Planning by	Reviewed	Performed by	Final review

MAFIKENG

LOCAL MUNICIPALITY

Diversity. Culture. Heritage

Mafikeng Local Municipality
(Registration number NW 383)
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No.56 of 2003 and the Municipal Systems Act No.32 of 2000.
Mayoral committee	
Executive Mayor	Clr. Miga NL
	Clr. M Leepile(Public Safety and Acting Corporate Support Services)
	Clr. Moepi DP (Community Service)
	Clr. KA Poenyane (Planning and Development)
	Clr. EFK Molete (Local Economic Development)
	Clr. Tirano R (Special Projects)
	Clr. Ngqobe NR (Finance)
	Clr. Mogoetsi KKM (Infrastructure)
Councillors	Clr. Jabanyane MD (Speaker)
	Clr Makolomakwa (Chief Whip)
	Clr. Mafabatho AP
	Clr. Maloisane SSN
	Clr. Mosenogi IS
	Clr. Nthutang B
	Clr. Thomas G
	Clr. Babedi P
	Clr. Ntshabele T
	Clr. Mpegezi N
	Clr. Diakanyo KB
	Clr. Moamogwe N
	Clr. Mosikare MD
	Clr. Lesejane RS
	Clr. Motsamai IS
	Clr. Moremedi SD
	Clr. Molale PP
	Clr. Nkoane GJ
	Clr. Mafete ME
	Clr. Tabane PM
	Clr. Ngobeni BS
	Clr. Johnson OJ
	Clr. Nkolisa BJ
	Clr. Novolo GS
	Clr. Lolwane AN
	Clr. Moeti ME
	Clr. Lomo FL
	Clr. Nkosi P
	Clr. Mathakathaka KG
	Clr. Mokolemako MC
	Clr. Dintoe MM
	Clr. Magogodi MP
	Clr. Mothupi HR
	Clr. Legalatladi GU
	Clr. Mathlako SM
	Clr. Theologo JR

General Information

	Clr. Chanda MM Clr. Chili EM Clr. Africa AJ Clr.Selepe TL Clr. Mtunzi DT Clr. Motshegoa T Clr. Mahura SM Clr. Mhathle KK Clr. Mmono CD Clr. Sephoti MW Clr. Lebelela TW Clr. Kgaje GK Clr. Ngqobe M Clr. Molete GM Clr. Lekhobe ME Clr. Matlholwa MR Clr. Letlakana KC
Grading of local authority	Grade 4
Acting Chief Finance Officer (CFO)	Mr. T. Sesinyi
Accounting Officer	Mr. Kgotso Rabanye
Registered office	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Business address	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Postal address	Private Bag X63 Mmabatho 2735
Bankers	Standard Bank of South Africa Business Centre, Nelson Mandela Avenue, Mafikeng, 2745
Auditors	Auditor-General of South Africa 124 Kock Street Rusternburg 0300

Index

The reports and statements set out below comprise the annual financial statements presented to the Mafikeng Local Municipality's Council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
IFRS	International Financial Reporting Standards
MSIG	Municipal Systems Improvement Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
COGTA	Department of Co-operative Governance & Traditional Affairs
MEC	Member of Executive Council

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality operations depend on a number of sources of revenue, ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. Thus, the annual financial statements will be examined by the municipality's external auditors, with an objective of expressing an independent opinion on the annual financial statements.

The annual financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved and signed by me on 16 January 2012

Mr. Kgotso Rabanye
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of municipal services in terms of the municipal Finance Management Act no.56 of 2003 and Municipal Systems Act no.32 of 2000 and operates principally in South Africa.

The operating results for the year were satisfactory for the following reasons:

The municipality's net surplus was R 39 129 587 [2010: (R41 035 519)]. This shows the an improvement in the municipality's revenue enhancement measures that are being implemented. It is expected that these measures will bear even better results in future.

Improvement in the proportion of our own income relative to grants and subsidies.

Proportion of income generated / raised

2011

Type of income	Proportion of contribution	Amount
Property rates	30 %	122 895 745
Services charges	17 %	70 197 067
Grants and subsidies	31 %	125 702 839
Other	22 %	91 516 170

2010

Type of income	Proportion of contribution	Amount
Property rates	31 %	128 166 363
Service Charges	16 %	65 393 315
Grants and subsidies	29 %	117 083 271
Other	24 %	98 057 956

2. Going concern

The municipality recorded a surplus of R39 129 745 [2010: (R41 035 519)], during the year ended 30 June 2011, has accumulated surplus of R636 769 870 (2010: R643 635 578) and the municipality's total assets exceed its liabilities by R 715 584 874 (2010: R703 851 746). These are signs that the municipality has no going concern challenges. The decrease in the level of losses experienced further confirms this matter.

In light of the foregoing, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

3. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the framework prescribed by National Treasury.

Accounting Officer's Report

4. Accounting officer

The accounting officer of the municipality as at the date of this report is as follows:

Name	Nationality	Changes
Mr. Kgotso Rabanye	South African	Appointed 10 February 2011

5. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its the activities of the municipality. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the on-going development of best practice.

The municipality confirms and acknowledges its responsibility to comply with relevant and applicable principles of Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa in 2010. The Accounting Officer discusses the responsibilities of management in this respect, at management and council meetings and monitors the municipality's compliance with adopted principles of the code that are relevant to the municipality.

Management meetings

The Accounting Officer meets with Section 57 Managers once every week. Thus, the Accounting Officer is scheduled to meet with them at least 52 times per annum. During the current year, this was satisfactorily achieved.

Audit and Risk Committee

The municipality is in the process of setting up its own Audit Committee and Internal Audit function. It is hoped that the unit will be functional by the end of the 2012 financial period.

6. Bankers

The municipality's bankers did not change during the current year.

7. Auditors

Auditor-General of South Africa will continue to audit the Annual Financial Statements of the municipality.

8. Subsidy

The municipality continues to receive a water subsidy through the district municipality. The subsidy is mainly meant to reimburse the municipality for part of the water related costs incurred in the provision of water to its residents, as it is not a water service authority.

9. Public Private Partnership

The municipality entered into an agreement with Thandeka Trust (a property developing company) to form a Special Purpose Vehicle (SPV) called Mafikeng Leisure DevCo (Pty) Ltd. The main purpose of this was to develop portions 56 & 57 of Mmabatho Town and Town Lands for mixed-use development. The terms of the agreement are that:

- the municipality will contribute land to the value of R10 million. Of this amount, R3 million was contributed on behalf of the BaRolong Boora Tshidi Tribe as equity towards the partnership.
- the developers' contribution is the construction and installation of Sewer Pipeline and pumping stations on the said pieces of land.

In addition to the foregoing, the municipality entered into another agreement with Miagra Property Development (Pty) Ltd to develop portion 55 of Mmabatho Town and Town Lands for sectional title development. The purchase price for the land was R5 million, of which R2 million was contributed on behalf of the BaRolong Boora Tshidi Tribe. Please refer to **note 5** for more information.

10. Non compliance with applicable legislation

Significant non-compliance with various legislations has been properly disclosed in the notes to the financial statements.

Accounting Officer's Report

11. Subsequent Events

There are a number of subsequent events that occurred the following are the major ones:

(a) Hawks Landing Investment 24 (Pty) Ltd

The company purchased land from the municipality in 2007 to the value of R144 million. The main purpose of this was to develop the piece of land for both residential and commercial purposes

In 2009, 23 stands valued at R81 011 746.07 were transferred to Hawks Landing (the purchaser) and they paid R5 000 000, leaving a balance of R 76 011 764,07. This has not been paid to date (refer to note 6 in the annual financial statements)

On 22 September 2011,the High Court of South Africa (North West High Court - Mafikeng) (Case No. 2774/2010) ordered that Hawks Landing 24 (Pty) Ltd be placed under final winding up.

A liquidator was subsequently appointed and the first creditors' meeting was held in December 2011. The minutes are not yet at the office of the Master of The High Court. Please refer to **note 6** for more information.

(b) Labour Related Cases

The municipality has a number of labour related cases. As at the date of approval of the financial statements the Presiding Judge and Arbitrators ruled in favour of the applicants. Please refer to Note 50 of the Annual Financial Statements.

