the review of intangible assets, the municipality identified intangibles incorrectly expensed in the prior year.

**(375 458)**

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**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

	2012 R	2011 R
Surplus/(Deficit) for the year from continued operations	(15 793 902)	(3 791 043)
<b>Adjustments for:</b>		
Depreciation and Amortisation	15 130 710	13 552 275
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	2 403	33 898
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	1 791 000	696 085
Contribution to employee benefits – current - expenditure incurred	(1 537 681)	(1 321 606)
Contribution to provisions – non current	222 875	216 136
Bad debts	(2 373 885)	(43 380)
Contribution to provisions – bad debt	3 026 970	966 456
Fair Value Adjustments	(30 450)	(126 275)
Unamortised discount - Interest - Expenditure	-	-
Impairment written off	-	-
Operating lease income accrued	32 049	1 671
Grants received	39 687 439	49 891 909
Grant expenditure incurred	(41 609 966)	(44 380 200)
Operating Surplus before discontinued operations and changes in working capita	109 503	20 467 997
Surplus from discontinued operations	9 116 427	3 415 585
Other adjustments associated with discontinued operations		
Bad debts	(2 281 395)	-
Operating Surplus before changes in working capital	6 944 536	23 883 582
Changes in working capital	(2 366 554)	687 845
Increase/(Decrease) in Payables from exchange transactions	(741 212)	(3 511 258)
Increase in Taxes	215 798	393 161
Increase in Inventory	(48 349)	(153 687)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	1 143 841	3 959 629
Increase in current assets and liabilities relating to Discontinued Operations	(2 936 633)	-
<b>Cash generated by operations</b>	<b>4 577 982</b>	<b>24 571 427</b>

39

**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)
<b>Total cash and cash equivalents</b>	<b>(12 553 743)</b>	<b>(98 586)</b>

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

	2012 R	2011 R
<b>40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 39	(12 553 743)	(98 586)
Investments - Note 13	665 309	627 431
	(11 888 434)	528 846
Less:	6 973 902	9 755 174
Unspent Committed Conditional Grants - Note 7	6 228 555	8 617 302
VAT - Note 8	-	-
Secured Investments and cash	745 347	1 137 872
<b>Resources available for working capital requirements</b>	<b>(18 862 336)</b>	<b>(9 226 329)</b>

	2012 R	2011 R
<b>41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
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	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

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.

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>42 BUDGET COMPARISONS</b>				
<b>42.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	8 449 033	9 000 000	(550 967)	(6%)
Government Grants and Subsidies - Operating	27 519 938	25 983 558	1 536 380	6%
Government Grants and Subsidies - Capital	14 090 028	23 935 407	(9 845 379)	(41%)
Public Contributions and Donations	500	-	500	100%
Fines	249 957	255 000	(5 043)	(2%)
Service Charges	54 544 989	68 606 600	(14 061 611)	(20%)
Rental of Facilities and Equipment	1 700 239	1 592 400	107 838	7%
Interest Earned - external investments	207 331	210 000	(2 669)	(1%)
Interest Earned - outstanding debtors	881 003	900 000	(18 997)	(2%)
Licences and Permits	2 188 842	2 124 000	64 842	3%
Agency Services	1 300 499	1 290 000	10 499	1%
Other Revenue	11 117 297	10 936 365	180 932	2%
Gain on disposal of Property, Plant & Equipment	42 320	90 000	(47 680)	(53%)
	122 291 977	144 923 330	(22 631 353)	(16%)
<b>Expenditure by nature</b>				
Employee Related Costs	41 750 171	41 242 610	507 561	1%
Remuneration of Councillors	2 575 860	2 700 500	(124 640)	(5%)
Debt Impairment	5 561 842	4 739 276	822 566	17%
Depreciation and Amortisation	15 130 710	-	15 130 710	100%
Impairments	2 403	-	2 403	100%
Finance Charges	2 275 779	688 320	1 587 459	231%
Bulk Purchases	36 203 960	34 500 000	1 703 960	5%
Other Expenditure	25 467 193	34 287 674	(8 820 481)	(26%)
	128 967 916	118 158 380	10 809 536	9%
<b>Net Surplus for the year</b>	<b>(6 675 939)</b>	<b>26 764 950</b>	<b>(33 440 889)</b>	<b>(125%)</b>