(c) Forensic Audit Investigation

During the month of September 2011, a firm of chartered accountants was appointed to perform a forensic investigation regarding the disposal of various pieces of municipal land and the valuation roll. As at the date of approval of the annual financial statements, the work is still in progress.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010 (Restated)
Assets			
Current Assets			
Inventories	12	31 361 287	30 813 547
Other receivables	13	854 984	6 754 575
Other receivables from non-exchange transactions	14	11 535 942	14 645 186
Consumer Debtors	15	17 430 050	19 077 389
Money Market Investments	9	7 291 658	4 904 849
Shares & Unit Trusts	11	3 711 996	3 561 342
Cash and cash equivalents	16	7 413	5 110
		72 193 330	**79 761 998**
Non-Current Assets			
Investment property	2	397 972 720	353 741 126
Property, plant and equipment	3	433 647 551	433 935 880
Intangible assets	4	1 446 880	44 655
Investments in Public Private Partnership Entity	5	8 771 930	8 771 930
Long term Debtors	6	65 220 823	57 211 249
Held to Maturity Investments	10	7 041 195	6 414 551
		914 101 099	**860 119 391**
Total Assets		**986 294 429**	**939 881 389**
Liabilities			
Current Liabilities			
Other Interest Bearing Liabilities	19	5 431 921	5 246 786
Finance lease obligation	20	2 106 392	2 406 673
Trade and other payables	24	96 790 354	79 188 219
VAT payable	25	15 604 360	19 136 163
Consumer deposits	26	4 115 992	3 671 530
Retirement benefit obligation	8	68 000	62 000
Unspent conditional grants	21	14 905 097	10 212 808
Provisions	22	11 352 091	3 089 181
Bank overdraft	16	17 708 509	10 138 974
		168 082 716	**133 152 334**
Non-Current Liabilities			
Other Interest Bearing Liabilities	19	36 078 771	42 050 875
Finance lease obligation	20	2 799 932	4 920 435
Retirement benefit obligation	8	47 300 000	40 782 000
Provisions	22	9 235 796	8 709 448
Employee Pension Fund	23	7 041 196	6 414 551
		102 455 695	**102 877 309**
Total Liabilities		**270 538 411**	**236 029 643**
Net Assets		**715 756 018**	**703 851 746**
Net Assets			
Reserves			
Housing Development Fund	17&17	3 470 046	3 470 046
Government grant reserve	18&18	75 516 102	56 746 122
Accumulated surplus		636 769 870	643 635 578
Total Net Assets		**715 756 018**	**703 851 746**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Land Sales		-	2 524 470
Property rates	28	122 895 745	128 166 363
Service charges	29	70 197 067	65 393 315
Rental of facilities and equipment		2 761 339	2 769 662
Interest received - Debtors balances		26 167 840	34 156 047
Fines		1 512 547	1 813 111
Licences and permits/certificates		4 285 362	3 558 130
Government grants & subsidies	30	125 702 839	117 083 271
Miscellaneous other revenue		351 340	852 775
Fees earned		890 038	860 728
Commissions received		240 201	227 873
Fair Value Adjustment		44 231 594	42 266 771
Recoveries		807 529	339 173
Blocked drains revenue		102 922	158 383
Unwound Interest- Long term Debtor		8 009 574	7 025 943
Other income	32	117 683	286 620
Building plans fees		158 844	129 989
Interest received - investment	38	1 879 199	971 353
Total Revenue		**410 311 663**	**408 583 977**
Expenditure			
Personnel	35	(176 351 449)	(146 107 825)
Remuneration of councillors	36	(14 933 904)	(17 657 404)
Depreciation and amortisation	40	(25 607 480)	(24 094 379)
Finance costs	41	(4 799 577)	(5 840 417)
Debt impairment	37	(11 710 659)	(116 330 349)
Collection costs		(802 595)	(864 441)
Repairs and maintenance		(5 108 870)	(7 521 230)
Bulk purchases	44	(43 489 896)	(37 721 658)
General Expenses	33	(88 377 646)	(93 481 587)
Total Expenditure		**(371 182 076)**	**(449 619 393)**
Loss on disposal of assets and liabilities		-	(103)
Surplus (deficit) for the year		**39 129 587**	**(41 035 519)**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 30 June 2009	**3 470 046**	**32 122 241**	**35 592 287**	**487 190 019**	**522 782 306**
Changes in net assets					
Current Year Additions (as previously disclosed)	-	27 586 466	27 586 466	(27 586 466)	-
Depreciation Charge	-	(2 962 585)	(2 962 585)	2 962 585	-
Net income (losses) recognised directly in net assets	-	24 623 881	24 623 881	(24 623 881)	-
Surplus for the year	-	-	-	(41 035 519)	(41 035 519)
Total recognised income and expenses for the year	-	24 623 881	24 623 881	(65 659 400)	(41 035 519)
Prior year adjustment (note 38)	-	-	-	222 104 959	222 104 959
Total changes	-	24 623 881	24 623 881	156 445 559	181 069 440
Balance at 30 June 2010	**3 470 046**	**56 746 122**	**60 216 168**	**653 236 506**	**713 452 674**
Changes in net assets					
Current Year Additions	-	21 476 142	21 476 142	(21 476 142)	-
Depreciation Charge	-	(2 706 162)	(2 706 162)	2 706 162	-
Net income recognised directly in net assets	-	18 769 980	18 769 980	(18 769 980)	-
Surplus for the year	-	-	-	39 129 587	39 129 587
Total recognised income and expenses for the year	-	18 769 980	18 769 980	20 359 607	39 129 587
Prior Year Adjustment (Note 38)	-	-	-	(36 826 243)	(36 826 243)
Total changes	-	18 769 980	18 769 980	(16 466 636)	2 303 344
Balance at 30 June 2011	**3 470 046**	**75 516 102**	**78 986 148**	**636 769 870**	**715 756 018**
Note(s)	17	18			

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		180 014 664	141 843 330
Grants & Subsidies		120 761 283	117 083 271
Interest income		1 879 199	971 353
Other receipts		33 631 303	109 286 938
		336 286 449	369 184 892
Payments			
Employee costs & Councillor Remuneration		(170 795 644)	(158 593 060)
Payments suppliers & other service providers		(113 158 223)	(149 512 033)
Finance costs		(4 799 577)	(5 840 417)
		(288 753 444)	(313 945 510)
Net cash flows from operating activities	45	**47 533 005**	**55 239 382**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(42 818 300)	(32 693 489)
Purchase of other intangible assets	4	(1 500 414)	(54 641)
Increase in money market investments		(2 423 116)	-
Increase of held to maturity investments		(626 644)	(581 341)
Increase in shares and unit trusts		(150 654)	-
Net cash flows from investing activities		**(47 519 128)**	**(33 329 471)**
Cash flows from financing activities			
Repayment of other interest bearing liabilities		(5 786 970)	2 593 757
Movement in employee pension fund		626 645	581 341
Finance lease payments		(2 420 784)	(1 670 753)
Net cash flows from financing activities		**(7 581 109)**	**1 504 345**
Net increase/(decrease) in cash and cash equivalents		**(7 567 232)**	**23 414 256**
Cash and cash equivalents at the beginning of the year		(10 133 864)	(4 527 295)
Cash and cash equivalents at the end of the year	16	**(17 701 096)**	**(10 133 864)**

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 Statement of Compliance

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

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

e.

STATEMENT AND INTERPRETATION NOT YET EFFECTIVE
At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:.

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of non-cash-generating Assets
- GRAP 23 - Revenue from non-exchange transactions
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee benefits
- GRAP 26 - Impairment of Cash-generating assets
- GRAP 103 - Heritage assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers
- GRAP 20 - Related party disclosures

1.2 Accounting estimates and judgements

Key sources of estimation uncertainty
The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on managements best knowledge of the current events and actions they may undertake in the future actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the municipality's policies, management has made the following significant accounting judgments , estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

Impairment of Trade and Other Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their payment history. This was performed per debtor.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 22 - Provisions.

Pension and other post-retirement benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 8

Accounting Policies

1.2 Accounting estimates and judgements (continued)

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

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

1.3 Investment property

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

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

Investment property is held at fair value.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Transitional provision

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note 2. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. However, currently, the municipality does not have an investment property acquired as a result of transfer of function.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

Property, plant & equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease, and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

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

Item	Average useful life
Buildings	30
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Emergency Equipment	5 - 10
Refuse Tankers	5 - 10
Infrastructure	10-40
Community	15 - 30
Other property, plant and equipment	4 - 20
Bins and containers	5
Landfill site	17

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

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

Heritage Assets.

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

1.4 Property, plant and equipment (continued)

Transitional provision

According to the transitional provision as per Directive 4, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.5 Intangible assets

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Item	Useful life
Computer software	5 years

Transitional provision

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

Accounting Policies

1.6 Site restoration and dismantling cost

Where the municipality has an obligation to dismantle, remove and restore items of property, plant and equipment, such obligations are referred to as 'decommissioning, restoration and similar liabilities'. These costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The costs are capitalised to the cost of the relevant assets.

If the related asset is measured using the cost model:

- subject to changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Financial instruments

Classification

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

The municipality classifies financial assets, and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

1.7 Financial instruments (continued)

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

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the Municipality. Liabilities for goods and services rendered to the municipality before year-end are accrued based on management's estimate if the invoice or statement have not been issued.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months and are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categories cash and cash equivalents as financial assets, loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

1.7 Financial instruments (continued)

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the municipality loses control of contractual rights that comprise the assets.

Financial liabilities

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

1.8 Leases

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

Finance leases - municipality lessee

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

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

1.8 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

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

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - municipality as lessee

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.9 Inventories

Inventories consist of raw materials, work in progress, consumables finished goods and unsold properties. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to Valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

Transitional provision

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 12. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories were acquired through a transfer of functions, the municipality is not required to measure those inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

1.9 Inventories (continued)

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.10 Non-current assets held for sale and disposal groups

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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

1.11 Impairment of cash-generating assets (continued)

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Reversal of impairment loss

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

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

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

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

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

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

1.12 Employee benefits (continued)

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality provides certain post- retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes. the expense for benefits received by the employee currently in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees have already reached the prescribed milestones but payments for the equivalent leave days accrued has not been made by year- end, the amount is recognised as accruals.

1.13 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.13 Provisions (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

1.13 Provisions (continued)

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future .The provision is discounted using a reasonable discounting rate.

Transitional provision

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets were acquired through a transfer of functions, the municipality is not required to measure those provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and the provisions, contingent liabilities and contingent assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.14 Revenue

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

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Accounting Policies

1.14 Revenue (continued)

Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
(1) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
(2) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(3) the amount of revenue can be measured reliably;
(4) it is probable that the economic benefits associated with the transaction will flow to the municipality; and
(5) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Services

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

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

Service Charges.

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest, royalties and dividends

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

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

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Accounting Policies

1.14 Revenue (continued)

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Other

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

Rates and Taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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

Fines

Revenue from the issuing of fines is recognised on receipt

Accounting Policies

Donations and contributions.

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable, which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

Accounting Policies

1.16 Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.

1.18 Unauthorised expenditure

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

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

1.22 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.23 Budget information

Mafikeng Local Municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

Accounting Policies

1.23 Budget information (continued)

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

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

1.24 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

- The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.25 Investments in Public Private Partnership Entity

1.26 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.27 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Figures in Rand	2011	2010

2. Investment Property

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	397 972 720	-	397 972 720	353 741 126	-	353 741 126

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	353 741 126	44 231 594	397 972 720

Reconciliation of investment property - 2010

	Opening balance	Fair value adjustments	Total
Investment property	311 474 355	42 266 771	353 741 126

Fair value of investment properties	397 972 720	353 741 126

Pledged As Security

There were no pledges made against investment properties. However, income from one of the investment properties is used as security for one of the DBSA Loans.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, investment property are recognised at provisional amounts, which are based on the municipality's valuation roll as 30 June 2008. This approach was used for all the investment properties recognised in the financial statements. However, for land not included in the valuation, a provisional amount of R0 was used, pending subsequent valuation of all the municipal land so as to determine the final values of the investment property. The provisional amounts are due to initial adoption of GRAP 16.

Due to initial adoption of GRAP 16

Investment Property	397 972 720	353 741 126

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16 commenced with the identification process of all investment property belonging to the municipality, during the current financial year. In the ensuing periods (prior to expiry of Directive 4), the municipality will appoint an independent appraiser to value all the investment properties.

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	34 466 370	-	34 466 370	34 466 370	-	34 466 370
Buildings	33 825 051	(3 130 363)	30 694 688	33 434 566	(2 014 829)	31 419 737
Furniture and fixtures	6 495 310	(2 502 138)	3 993 172	5 884 436	(1 628 802)	4 255 634
Motor vehicles	20 607 440	(8 494 811)	12 112 629	20 607 440	(5 550 890)	15 056 550
Office equipment	1 389 082	(464 695)	924 387	1 231 220	(283 246)	947 974
IT equipment	1 502 948	(603 228)	899 720	1 128 356	(339 518)	788 838
Roads, Storm Drains & Pavements	145 323 115	(13 526 864)	131 796 251	145 323 115	(8 682 761)	136 640 354
Community Buildings	3 771 081	(280 629)	3 490 452	3 771 081	(154 923)	3 616 158
Emergency Equipment	1 262 898	(549 726)	713 172	1 128 070	(301 799)	826 271
Other Assets	3 531 737	(1 214 716)	2 317 021	3 362 943	(782 338)	2 580 605
Bins and containers	1 260 029	(540 013)	720 016	1 260 029	(360 008)	900 021
Capital work in progress	18 485 711	-	18 485 711	12 722 066	-	12 722 066
Refuse Tanker	209 544	(104 195)	105 349	209 543	(83 240)	126 303
Bridges	48 188 375	(4 558 183)	43 630 192	44 676 819	(2 978 454)	41 698 365
Sanitation Skips	178 200	(53 460)	124 740	178 200	(35 640)	142 560
High Mast Lights	53 788 945	(6 792 700)	46 996 245	44 516 592	(4 145 323)	40 371 269
Recreational Facilities	926 221	(126 628)	799 593	926 221	(80 314)	845 907
Landfill Site	1 831 645	(161 615)	1 670 030	1 831 645	(53 872)	1 777 773
Stadiums	6 410 965	(960 546)	5 450 419	6 410 964	(640 000)	5 770 964
Farms	20 428 214	-	20 428 214	20 428 214	-	20 428 214
Sewerage, Water network & Piping	95 303 022	(27 193 127)	68 109 895	95 303 022	(17 662 825)	77 640 197
Heritage	913 750	-	913 750	913 750	-	913 750
Resevoirs	4 824 702	(19 167)	4 805 535	-	-	-
Total	**504 924 355**	**(71 276 804)**	**433 647 551**	**479 714 662**	**(45 778 782)**	**433 935 880**

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Land	34 466 370	-	-	-	34 466 370
Buildings	31 419 737	390 485	-	(1 115 534)	30 694 688
Furniture and fixtures	4 255 634	610 874	-	(873 336)	3 993 172
Motor vehicles	15 056 550	-	-	(2 943 921)	12 112 629
Office equipment	947 974	157 863	-	(181 450)	924 387
IT equipment	788 838	374 592	-	(263 710)	899 720
Roads, Storm Drains & Pavements	136 640 354	-	-	(4 844 103)	131 796 251
Community Buildings	3 616 158	-	-	(125 706)	3 490 452
Emergency Equipment	826 271	134 827	-	(247 926)	713 172
Other	2 580 605	168 794	-	(432 378)	2 317 021
Bins and containers	900 021	-	-	(180 005)	720 016
Capital work in progress	12 722 066	23 372 255	(17 608 610)	-	18 485 711
Refuse Tanker	126 303	-	-	(20 954)	105 349
Bridges	41 698 365	3 511 556	-	(1 579 729)	43 630 192
Sanitation Skips	142 560	-	-	(17 820)	124 740
High Mast Lights	40 371 269	9 272 352	-	(2 647 376)	46 996 245
Recreational Facilities	845 907	-	-	(46 314)	799 593
Landfill site	1 777 773	-	-	(107 743)	1 670 030
Stadiums	5 770 964	-	-	(320 545)	5 450 419
Farms	20 428 214	-	-	-	20 428 214
Sewerage, Water network and Piping	77 640 197	-	-	(9 530 302)	68 109 895
Heritage	913 750	-	-	-	913 750
Water Resevoirs	-	4 824 702	-	(19 167)	4 805 535
	433 935 880	**42 818 300**	**(17 608 610)**	**(25 498 019)**	**433 647 551**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Land	34 466 370	-	-	-	34 466 370
Buildings	31 595 684	930 323	-	(1 097 886)	31 419 737
Furniture and fixtures	5 015 537	71 882	(39)	(831 785)	4 255 634
Motor vehicles	17 356 665	465 837	(5)	(2 765 952)	15 056 550
Office equipment	912 418	199 256	(11)	(163 700)	947 974
IT equipment	929 832	46 334	(23)	(187 329)	788 838
Roads, Storm Drains & Pavements	128 874 559	12 485 154	-	(4 719 359)	136 640 354
Community Buildings	2 696 297	1 030 941	-	(111 080)	3 616 158
Emergency Equipment	733 669	260 200	(3)	(167 599)	826 271
Other	2 529 151	502 832	(22)	(451 378)	2 580 605
Bins and containers	1 080 025	-	-	(180 004)	900 021
Capital work in progress	6 302 839	6 419 227	-	-	12 722 066
Refuse Tankers	148 828	8	-	(22 525)	126 303
Bridges	43 187 591	-	-	(1 489 292)	41 698 365
Sanitation Skips	160 380	-	-	(17 820)	142 560
High Masts Lights	39 201 872	3 333 081	-	(2 163 684)	40 371 269
Recreational Facilities	892 283	-	-	(46 311)	845 907
Landfill Site	-	1 831 645	-	(53 872)	1 777 773
Stadiums	6 080 000	10 964	-	(320 065)	5 770 964
Farms	20 428 214	-	-	-	20 428 214
Sewerage, Water network & Piping	81 820 827	5 105 805	-	(9 286 435)	77 640 197
Heritage	913 750	-	-	-	913 750
	425 326 791	**32 693 489**	**(103)**	**(24 076 076)**	**433 935 880**

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Pledged as security

Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them. Carrying value of assets pledged as security:

Motor vehicles	4 444 438	6 457 168

The terms of the agreement are that the lessor retains ownership of the vehicles until the loan is fully paid. More details of the loan are disclosed under finance leases.

Assets subject to finance lease (Net carrying amount)

Motor vehicles	4 444 438	6 457 168

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 1.4 certain property, plant and equipment with a carrying value of 402 521 284 (2010: 402 521 284) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

Infrastructure Assets	304 717 653	304 717 653
Community Assets	10 233 029	10 233 029
Land	34 466 370	34 466 370
Heritage Assets	913 750	913 750
Farms	20 428 214	20 428 214
Other Buildings	31 762 268	31 762 268
Total	402 521 284	402 521 284

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17 commenced with the identification of all the assets, preliminary unbundling of infrastructure assets and use of various high level techniques to determine the fair value of the provisional amounts. A detailed formal plan is in the process of being developed so as to establish the actual values of the foregoing assets by the expiry date of Directive 4. For other assets with a carrying amount of R32,983,153 (2010: R25,482,093) the values determined at conversion has been adopted as final values for that class of assets. For assets acquired subsequent to 30 June 2008, actual purchase cost was used whilst for assets that were acquired prior to 30 June 2008, the fair value was determined by reference to current market value and the physical state of the assets.

All provisional amounts were retrospectively adjusted.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 555 054	(108 174)	1 446 880	54 641	(9 986)	44 655

Figures in Rand	2011	2010

4. Intangible assets (continued)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	44 655	1 500 414	(98 189)	1 446 880

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software,	-	54 641	(9 986)	44 655

Pledged as security

There are no intangible assets pledged as security.

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain intangible assets with a carrying value of R1 (2010: R1) was recognised at provisional amounts. Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Venus Software	1	1

The municipality is in the process of engaging the software provider to provide a realisable fair value of the software in use. The process will be completed before the expiry period of Directive 4 and other related directives.

Provisional amounts retrospectively adjusted during the year, are as follows (refer to note for effect on the annual financial statements:

Venus Software	1	1

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

5. Investments in Public Private Partnership Entity

Name of company	Held by	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Mafikeng Leisure DevCo (Pty) Ltd	Local Economic Development Agency of Mafikeng (LEDAMA)	10,00 %	10,00 %	8 771 930	8 771 930

Mafikeng Local Municipality established an agency company in terms Section 21 of the Companies Act 2008 called Local Economic Development Agency of Mafikeng (LEDAMA). The company, which is wholly owned by the municipality, owns 10% shareholding in Mafikeng Leisure Development Company (DevCo), a company formed with private sector entities. The main objective of was to establish and operate a commercial project which will include an acqurium, commercial and residential properties in Mafikeng. This project was aimed to be one of the major tourism related projects in the province.

Whilst the project is not operational, during the formation and establishment of the project, there are some regulatory requirements that were not complied with in full. The municipality is in the process of engaging the relevant stakeholders, with the objective of regularising such regulatory requirements. It is hoped that the process will be completed by the end of the ensuing financial period.

Figures in Rand	2011	2010

5. Investments in Public Private Partnership Entity (continued)

Shareholding pledged as security

The municipality's shareholding is not pledged as security.