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

42.2	Expenditure by Vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	Executive & Council	11 401 730	11 859 050	(457 319)	(4%)
	Planning and Development	1 424 878	2 598 470	(1 173 592)	(45%)
	Budget and Treasury	26 310 801	20 238 630	6 072 171	30%
	Public Safety	3 361 338	3 393 240	(31 902)	(1%)
	Road Transport	15 977 998	7 108 500	8 869 498	125%
	Other	306 450	327 370	(20 920)	(6%)
	Waste Water Management	2 895 358	4 628 115	(1 732 757)	(37%)
	Waste Management	9 012 043	8 840 970	171 073	2%
	Sport and Recreation	2 641 166	3 221 360	(580 194)	(18%)
	Community and Social Services	2 889 369	3 156 850	(267 481)	(8%)
	Health	4 887	-	4 887	100%
	Housing	1 190 683	1 065 720	124 963	12%
	Water	7 288 400	11 483 781	(4 195 381)	(37%)
	Electricity	44 264 350	40 236 325	4 028 026	10%
		<b>128 969 452</b>	<b>118 158 380</b>	<b>10 811 072</b>	<b>9%</b>

**Details of material variances**

The over expenditure in the budget and treasury department is mainly due to the fact that the municipality did not budget for any depreciation charges in the current year.

42.3	Capital expenditure by vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	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	335 018	2 720 000	(2 384 982)	(88%)
	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%)
		<b>18 378 954</b>	<b>33 711 708</b>	<b>(15 332 753)</b>	<b>(45%)</b>

**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

43	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2012 R	2011 R
43.1	<b>Unauthorised expenditure</b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	14 077 459	17 479 479
	Unspent grant funding utilised to fund operating expenditure - refer Note 4C	6 228 555	8 617 302
	Unauthorised expenditure current year - capita	1 627 817	1 047 073
	Unauthorised expenditure current year - operating	19 270 618	4 413 084
	Approved by Council or condoned	(14 077 459)	(17 479 479)
	Unauthorised expenditure awaiting authorisation	<b>27 126 989</b>	<b>14 077 459</b>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

43.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	13 945	267 437
Fruitless and wasteful expenditure current year	208 190	13 945
Condoned or written off by Council	(13 945)	(267 437)
Fruitless and wasteful expenditure awaiting condonement	<b>208 190</b>	<b>13 945</b>

Incident	Disciplinary steps/criminal proceedings
Interest paid on late payment	None

	208 190	13 945
	<b>208 190</b>	<b>13 945</b>

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

		2012 R	2011 R
<b>43.3 Irregular expenditure</b>			
Reconciliation of irregular expenditure:			
Opening balance		3 236 052	-
Irregular expenditure current year		748 548	3 236 052
Condoned or written off by Council		(3 236 052)	-
Irregular expenditure awaiting condonement		<b>748 548</b>	<b>3 236 052</b>

		2012 R	2011 R
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>		
<i>CIBD Provisions not complied with:</i>			
<i>Buffelsspruit 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>Supply and Delivery of High mast in Jamestown (Induscomm Power Projects CC)</i>	<i>None</i>	448 548	-
<i>Supply and Delivery of paving Bricks to Jamestown (Nobhembe Trading CC)</i>	<i>None</i>	300 000	180 000
		<b>748 548</b>	<b>3 236 052</b>

**43.4 Material Losses**

**Electricity distribution losses**

Units purchased (Kwh)	66 175 773	63 445 572
Units sold (Kwh)	53 394 577	54 070 426
Units lost during distribution (Kwh)	12 781 196	9 375 146
Percentage lost during distribution	19.31%	14.78%
Loss in Rand Value	3 669 481	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

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

**44.1 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)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**44.2 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)
<b>Balance unpaid (included in creditors)</b>	<b>1 035 149</b>	<b>-</b>



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

	2012 R	2011 R
<b>44.3 VAT - [MFMA 125 (1)(c)]</b>		
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
<b>Closing balance</b>	<b>59 747</b>	<b>776 686</b>
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 8 for further disclosure regarding the balances receivable from and payable to SARS

<b>44.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>		
Current year payroll deductions and Council Contributions	4 914 418	4 727 535
Amount paid - current year	(4 914 418)	(4 727 535)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
Current year payroll deductions and Council Contributions	8 986 183	8 223 333
Amount paid - current year	(8 986 183)	(8 223 333)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

<b>44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>	
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2012:	
None	

<b>44.7 Non-Compliance with Supply Chain Management Regulations</b>	
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 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:	2 937 009	2 644 082
Infrastructure	2 937 009	2 644 082
<b>Total</b>	<b>2 937 009</b>	<b>2 644 082</b>

This expenditure will be financed from:

Government Grants	2 937 009	2 644 082
	<b>2 937 009</b>	<b>2 644 082</b>

**46 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.

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

2012  
R

2011  
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.

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	(114 942)	(45 578)
0.5% (2011 - 0.5%) Decrease in interest rates	114 942	45 578

**(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.

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.

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.