6. Long term Debtors

Long Term Debtors		
Land Sale	65 220 823	57 211 249
Non-current assets		
Long term debtor	65 220 823	57 211 249

Additional information

The municipality sold a piece of land to a developer for servicing and development purposes. The land, which had already been subdivided into a number of stands, was sold for a total amount fo R144 million. In terms of the agreement, which was signed on 30 October 2007, payments from the purchaser were due on registration of the pieces/portion(s) of the said land i.e. stands transferred to the purchaser. Further, the purchaser was obligated to pay the said amount by the end of three years from date of signing the agreement. Should payment not have been made by the end of the three years, the purchaser had an option to extend the repayment period by two years, with an escalation of 10% per annum of the amount due and for each extension period. On 2 February 2009, 23 stands valued at R81,011,764.07 were transferred to the purchaser. The purchaser paid R5,000,000 by the end of June 2009. To date, no other stands have been transferred and no other payment has been received from the purchaser. Management is of the opinion that the purchaser has opted for the extension period. As such, payment is expected by the end of the fifth year. Further, management is of the opinion that the purchaser has the ability and intention to settle the amount on due date. As such, there is no need for a provision of the balance due. The effect of this transaction has been discounted, as the municipality did not opt for the exemptions in Directive 4 and other relevant exemptions.

On 22 September 2011,the High Court of South Africa (North West High Court - Mafikeng) (Case No. 2774/2010) ordered that Hawks Landing 24 (Pty) Ltd be placed under final winding up. A liquidator was subsequently appointed and the first creditors meeting was held in mid-December 2011. A second creditors' meeting where creditor claims will be lodged is still to be held and as at the date of signing the Annual Financial Statements the minutes of the first meeting had not yet been submitted at the Office of the Master. It was therefore not possible to determine the estimated payout ratio. Thus, the debtor may be impaired but at the present time it is impracticable to determine the level of impairment, if any.

The net amount due of R93,024,234.52 was discounted for a period of 44months (2010: 56 months) at an estimated effective annual interest rate of 14%. Interest is unwound on an annual basis and pro-rated in the annual financial statements.

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Cash and cash equivalents	Fair value through surplus or deficit - designated	Held to maturity investments	Total
Trade and other receivables	19 408 762	-	-	-	19 408 762
Other receivables from non-exchange transactions	11 535 942	-	-	-	11 535 942
Cash and cash equivalents	-	7 413	-	-	7 413
Shares in unit trusts	-	-	3 711 996	-	3 711 996
Held to maturity investment	-	-	-	7 041 195	7 041 195
Money Market Investments	-	7 327 965	-	-	7 327 965
	30 944 704	**7 335 378**	**3 711 996**	**7 041 195**	**49 033 273**

Figures in Rand	2011	2010

7. Financial assets by category (continued)

2010

	Loans and receivables	Cash and cash equivalents	Held to maturity investments	Available-for-sale	Total
Trade and other receivables	25 706 005	-	-	-	25 706 005
Other receivables from non-exchange transactions	14 645 186	-	-	-	14 645 186
Cash and cash equivalents	-	5 110	-	-	5 110
Shares in unit trusts	-	-	-	3 561 342	3 561 342
Held to maturity investment	-	-	6 414 551	-	6 414 551
Money Market Investments	-	4 904 849	-	-	4 904 849
	40 351 191	**4 909 959**	**6 414 551**	**3 561 342**	**55 237 043**

8. Employee benefit obligations

Post Retirement Medical Aid Benefit

The municipality operates a funded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Samwumed, Discovery and Hosmed medical schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr R. Smit (Momentum Actuaries), Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the unfunded net liabilities in excess of plan assets	(47 368 000)	(40 844 000)
Non-current liabilities	(47 300 000)	(40 782 000)
Current liabilities	(68 000)	(62 000)
	(47 368 000)	**(40 844 000)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

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

Opening balance	40 844 000	-
First time adoption-recognised during the year	-	35 075 000
Benefits paid	(101 583)	(116 929)
Net expense recognised in the statement of financial performance	6 625 583	5 885 929
Closing balance	**47 368 000**	**40 844 000**

Net expense recognised in the statement of financial performance

Current service cost	3 673 000	3 154 000
Interest cost	2 913 000	2 673 000
Actuarial (gains) losses	39 583	58 929
Total included in employee related costs	**6 625 583**	**5 885 929**

Figures in Rand	2011	2010

8. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Expected benefit payments	(116 929)	(101 583)
Actual benefit payments	58 000	62 000
Total	**(58 929)**	**(39 583)**

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2011 were as follows:

Discount rates used	9,00 %	- %
Net discount rate	0,93 %	- %
Expected increase in salaries	7,25 %	- %
Expected increase in healthcare costs	8,00 %	- %

The expense for the current year was derived and discounted to determine the valuation for the financial period 2009/10 which is an acceptable practice when valuing such defined plans. As such there are no key assumptions for the comparative period.

Demographic Assumptions: Normal Retirement Age (65 years); Fully accrued age (65 years); Age between husband and wife (Active members - 4 years, Pensioners 4 years); Proportion married (Active members - 90%, Pensioners actual married status used) .

Decrement Assumptions: Mortality [Active members: SA85 - 90, Pensioners: PA(90 - 2]

Data Assumption: The actual date of birth for pensioners spouses were not provided. As such the age difference between the husband and wife was assumed to be four years.

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.]

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Health Care Costs: Effect on the aggregate of the service cost and interest cost	6 900 000	4 534 000
Health Care Costs: Effect on defined benefit obligation	45 723 000	30 502 000
Discount Rate: Effect on defined benefit obligation	30 534 000	46 047 000
Expected Retirement Age (1 year change): Effect on defined benefit obligation	33 791 000	41 056 000

Amounts for the current and previous four years are as shown below. These amounts are before taking into account the transitional provisions adopted by the municipality but after taking into account 60% of the non-medical scheme members as at 30 June 2011.

The valuation exercise did not cover the period ending 30 June 2008. To determine the estimated amounts for 2008 financial period, the balance for 30 June 2009 were discounted by about 92.5%, which was the average change in the amounts for the other periods. This, however, had no effect on the values disclosed elsewhere.

Figures in Rand	2011	2010

8. Employee benefit obligations (continued)

	2011	2010	2009	2008	
Defined benefit obligation at end of the year	47 368 000	40 844 000	35 075 000	29 980 000	-
Interest cost	3 673 000	3 154 000	2 697 000	1 591 640	-
Current service cost	2 913 000	2 673 000	2 452 000	2 249 270	-
Expected payments	(62 000)	(58 000)	(54 000)	(50 280)	-

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer, exist for this purpose.

The total economic entity contribution to pension schemes	14 390 632	15 631 700
The amount recognised as an expense for medical aid contributions	6 034 836	6 316 532

Included in defined contribution plan information above, is the Multi- Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

Multi Employer and State Plans

The following are the defined benefit plans that the municipality's employees belong to:

- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Gratuity Fund

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

In terms of contributions to the fund, the municipality and employee contributions are as follows:

- SALA Pension Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)
- Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)

9. Held to Maturiry Investments

These are money market placements and call investments. The amounts are invested over a fixed period of time. When the municipality has no immediate need for the cash, investments that would have matured are re-invested.

The average interest rate for these investments was 11% (2009: 12%).

10. Held to Maturity Investments

This relates to shares given to the municipality when Old Mutual demutualised in 1996. The amount has been invested bonds through Old Mutual, which mature in 2013 pending a decision by the Board of Trustees on the way forward. The municipality has no intention to dispose of this investment before it matures.

Opening Balance	6 414 551	5 833 211
Interest	626 644	581 340
	7 041 195	**6 414 551**

Figures in Rand	2011	2010

11. Shares in Unit Trusts

The municipality has shares in Sanlam, which were obtained through the demutualiastion process. Furthermore, other investments in unit trusts are also maintained.

Opening Balance	3 561 342	3 660 756
Movement in share price/ Changes in investment	150 654	(99 414)
	3 711 996	**3 561 342**

12. Inventories

Land	-	28 804 255
Consumable stores	31 361 287	2 009 292
	31 361 287	**30 813 547**

Inventory pledged as security

There were no security pledges made against inventory during the current and prior financial period.

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, inventories can be recognised at provisional amounts. During the current and prior financial periods, land inventories are carried at provisional amounts. The provisional amounts have, however, been determined differently for the two main types/classes of land. The value for land surveyed has been determined by reference to the valuation roll, sale agreement or latest land sales value per square metre whilst land not yet surveyed has been valued at R1.

Due to initial adoption of GRAP 12

The municipality will, in future appoint an independent valuer to value the land not yet serviced and where there are no agreements in place. Land pending transfer, that would not have been transferred by the date of valuation or expiry of the directive, which ever happens first, it would also be valued.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

13. Other receivables from exchange transactions

Accrued Income	24 281	2 942 035
Health Subsidy Debtors	2 000	-
Staff Debtors	2 369	-
Other debtors	422 100	3 233 922
Sundry Debtors	7 250 929	8 192 113
Provision for bad debts	(6 846 695)	(7 613 495)
	854 984	**6 754 575**

14. Trade & Other receivables from non-exchange transactions

Property Rates	190 919 347	207 347 594
Provision for bad debts	(179 383 405)	(192 702 408)
	11 535 942	**14 645 186**

Figures in Rand	2011	2010

Fair value of other receivables from non-exchange transactions

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011,and at 30 June 2010 there were no amounts past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3 984 675	5 446 990
2 months past due	3 702 850	4 674 631
3 months past due	3 848 416	4 523 564

Other receivables from non-exchange transactions impaired

As of 30 June 2011, other receivables from non-exchange transactions of R179 383 405 (2010: R192 702 408) were impaired and provided for.

15. Consumer Debtors

Gross balances		
Water	92 992 863	88 979 482
Sewerage	39 653 597	39 874 509
Refuse	33 773 689	28 248 895
Interest Levied (on Consumer Debtors)	121 226 123	112 996 154
	287 646 272	**270 099 040**
Less: Provision for debt impairment		
Water	(87 363 826)	(82 694 765)
Sewerage	(37 246 020)	(37 058 129)
Refuse	(31 723 019)	(26 253 645)
Interest (on Consumer Debtors)	(113 883 357)	(105 015 112)
	(270 216 222)	**(251 021 651)**
Net balance		
Water	5 629 037	6 284 717
Sewerage	2 407 577	2 816 380
Refuse	2 050 670	1 995 250
Interest (on Consumer Debtors)	7 342 766	7 981 042
	17 430 050	**19 077 389**
Water		
Current (0 -30 days)	3 135 780	2 224 804
31 - 60 days	1 234 419	2 877 236
61 - 90 days	1 258 838	1 182 677
	5 629 037	**6 284 717**
Sewerage		
Current (0 -30 days)	922 360	1 115 658
31 - 60 days	758 533	878 119
61 - 90 days	726 684	822 603
	2 407 577	**2 816 380**

Figures in Rand	2011	2010

15. Consumer Debtors (continued)

Refuse		
Current (0 -30 days)	778 100	788 565
31 - 60 days	655 832	634 340
61 - 90 days	616 738	572 345
	2 050 670	**1 995 250**

Interest (on Consumer Debtors)		
Current (0 -30 days)	2 521 933	3 554 752
31 - 60 days	2 447 591	3 435 929
61 - 90 days	2 373 242	990 361
	7 342 766	**7 981 042**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(251 021 651)	(241 319 711)
Net contributions to provision	(19 194 571)	(9 701 940)
	(270 216 222)	**(251 021 651)**

Consumer debtors pledged as security

There were no pledges made against consumer debtors.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, there were no amounts past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7 358 173	7 683 779
2 months past due	5 096 375	7 825 624
3 months past due	4 975 502	3 567 986

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 270 216 222 (2010: R251 021 651) were impaired and provided for.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 413	5 110
Bank overdraft	(17 708 509)	(10 138 974)
	(17 701 096)	**(10 133 864)**

Current assets	7 413	5 110
Current liabilities	(17 708 509)	(10 138 974)
	(17 701 096)	**(10 133 864)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. Cash and cash equivalents (continued)

The municipality had the following bank account

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010		30 June 2011	30 June 2010	
Standard Bank - Current Account	1 567 895	924 606	-	(17 701 096)	(10 133 864)	-
Petty Cash	-	-	-	7 413	5 110	-
Total	**1 567 895**	**924 606**	**-**	**(17 693 683)**	**(10 128 754)**	**-**

17. Housing Development Fund

The grant was used to fund the construction of RDP houses. The projects are undertaken on behalf of the Department of Human Settlement. During the current year there were no disbursements or receipts made.

Opening and Closing Balance	3 470 046	3 470 046

18. Government grant reserve

Opening Balance	56 746 122	32 122 241
Additions	21 476 142	27 586 466
Depreciation charge	(2 706 162)	(2 962 585)
	75 516 102	**56 746 122**

19. Other Interest Bearing Liabilities

Held at amortised cost		
DBSA Loans (Long Term Portion)	18 959 476	23 672 471
The loans carry interest rates varying between 10% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2011 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The Loans are secured by rental income form one of the municipality's investment property.		
DBSA Loans (Short Term Portion)	4 172 812	4 013 457
The terms and conditions are as described above.		
INCA Loans (Long Term Portion)	17 119 295	18 378 404
The loans carry interest rates varying between 10% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2010 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured by the municipality's income from assessment rates.		
INCA Loans (Short Term Portion)	1 259 109	1 233 329
The terms and conditions are as described above		
	41 510 692	**47 297 661**
Non-current liabilities at amortised cost		
Development bank of South Africa	18 959 476	23 672 471
INCA	17 119 295	18 378 404
	36 078 771	**42 050 875**
Current liabilities at amortised cost		
Development bank of South Africa	4 172 812	4 013 457
INCA	1 259 109	1 233 329
	5 431 921	**5 246 786**
	41 510 692	**47 297 661**

Figures in Rand	2011	2010

19. Other Interest Bearing Liabilities (continued)

Fair value of the financial liabilities carried at amortised cost		
Bank loans	41 510 692	47 297 661

20. Finance lease obligation

Minimum lease payments due		
- within one year	2 437 762	2 777 180
- in second to fifth year inclusive	3 009 157	5 677 937
	5 446 919	8 455 117
Less: future finance charges	(540 595)	(1 128 008)
Present value of minimum lease payments	**4 906 324**	**7 327 109**
Present value of minimum lease payments due		
- within one year	2 106 392	2 406 673
- in second to fifth year inclusive	2 799 932	4 920 436
	4 906 324	**7 327 109**
Non-current liabilities	2 799 932	4 920 435
Current liabilities	2 106 392	2 406 673
	4 906 324	**7 327 108**

It is the municipality policy to lease certain property, plant and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2010: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

21. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Municipal Infrastructure Grant (MIG)	14 795 777	8 325 769
Rural Water Grant	67 560	614 402
Library Grant	-	22 863
Finance Management Grant (FMG)	41 760	742 837
Municipal Systems Improvement Grant (MSIG)	-	506 937
	14 905 097	**10 212 808**

Movement during the year

Balance at the beginning of the year	10 212 508	7 663 432
Net additions during the year (Receipts net of adjustments)	31 837 000	25 456 884
Income recognition during the year including VAT (expenditure)	(27 144 411)	(22 907 508)
	14 905 097	**10 212 808**

See note 29 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2011	2010

22. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Interest cost	Current service costs	Actuarial (gains)/losses	Actual benefit payments	Total
Long Service Award	9 600 930	-	823 967	658 495	1 251 444	(2 142 926)	10 191 91
Environmental rehabilitation- Landfill Sits	2 197 699	230 758	-	-	-	-	2 428 45
Legal proceedings	-	7 967 520	-	-	-	-	7 967 52
	11 798 629	**8 198 278**	**823 967**	**658 495**	**1 251 444**	**(2 142 926)**	**20 587 88**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Interest cost	Current service cost	Actuarial (gain)/losses	Actual benefits paid	Total
Restructuring	-	9 050 852	777 172	604 124	503 099	(1 334 317)	9 600 93
Environmental rehabilitation	-	2 197 699	-	-	-	-	2 197 69
	-	**11 248 551**	**777 172**	**604 124**	**503 099**	**(1 334 317)**	**11 798 62**

Non-current liabilities	9 235 796	8 709 448
Current liabilities	11 352 091	3 089 181
	20 587 887	**11 798 629**

Long Service Award

The municipal employees, excluding those with fixed term contracts, who have been with the employer for a certain period of time are entitled to additional leave days (in addition to normal leave) as recognition for service at the same employer. The additional leave (long service award) is paid out when the employee has reached the required continued period of service

The Long Service Award computations were calculated for the first time as at 30 June 2011. To determine the liability values as at 30 June 2009 and 2010, the projected liability as at 30 June 2011 was discounted backwards. As such there are no comparative figures for the key assumptions and sensitivity analysis.

The number of leave days payable for each milestone (number of years served) are detailed in the table below

Service/ Milestone		
10 years	10	10
15 years	20	20
20 years	30	30
25 years	30	30
30 years	30	30
30 years	30	30
40 years	30	30
45 years	30	30
	-	**-**

The following key assumptions were used in the valuation.

Assumption		
Discount rate (%)	9	-
Award inflation (%)	7	-
Mortality (SA-agreggate)	88	-
Normal retirement age (years)	65	-
Average number of resignations per 1000 members	73	-
Average number of ill-health/early retirement per 1000 members	3	-
	-	**-**

Figures in Rand	2011	2010

22. Provisions (continued)

The table below shows the resulting movement of the accrued liability as at 30 June 2011 as well as the sensitivity of the accrued liability to changes in the foregoing assumptions.

Movement of the accrued liability		
Opening balance	9 600 930	9 050 852
Current service costs	658 495	604 124
Interest cost	823 967	777 172
Actual benefits payments	(2 202 809)	(1 444 036)
Actuarial losses	1 311 327	612 818
	10 191 910	**9 600 930**

Sensitivity Analysis		
Accrued liability assuming no increases in award amounts	6 719 892	-
Accrued liability assuming a 1% decrease in the discount rate	10 874 110	-
Accrued liability assuming a 1% increase in the discount rate	9 582 815	-
	-	**-**

Transitional provisions

Provisions recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note1.13, provisions could be recognised at provisional amounts. However, during the current year no provisions were recognised at provisional amounts. The amount disclosed is based on a market related estimate for the provisions and have been discounted at the estimated effective interest rate.

23. Employee Pension Fund

24. Trade and other payables

Trade payables	31 501 551	35 999 831
Unallocated receipts	876 347	3 185 205
Debtors with credit balances	28 296 457	18 074 147
Accrued leave pay	14 620 920	14 389 465
Accrued bonus	4 936 671	3 937 068
Accrued Leave Pay above 48 days	2 747 952	-
Accrued Long Service Award	11 205 962	-
Sundry Creditors	2 604 494	3 602 503
	96 790 354	**79 188 219**

25. VAT payable

Balance due	15 604 360	19 136 163

26. Consumer deposits

Water	1 507 498	1 539 629
Other Deposits	2 608 494	2 131 901
	4 115 992	**3 671 530**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Revenue

Land Sales	-	2 524 470
Property rates	122 895 745	128 166 363
Service charges	70 197 067	65 393 315
Rental of facilities & equipment	2 761 339	2 769 662
Interest received – trading	26 167 840	34 156 047
Fines	1 512 547	1 813 111
Licences and permits	4 285 362	3 558 130
Government grants & subsidies	125 702 839	117 083 271
Miscellaneous other revenue	351 340	852 775
	353 874 079	**356 317 144**

The amounts included in revenue arising from exchanges of goods or services are as follows:

Land Sales	-	2 524 470
Service charges	70 197 067	65 393 315
Rental of facilities & equipment	2 761 339	2 769 662
Interest received – trading	26 167 840	34 156 047
Licences and permits	4 285 362	3 558 130
Miscellaneous other revenue	351 340	852 775
	103 762 948	**109 254 399**

The amounts included in revenue arising from non-exchange transactions are as follows:

Taxation revenue		
Property rates	122 895 745	128 166 363
Fines	1 512 547	1 813 111
Transfer revenue		
Grants and Subsidies	125 702 839	117 083 271
	250 111 131	**247 062 745**

28. Property rates

Rates received

Residential	123 421 753	128 647 261
Less: Income forgone	(526 008)	(480 898)
	122 895 745	**128 166 363**

Valuations

Residential	1 627 015 184	1 519 343 360
Commercial	650 091 894	649 211 910
State	1 080 025 111	1 210 087 036
Industrial	129 697 564	117 928 663
Small holdings and farms	349 273 126	345 347 041
Creche	2 293 945	2 488 555
Guest Houses	18 434 609	7 292 193
Other	1 274 615 232	525 961 480
	5 131 446 665	**4 377 660 238**

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2010. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2011	2010

28. Property rates (continued)

A general rate of 0.105 cents per rand (2010: 0.105 cents per rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) {2010: 85% (Residential), 60% (Business/Commercial), 80% (Industrial) and 85% (Agricultural). Qualifying pensioners were granted a further 80 - 85% rebate (2009: 60 - 85%) are granted to residential and state property owners. For residential properties, the R15,000 is non-rateable (rebate). Thus, the discount for such properties is calculated after deducting the rebate.