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

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows		
Receivables (Exchange and Non-Exchange)	11 873 059	10 680 929
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>13 551 154</u>	<u>13 215 628</u>

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

(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
<b>2012</b>				
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	-	-	4 181 438	5 123 990
Capital repayments	-	-	2 444 800	2 235 580
Interest	-	-	1 736 638	2 888 410
Trade and Other Payables	5 648 881	-	-	-
Unspent conditional government grants and receipts	6 228 555	-	-	-
Cash and Cash Equivalents	12 755 663	-	-	-
	<u>26 484 328</u>	<u>4 978 675</u>	<u>6 209 233</u>	<u>7 352 210</u>
<b>2011</b>				
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	-	-	-	9 305 428
Capital repayments	-	-	-	4 457 505
Interest	-	-	-	4 847 923
Trade and Other Payables	5 825 754	-	-	-
Unspent conditional government grants and receipts	8 617 302	-	-	-
Cash and Cash Equivalents	728 767	-	-	-
	<u>16 811 714</u>	<u>3 382 999</u>	<u>2 037 621</u>	<u>2 632 474</u>

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

		2012 R	2011 R
47	<b>FINANCIAL INSTRUMENTS</b>		
	In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:		
47.1	<b>Financial Assets</b>		
	<b>Investments</b>		
	Fixed Deposits	665 309	627 431
	<b>Consumer Debtors</b>		
	Receivables from exchange transactions	10 809 642	9 228 561
	Receivables from non-exchange transactions	1 063 417	1 452 368
	<b>Unpaid Conditional Grants and Receipts</b>		
	Other Spheres of Government	810 866	1 277 086
	<b>Short-term Investment Deposits</b>		
	Call Deposits	106 812	535 782
	<b>Bank Balances and Cash</b>		
	Bank Balances	89 556	88 848
	Cash Floats and Advances	5 552	5 552
		<b>13 551 154</b>	<b>13 215 628</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	At Amortised cost	<b>13 551 154</b>	<b>13 215 628</b>
47.2	<b>Financial Liability</b>		
	<b>Long-term Liabilities and provisions</b>		
	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	4 680 380	4 457 505
	<b>Payables from Exchange transactions</b>		
	Trade creditors	4 684 867	4 587 718
	Accrued Interest	64 374	63 945
	Other Creditors	556 953	843 560
	Deposits: Other	342 687	330 532
	<b>Unspent Conditional Grants and Receipts</b>		
	Other Spheres of Government	6 228 555	8 617 302
	<b>Cash and Cash Equivalents</b>		
	Bank Overdraft	12 755 663	728 767
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	191 039	181 863
	Hire Purchase	416 325	418 546
	Capitalised Lease Liability	696 761	558 663
		<b>38 710 095</b>	<b>27 777 533</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	At amortised cost	<b>38 710 095</b>	<b>27 777 533</b>

**MALETSWAI MUNICIPALITY**

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

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**EVENTS AFTER THE REPORTING DATE**

<b>2012</b>	<b>2011</b>
<b>R</b>	<b>R</b>

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/>
	408 000	3 600 000
Possible exposure due to litigation claims instituted against the municipality	-	3 600 000
Pollard Family Trust - Claim for damages caused by the Buffaloes that strayed into the neighbor's farm. The matter was subsequently settled out of court	33 000	-
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/>
	375 000	-
	<hr/>	<hr/>
	408 000	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.

**52.1 Compensation of key management personnel**

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

**52.2 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)	Gariep Technologies	12 863	13 616
Fibhi Mvelase (Daughter of contractor)	Mvelase and Rethusehllr JV	3 673 316	-
		<hr/>	<hr/>
		3 686 179	13 616
		<hr/>	<hr/>

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

Maletswai 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 3 669 481 (2011 - R2 615 665) and R 452 890 (2011 - R467 197) respectively. This represents a loss of 19% (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 408 000 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
<b>ANNUITY LOANS</b>							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	4 518 562	-	181 256	4 337 306
<b>Total Annuity Loans</b>				<b>4 518 562</b>	<b>-</b>	<b>181 256</b>	<b>4 337 306</b>
<b>HIRED PURCHASES</b>							
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 Trailor)	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
<b>Total Hire Purchases</b>				<b>1 698 036</b>	<b>403 995</b>	<b>487 220</b>	<b>1 614 811</b>
<b>LEASE LIABILITY</b>							
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
<b>Total Lease Liabilities</b>				<b>772 535</b>	<b>2 239 490</b>	<b>871 650</b>	<b>2 140 375</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>6 989 133</b>	<b>2 643 485</b>	<b>1 540 126</b>	<b>8 092 492</b>