Rates are levied on a monthly basis. Interest is levied on rates not paid by the due date.

29. Service charges

Sale of water	39 222 320	34 796 209
Sewerage and sanitation charges	15 779 129	17 074 095
Refuse removal	15 195 618	13 523 011
	70 197 067	**65 393 315**

30. Government grants and subsidies

Government training sudsidies	396 474	-
District Water Subsidy	-	5 700 000
EPWP Grant	113 000	-
Health Services Subsidy	73 472	-
Parks Amenities Subsidy	17 160	-
Special Projects Subsidy	29 604	-
Health Subsidy - District Municipality	1 577 671	7 733 682
Equitable share	96 350 746	79 132 320
Library Grant	692 863	627 137
Municipal Infrastructure Grant (MIG)	22 946 993	13 798 621
Municipal System Improvement Grant (MSIG)	1 256 937	228 063
Finance Management Grant (FMG)	1 701 077	1 881 711
Signal Hill Subsidy	-	1 607 427
Rural Water	546 842	6 374 310
	125 702 839	**117 083 271**

Equitable Share

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

All registered indigents receive a monthly subsidy of 12 kilolitres of water per month (2010: 12 kilolitres), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	8 325 769	6 831 055
Current-year receipts	29 417 000	15 291 000
Conditions met - transferred to revenue (excluding vat)	(20 128 941)	(12 102 005)
Conditions met - VAT	(2 818 051)	(1 694 281)
	14 795 777	**8 325 769**

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities (see note 21)

No grant was held during the current period.

Figures in Rand	2011	2010

30. Government grants and subsidies (continued)

Rural Water Support Grant

Balance unspent at beginning of year	614 402	(792 172)
Current-year receipts	-	7 780 884
Conditions met - transferred to revenue (excluding vat)	(479 686)	(6 296 029)
Conditions met - VAT	(67 156)	(78 281)
	67 560	**614 402**

This is mainly used in assisting municipalities in supplying water to the rural areas. This includes the purchase and installation of equipment used in supplying water to the various communities.

No grants were withheld during the year.

Library Grant

Balance unspent at beginning of year	22 863	-
Current-year receipts	670 000	650 000
Conditions met - transferred to revenue (excluding vat)	(692 863)	(627 137)
	-	**22 863**

Conditions still to be met - remain liabilities (see note 21)

This is mainly used in assisting municipalities with services they offer at public libraries. The services covers capacitating them with human capital and computer hardware/software.

Finance Management Grant (FMG)

Balance unspent at beginning of year	742 837	1 624 549
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue (excluding vat)	(1 632 077)	(1 400 520)
Conditions met - VAT	(69 000)	(481 192)
	41 760	**742 837**

The grant is mainly used for promoting and supporting reforms in financial management by building capacities in municipalities to implement the MFMA and improve progressive financial reporting for municipalities.

Conditions still to be met are included in current liabilities.

No grants were withheld during the year.

Municipal Systems Infrastructure Grant (MSIG)

Balance unspent at beginning of year	506 937	506 937
Current-year receipts	750 000	735 000
Conditions met - transferred to revenue (excluding vat)	(1 131 111)	(667 480)
Conditions met - VAT	(125 826)	(67 520)
	-	**506 937**

Conditions still to be met - remain liabilities (see note 21)

The grant is meant to assisting municipalities in the improvement of system related transactions.

Changes in level of government grants

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

31. Other revenue

Fees earned	890 038	860 728
Commissions received	240 201	227 873
Fair value adjustments	44 231 594	42 266 771
Recoveries	807 529	339 173
Blocked drains revenue	102 922	158 383
Unwound Interest Income - Long term debtors	8 009 574	7 025 943
Other income	117 683	286 620
Building plans fees	158 844	129 989
	54 558 385	**51 295 480**

32. Other income

Dividends Received	46 067	-
Tender fees	71 616	72 576
Allowances	-	214 044
	117 683	**286 620**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

33. General expenses

Advertising	1 689 748	1 534 731
Auditors remuneration	1 337 185	3 365 596
Bank charges	796 016	1 098 922
Cleaning	83 800	409 494
Computer expenses	267 799	207 288
Consulting and professional fees	6 154 545	4 887 923
Valuation Roll	2 877 752	2 543 128
Delivery expenses	130 470	61 024
Entertainment	583 905	930 560
Disaster Management	2 188 592	2 144 444
Insurance	1 284 479	983 353
Post Employment Benefit Interest	4 350 139	4 046 648
Lease rentals on operating lease	1 118 494	1 093 568
Expended public works programme	3 832 757	-
License vehicles	242 618	201 399
Skills Development Levy	447 350	439 700
Magazines, books and periodicals	189 525	128 390
Medical expenses	86 854	144 056
Motor vehicle expenses	1 957 680	1 995 688
Road Paintings & Repairs	10 298 736	8 406 679
Unwound Interest	230 758	96 161
Fuel and oil	2 656 343	2 443 593
Postage and courier	535 879	497 244
Printing and stationery	1 316 519	1 603 184
Service Delivery	788 722	973 038
Protective clothing	231 477	757 627
Project maintenance costs	688 846	1 070 340
Royalties and license fees	698 961	1 021 281
Heritage Trails	-	668 093
Security (Guarding of municipal property)	2 772 988	3 405 765
Municipal Water Charges	-	621 192
Contribution to Leave	4 578 045	5 500 915
Subscriptions and membership fees	3 426 729	1 818 262
Telephone & faxes	2 645 308	3 251 403
Business Audit/Cooperatives	-	629 650
Training	1 963 047	2 062 124
Travelling costs	1 564 284	1 578 301
Meters	342 984	186 067
Electricity	9 034 533	7 116 524
Donation (Note 57)	-	1
Materials	431 340	446 535
Ward Committee Expenses	1 206 459	1 099 641
Laboratory related costs	680 145	995 925
Internal Audit contribution	-	366 248
World Cup Related Costs	-	1 835 771
Fencing - Signal Hill	-	1 393 170
Meter Reading	462 088	428 176
Free Basic Water	5 793 383	4 879 802
Disposal Site Expenditure	2 209 662	3 181 070
Chemicals	712 121	802 262
Distribution costs	2 506 284	4 028 616
Other expenses	982 297	4 101 118
	88 377 646	**93 481 690**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

34. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Lease rentals on operating lease - Other		
• Contractual amounts	1 118 494	1 093 568
Loss on sale of property, plant and equipment	-	(103)
Amortisation on intangible assets	16 944	9 986
Depreciation on property, plant and equipment	25 604 238	24 084 393
Employee costs	191 285 353	163 765 229

35. Employee related costs

Basic	115 318 843	98 338 248
Bonus	5 830 677	5 136 352
Medical aid - company contributions	5 948 913	5 624 173
UIF	599 970	1 423 956
Post Retirement Benefit- Interest costs	4 496 967	3 931 172
Post Retirement Benefit - Service costs	3 571 495	3 277 124
Post Retirement benefit - actuarial loss	1 291 027	562 028
Overtime payments	6 152 323	6 958 683
Long-service awards	11 205 962	-
Other Allowances	123 008	131 141
Housing benefits and allowances	1 048 224	1 088 071
Pension Funds	14 374 973	13 370 189
	169 962 382	**139 841 137**

Remuneration of municipal manager

Annual Remuneration	813 504	734 144
Car Allowance	150 000	180 000
Other	223 107	122 511
	1 186 611	**1 036 655**

Remuneration of chief finance officer

Annual Remuneration	748 578	700 553
Car Allowance	153 979	153 980
Other	40 871	9 166
	943 428	**863 699**

Remuneration of corporate services directors

Annual Remuneration	728 136	751 558
Car Allowance	85 200	85 200
Other Allowance	31 284	9 116
	844 620	**845 874**

Figures in Rand	2011	2010

35. Employee related costs (continued)

Remuneration of planning & development services director

Annual Remuneration	667 785	727 177
Car Allowance	108 000	108 000
Other Allowances	56 136	9 174
	831 921	**844 351**

Remuneration of infrastructure services director

Annual Remuneration	507 920	533 132
Car Allowance	170 519	170 519
Other Allowance	161 770	116 347
	840 209	**819 998**

Remuneration of community services director

Annual Remuneration	836 186	798 250
Other Allowances	32 053	9 483
	868 239	**807 733**

Remuneration of public safety

Annual Remuneration	613 237	776 472
Car Allowance	110 413	148 500
Other Allowance	150 389	123 406
	874 039	**1 048 378**

36. Remuneration of councillors

Executive Major	631 828	605 089
Mayoral Committee Members	3 633 809	4 084 344
Speaker	501 730	484 071
Councillors	10 166 537	12 483 900
	14 933 904	**17 657 404**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip, Single Whip of Council and Mayoral Committee Members are full-time and are provided office space at the cost of the council. In addition, they are paid travelling allowances for trips outside Mafikeng. The Executive Mayor, Speaker, Chief Whip and Single Whip of Council are also provided with secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.

37. Debt impairment

Debts impaired	11 710 659	116 330 349

Debtors written of during the year amounted to R11 710 659 (2009: R116 330 349).

38. Investment revenue

Interest revenue		
Interest earned (bank & investment accounts)	1 879 199	971 353

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

39. Fair value adjustments

40. Depreciation and amortisation

Property, plant and equipment	25 590 536	24 084 393
Intangible assets	16 944	9 986
	25 607 480	**24 094 379**

41. Finance costs

Other interest paid	4 799 577	5 840 417

42. Auditors' remuneration

Fees	1 337 185	3 365 596

43. Rental of facilities and equipment

Premises		
Rental of offices and halls	2 761 317	2 594 213
Rental of plant/equipment	22	175 449
	2 761 339	**2 769 662**

44. Bulk purchases

Water	43 489 896	37 721 658

45. Cash generated from operations

Surplus (deficit)	39 129 587	(41 035 519)
Adjustments for:		
Depreciation and amortisation	25 607 480	24 094 379
Gain on sale of assets and liabilities	-	103
Debt impairment	11 710 659	116 330 349
Movements in retirement benefit assets and liabilities	6 524 000	-
Movements in provisions	8 789 258	-
Other non-cash items	(59 545 441)	(7 186 502)
Changes in working capital:		
Inventories	(547 740)	2 359 009
Other receivables	5 899 591	3 814 912
Other receivables from non-exchange transactions	3 109 244	-
Consumer debtors	(10 063 320)	(80 022 071)
Money Market Investments	(2 386 809)	6 965 627
Shares & Unit Trusts	99 414	99 414
Trade and other payables	17 602 134	30 382 227
VAT	(3 531 803)	(1 671 169)
Unspent conditional grants	4 692 289	2 549 377
Consumer deposits	444 462	(1 440 754)
	47 533 005	**55 239 382**

Figures in Rand	2011	2010

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	38 256 511	33 449 085
Not yet contracted for but authorised		
• Property, plant and equipment	57 810 779	82 385 343

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants from provincial and national government.

47. Contingencies

Balances from Attorneys Correspondences

Service provider Cases	200 000	-
Property loss/damage cases	5 030 000	-

(a) Litigation is in the process against the municipality relating to Section 57 Managers performance bonus. The estimated financial exposure due to this case is to be calculated on the finalisation of the case. The municipality lawyers and management consider the likelihood of the action against the municipality as being likely but the resulting outflow may not be determined at this stage. As such no provision has been made in the financial statements.

(b) A claim of R5 million was put against the municipality by Pestanav for damages to a burned house after the fire and emergency did not respond to a call on time.

(c) A claim of R200 000 was put against the municipality by Afrikanism Civil and Project cc in relation to commissioning of automated fibre glass doors at the Fire Station. The plaintiff's case against the municipality is that their contract was not cancelled in terms of the Service Level Agreement, thereby resulting in breach of contract by the municipality.

(d) A claim of R30 000 was put against the municipality by Maf Properties in relation to demolishing a dilapidated house. In the municipality's opinion, the house was inhabitable, a fact which the plaintiff is arguing. The plaintiff is therefore suing the municipality on their estimated value of the demolished property.

Contingent Liabilities- Environmental Act

In terms of the Environmental the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This give rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrance, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards e.g. medical waste.]
- costs related to the rehabilitation of sewerage plants. This is despite the fact that sewerage infrastructure are seldomly rehabilitated but rather upgraded.

Contingent liabilities - Post Retirement Medical Aid Benefits

The municipality provides post retirement medical aid benefits to employees who meets the criteria as per the funds' terms. As at year end, 319 were not members of the funds thus did not qualify for the benefit. However, should these employees join an approved medical scheme prior to their retirement, they would qualify for such benefits, upon retirement. The municipality estimated the number of employees who are currently not members of the fund but are likely to join prior to their retirement. Based managements estimate, 160 employees are likely to join. As a result of this, an obligation of R10,092,000 (2010: R8,467,000) was recognised to cater for the obligation likely to be settled in relation to this. The municipality therefore has a contingent liability amounting to R10,092,000(2010: R8,467,000). Refer to note 8, for more information.

Figures in Rand	2011	2010

48. Related parties

During the year, there were no related part transactions. The municipality has various processes in place to identify and note any related party transactions. These range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, this is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

49. Prior Year Adjustments & Errors

A number of correction were made to the prior years' financial statements as a result of prior period errors and/or changes in the reporting framework (Changes in Accounting Policies). Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated. These corrections/changes resulted in the following adjustments:

Statement of financial position		
Inventory	-	31 328 725
Other Receivables	-	3 990 624
Consumer Debtors	-	(166 613 216)
Investments	-	723 548
Investment Property	305 768 406	-
Cash & cash equivalents	-	5 550
Investment property	-	47 972 720
Property, plant and equipment	-	55 803 383
Intangible assets	42 360	-
Investment in Public Private Partnership Entity	-	8 771 930
Long term Debtors	-	50 185 306
Post employment liability	(40 844 000)	-
Other interest bearing liabilities	-	1 730 943
Staff Debtors	(3 763 399)	-
Trade and other payables	-	8 170 588
VAT payable	-	(23 135 308)
Sundry Debtors	8 033 289	-
Unspent conditional grants	-	7 663 431
Sundry Creditors	(1 422 614)	-
Amounts received in advance	-	(15 112 403)
Bank overdraft	-	(5 550)
Provisions	-	13 892 784
Employee pension fund	-	(6 825 430)
Accumulated Surplus	-	(413 670 870)
Government grant reserve	-	32 122 241
Provision for bad debts	(46 050 725)	-

Figures in Rand	2011	2010

49. Prior Year Adjustments & Errors (continued)

Statement of Financial Performance		
Depreciation expense	8 472	21 694 389
Fair value adjustment	(42 266 770)	-
Post employment liability expenses	5 885 929	-
Medical aid	(116 929)	-
Bad debts written off	70 273 624	-

Statement of Financial Position

Investment Property: The prior year figure has been restated due to land which belongs to the municipality which was previously recognised at a provisional amount of R1 on GRAP conversion as the land had not yet been valued

Intangible Assets: The restatement refers to Caseware Software which was previously not recognised by the municipality though it had been acquired in the prior year.

Post Employment Liability: In the prior periods, the municipality did not perform a valuation exercise of its Post Retirement Medical Aid (PRMA) benefit. This was performed during the current year, covering the prior periods as well. Prior periods amounts have therefore been restated.

Staff Debtors: The prior year amount was adjusted for long outstanding balances that the municipality considers to be amounts already recovered but not cleared

Sundry Debtors: The prior year amount was adjusted by amounts that had been written off in error in the prior year

Sundry Creditors: The amount was restated by amounts that have been long outstanding and the municipality considers these amounts to have been settled but not cleared in the account.

Provision for Bad Debts: In the prior year, provision for bad debts was understated by R46,050,725. This was mainly due to incorrect calculation of the provision. The restatement has resulted in increase in both provision for bad debts and bad debts by the same amount.

Accumulated Depreciation: The restatement is due to the accumulated depreciation of the intangible asset

Statement of Financial Performance

Post Employment Liability related costs: As mentioned above, actuarial valuations were performed during the current year. However, the transactions valuation results were adjusted in retrospective. This resulted in the recognition of the following amounts:

Interest	3 154 000	-
Service costs	2 673 000	-
Actuarial loss	58 929	-
	5 885 929	**-**

Depreciation: The amount was restated with the depreciation for the intangible asset mentioned above

Fair Value Adjustment: The restatement relates to the fair value adjustment done for the land recognised as investment property mentioned above.

Medical Aid: The amount was adjusted by payments made to employees on the Post Employment Benefit scheme.

Bad debts written off: The amount was adjusted by long outstanding debts the municipality considers to be impaired and were not adjusted for in the prior year.

Statement of Financial Position		
Net changes in current assets	(41 780 835)	-
Net changes in non current assets	305 810 766	-

Figures in Rand	2011	2010
49. Prior Year Adjustments & Errors (continued)		
Net changes in current liabilities	(1 422 614)	-
	262 607 317	**-**
Statement of Financial Performance		
Net change in income	(42 266 770)	-
Net change in expenses	76 051 096	-
	33 784 326	**-**

50. Comparative figures

Certain comparative figures have been reclassified.

51. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the municipality's management under policies approved by the Accounting Officer. The Accounting Officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain borrowings in fixed and variable rate instruments, all denominated in the Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services. Credit control measures are therefore implemented within the approved municipal policies and relevant acts governing municipal operations.

Figures in Rand	2011	2010

52. Events after the reporting date

a) Hawks Landing Investments 24 (Pty) Ltd

The company purchased land from the municipality in 2007 to the value of R144 million. The main purpose of this was to develop the piece of land for both residential and commercial purposes

In 2009, 23 stands valued at R81 011 746.07 were transferred to Hawks Landing (the purchaser) and they paid R5 000 000, leaving a balance of R 76 011 764,07. This has not been paid to date (refer to note 6 in the annual financial statements)

On 22 September 2011,the High Court of South Africa (North West High Court - Mafikeng) (Case No. 2774/2010) ordered that Hawks Landing 24 (Pty) Ltd be placed under final winding up.

A liquidator was subsequently appointed and the first creditors' meeting was held in December 2011. A second creditors meeting where creditor claims will be lodged is still to be held and as at the date of the Annual Financial Statements the minutes of the first meeting had not yet been submitted at the Office of the Master.

b) Unspent Portion of Municipal Infrastructure Grant

During the first quarter of 2011/12 financial year National Treasury rejected the Municipality's request for approval to roll forward part of the unspent portion of the Municipal Infrastructure Grant. This meant that the unspent funds should be returned to National Treasury. The Municipality has engaged them on the matter and negotiations are continuing.

c) Labour Related Cases - MM Sibanda and 72 others

The municipality was sued by MM Sibanda and 72 others for the underpayment of standby and fire protection allowances for the four year period ended 2003. On the 10th of August 2011 the Labour Court of South Africa (held at Johannesburg) ruled in favour of the applicant and the municipality was ordered to pay the full amount including interest of 15.5% per annum from 31 July 2006 to 10 August 2011 as well as the interest between 2003 and 2006 at the same rate. The total amount due as per the court order was R5,521,371.35.