**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	(9 344 167)	(8 269 167)
-	(2 362 192)	(2 362 192)	Municipal Manager	-	(2 057 564)	(2 057 564)
50 000	(339 181)	(289 181)	Integrated Development Planning	-	(450 433)	(450 433)
-	(699 455)	(699 455)	Special Program Unit	500	(453 022)	(452 522)
130 346	(7 493 626)	(7 363 279)	Corporate Services	888 597	(8 706 286)	(7 817 689)
3 734 211	(2 933 360)	800 851	Traffic	3 677 361	(3 361 338)	316 023
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	24 812 158	(15 171 689)	9 640 469
7 657 929	-	7 657 929	Assessment Rates	8 449 033	-	8 449 033
8 525	(1 875 809)	(1 867 284)	Technical Services	-	(1 637 759)	(1 637 759)
-	(3 342)	(3 342)	Mechanical Workshop	-	-	-
1 073 558	(1 780 558)	(707 000)	Administration and Land Affairs	1 265 186	(2 428 754)	(1 163 568)
10 654 176	(13 514 980)	(2 860 803)	Public Works	8 221 163	(14 340 239)	(6 119 076)
5 164 710	(4 837 504)	327 206	Refuse Removal	2 690 198	(5 324 230)	(2 634 032)
61 590	(2 537 113)	(2 475 523)	Parks and Public Places	-	(2 986 455)	(2 986 455)
1 059	(762 354)	(761 295)	Cleansing	-	(701 358)	(701 358)
-	(1 503 982)	(1 503 982)	Community Services	-	(1 575 894)	(1 575 894)
1 279 275	(1 199 135)	80 140	Health	-	(4 887)	(4 887)
101 834	(359 489)	(257 655)	Local Economic Development	350 198	(521 423)	(171 225)
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	(1 180 045)	(13 697)
2 915 870	(2 551 918)	363 952	Aliwal Spa	2 545 846	(2 625 533)	(79 687)
155 318	(51 827)	103 490	Conference Centre	169 956	(75 249)	94 706
258 144	(94 581)	163 564	Nature Reserve	93 251	(197 359)	(104 108)
-	(1 108)	(1 108)	Museum	-	(2 153)	(2 153)
3 400	(972 760)	(969 360)	Housing	39 000	(1 190 683)	(1 151 683)
50 523 906	(33 826 495)	16 697 411	Electricity	44 038 027	(44 264 350)	(226 323)
9 484 671	(8 128 415)	1 356 257	Water	12 059 019	(7 288 400)	4 770 619
<b>113 617 861</b>	<b>(113 993 319)</b>	<b>(375 458)</b>	<b>Total</b>	<b>122 291 977</b>	<b>(128 969 452)</b>	<b>(6 677 475)</b>

**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	(11 401 730)	(10 326 730)
151 834	(1 398 125)	(1 246 291)	Planning and Development	350 698	(1 424 878)	(1 074 180)
21 854 753	(22 683 265)	(828 512)	Budget and Treasury	35 414 974	(26 310 801)	9 104 173
3 734 211	(2 933 360)	800 851	Public Safety	3 677 361	(3 361 338)	316 023
10 662 701	(15 394 130)	(4 731 430)	Road Transport	8 221 163	(15 977 998)	(7 756 835)
469 743	(162 321)	307 422	Other	252 456	(306 450)	(53 994)
5 219 283	(3 159 955)	2 059 328	Waste Water Management	7 241 166	(2 895 358)	4 345 808
5 227 359	(8 136 971)	(2 909 612)	Waste Management	2 690 198	(9 012 043)	(6 321 845)
2 933 721	(2 561 931)	371 790	Sport and Recreation	5 774 272	(2 641 166)	3 133 106
1 128 490	(2 699 489)	(1 570 999)	Community and Social Services	1 458 642	(2 889 369)	(1 430 727)
1 279 275	(1 199 135)	80 140	Health	-	(4 887)	(4 887)
3 400	(972 760)	(969 360)	Housing	39 000	(1 190 683)	(1 151 683)
9 484 671	(8 128 415)	1 356 257	Water	12 059 019	(7 288 400)	4 770 619
50 523 906	(33 826 495)	16 697 411	Electricity	44 038 027	(44 264 350)	(226 323)
<b>113 617 861</b>	<b>(113 993 319)</b>	<b>(375 458)</b>	<b>Total</b>	<b>122 291 977</b>	<b>(128 969 452)</b>	<b>(6 677 475)</b>

**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
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>								
<b>National Government Grants</b>								
Equitable Share	-	-	-	20 291 292	-	20 291 292	-	-
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)	39 008 522	-	25 775 325	11 640 949	584 957
<b>Provincial Government Grants</b>								
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
<b>District Municipality Grants</b>								
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
<b>Other Grant Providers</b>								
Van Coller Grave	8 443	-	8 443	-	-	8 443	-	-
	8 443	-	8 443	-	-	8 443	-	-
<b>Total</b>	<b>7 340 216</b>	<b>-</b>	<b>7 340 216</b>	<b>39 687 439</b>	<b>-</b>	<b>27 519 938</b>	<b>14 090 028</b>	<b>5 417 689</b>