On the 17th of November 2011 the Registrar of the Labour Court of South Africa issued a Writ of Execution to the municipality's bankers to the amount of R5,521,371.35. As a result of this, the municipal bankers effected the required payment to the sheriff on the 5th of December 2011. The municipality is in the process of engaging the applicants' attorneys regarding, inter alia, the correctness of the number of the applicants, the calculation of interest and total amount due.

d) Labour Related Cases - Arbitration Matters

The municipality was taken to the South African Local Government Bargaining Councils Arbitration by two separate groups of employees for unfair labour practices. Both matters centred on the municipality's alleged failure to implement council resolutions for labour related matters. The Arbitrator, in both cases, ruled in favour of the applicants. The total amount that the municipality had to pay as a result of this ruling is R2,446,148.69. No interest was charged. This amount has been included in Provisions (refer to note 21).

53. Unauthorised expenditure

Operating expenditure exceeded the adjusted budget by R5,311,406 as shown in Note 58 in the financial statements. Management is in the process of obtaining council approval for the unauthorised expenditure.

Council is in the process of considering condoning this expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

54. Fruitless and wasteful expenditure

Add: fruitless and wasteful Expenditure - current year: SARS PAYE Penalties	136 045	14 212
SARS Penalties interest	39 084	4 304
SARS UIF Penalties	15 004	354
SARS UIF Penalties interest	614	-
SARS SDL Penalties	3 080	-
SARS SDL Penalties interest	3 375	-
Interest Eskom	9 350	3 816
Less: Amounts condoned	-	(22 686)
	206 552	**-**

The municipality incurred penalty and/or interest payment of some of its loans, invoices and remittance to SARS for PAYE/UIF/SDL. This was mainly due to the cash flow challenges that the municipality experience on a regular basis. The amounts have been presented to council for condonment as it not recoverable from municipal officials.

Council is in the process of considering condoning this expenditure.

55. Irregular expenditure

Add: Irregular Expenditure - current year	3 393 553	11 887 095
Less: Amounts condoned	(3 393 553)	(11 887 095)
	-	**-**

Figures in Rand		2011	2010

55. Irregular expenditure (continued)

Irregular expenditure condoned -Supply Chain Deviations

	Details	
Ecor Tar	Due to time constraints and further deterioration of our roads, that exposes the municipality to face continuous claims by motorists. The infrastructure department therefore requested the accounting officer to allow the department to purchase these pothole patching material.	270 000
Ambient Morrison Connect	Urgent request to attend to sewerage maintenance	57 520
JVR Enterprise	Urgent request to attend to sewerage maintenance	108 502
Tsentlethata Trading Enterprise	Urgent request to attend to sewerage maintenance	257 800
Aboo's Distributors	Fuel Supply: The company was approved for appointment as a preffered supplier after an emergency and the other suppliers could not provide fuel as required.	30 658
Carboncor SA Pty (Ltd)	Due to time constraints and further deterioration of our roads, that exposes the municipality to face continuous claims by motorists. The infrastructure department therefore requested the accounting officer to allow the department to purchase these pothole patching material.	600 392
King Motor Spares	Purchase of tyres for a municipal truck	37 500
Letmag Transport and Logistics Cc	Profiling of the municipality on the SA Local Government Chronicle April 2011 issue	31 920
Mail Unique	Printing of valuation letters	70 988
Baikane Mathobela Attorneys	Appointment as presiding officer in disciplinary enquiries of Mr N.M Mokgwamme, Ms Y Mogopa and Ms S Mpolokeng	108 324
Sasol	The service provider was requested to supply fuel for municipal vehicles	42 669
Semaushu Attorneys	Legal Services: The company was appointed as a preffered supplier due to their experience on similar projects under taken in the recent pastafter approval by the Accounting Officer. Only the Accounting Officer is authorised to appoint legal service providers	169 683
Ramathe Fivaz	Fees in respect of conducting a forensic audit and support in respect of disciplinary processes for the period 26 July 2010 to 22 October 2010	164 312
Moto Tech	Repair & Service of municipal sewerage and pump stations on emergency basis	256 882
Mmabatho Palms	Dinner on 19 January 2011. No motivation attached	60 575
Maserumule	The service provider was appointed to represent the municipality in the arbitrations (SALGBC) matters for Ms T Kgosimore, Mr K Mogorosi and Mr D.N Ngamlane	112 444
Leruarua Pool Builders & Contractors	The service provider was appointed to remove refuse in Mafikeng CBD, Golf View, Riviera Park and other affected areas for a period of five (05) days from 31 March 2011 to 08 April 2011	57 500
Submersible Pump Services	Urgent request to attend to sewerage and pumpstation service/maintenance	446 142
Retrospective Trading 722	Sole supplier of the required chemical for sewerage maintenance	89 706

Figures in Rand		2011	2010

55. Irregular expenditure (continued)

Sensus Metering System	The supplier is the sole supplier/manufacturer of the type of meters requested		167 032
Mr Injector & Spares Cc	Repair & Maintenance to municipal vehicle, the unit had to be stripped to asses the extent of repairs, no quotation possible - BCZ 238 NW		38 210
Mafikeng Toyota	Sole supplier of gear ass(steering pump) for municipal vehicle CHK 403 NW		40 071
			-
Fire Raiders	Repairs: The company was appointed as a preffered supplier due to their experience on similar projects under taken in the recent past.		85 457
			3 393 551

56. Additional disclosure in terms of Municipal Finance Management Act

Water Losses

Units bought (kl)	11 543 020	12 012 598
Units sold (kl)	(10 502 148)	(9 910 393)
Units lost in distribution	**1 040 872**	**2 102 205**
Units lost in distribution	1 040 872	2 102 205
Average cost per kl sold	4	4
Loss in distribution (revenue)	**3 921 619**	**7 525 894**
Percentage loss	9	18
Revenue per (kl) sold	7	6
No. of metres	14 151	13 985
No. of stands	19 265	18 684
	-	**-**

The municipality purchases water from the local water service authority and sells to its residents. During the current year the bought 11,543,020 kilolitres (2010: 12,012,598 kiloletres) and sold 10,502,148 kiloletres (2010: 9,910,393), resulting in water losses of 1,040,872 killolitres (2010: 2,102,205 kilolitres), valued at about R3,921,619 (2010: R7,525,894). The losses are attributable to illegal connections and burst pipes. The municipality has implemented processes to reduce the amount of water lost through such means.

Audit fees

Opening balance	779 071	-
Current year subscription	1 524 390	3 837 190
Amount paid - current year	(2 300 254)	(3 058 119)
	3 207	**779 071**

PAYE and UIF

Opening balance	1 367 117	-
Current year subscription	20 007 260	19 009 407
Amount paid	(19 624 299)	(17 642 290)
	1 750 078	**1 367 117**

Figures in Rand	2011	2010

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	21 025 438	22 586 817
Amount paid - current year	(21 025 438)	(22 586 817)
	-	-

VAT

VAT payable	15 604 360	19 136 163

The municipality is registered for VAT on a cash basis. As such VAT is claimed or paid on receipt of payment or settlement of the transaction, respectively.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Africa AJ	147	4 533	4 680
Councillor Chilli (Kekana)	247	4 998	5 245
Councillor Sephoti M W	336	59 410	59 746
Councillor Molete G M	746	72 792	73 538
Councillor Ngqobe M	475	33 594	34 069
Councillor Ngqobe M	1 400	97 872	99 272
Councillor Ntshabele T	183	3 857	4 040
Councillor Selepe T L	276	3 763	4 039
	3 810	**280 819**	**284 629**

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Sephoti M W	1 027	57 192	58 219
Councillor Phoolo LP	-	6 688	6 688
Councillor Tabane PM	-	2 834	2 834
	1 027	**66 714**	**67 741**

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

Figures in Rand	2011	2010

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2011	Highest outstanding amount	Aging (in days)
Councillor Africa AJ	4 533	90
Councillor Chilli (Kekana)	4 998	90
Councillor Sephoti M W	59 410	90
Councillor Molete G M	72 792	90
Councillor Ngqobe M	33 594	90
Councillor Ngqobe M	97 872	90
Councillor Ntshabele T	3 857	90
Councillor Selepe T L	3 763	90
	280 819	**720**

30 June 2010	Highest outstanding amount	Aging (in days)
Councillor SLM Milner-Betrand	20 244	90
Councillor PM Tabane	24 543	90
Councillor LP Phoolo	14 508	90
Councillor GL Mathane	1 215	90
Councillor MZ Meko	53	90
	60 563	**450**

57. Land Sales

Details		
Portion 9609	-	1
ERF 7047 to 7049 & 7080 to 7083	-	2 524 469
	-	**2 524 470**

ERF 7047 to 7049 and ERF 7080 to 7083 were transfered to the purchasers, namely Ilima Real Real Estate (Pty) Ltd. The registration of the deeds was, however, done subsequent to year-end.

Portion 9609 was donated to the North West Department Health for R1. The land, upon completion of servicing, will be used for the construction of the Bophelong Psychiatric Hospital.

The remaining pieces of land were transferred during the previous financial period and the deeds were finally registered during the current year.

58. Domestic Waste Removal Project

The municipality entered into an agreement with the Department of Environmental Affairs and Tourism (DEAT) to jointly offer waste removal services to the surrounding communities. In terms of the agreement, which was signed in June 2009, DEAT will initially fund the project in full. Their funding component will reduce on an equal graduating scale to no funding by the end of the third year.

59. Land Donation

The municipality donated portion 428 (ERF 9610) to the North West Provincial Department of Health for the construction of a Psychiatric Hospital. The land, which was valued at about R5,2 million, was donated at R1 as the donation was to an organ of state.

Notes to the Annual Financial Statements

Figures in Rand

60. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	161 248 000	124 218 000	124 218 000	122 895 745	1 322 255	99 %	76 %
Service charges	134 375 000	74 190 478	74 190 478	70 197 067	3 993 411	95 %	52 %
Investment revenue	2 400 000	1 200 000	1 200 000	1 879 199	(679 199)	157 %	78 %
Grants and Subsidies	96 350 000	143 402 363	143 402 363	125 656 075	17 746 288	88 %	130 %
Other own revenue	28 015 000	46 494 865	46 494 865	89 595 490	(43 100 625)	193 %	320 %
Total revenue (excluding capital transfers and contributions)	**422 388 000**	**389 505 706**	**389 505 706**	**410 223 576**	**(20 717 870)**	**105 %**	**97 %**
Employee costs	(160 308 000)	(156 358 124)	(156 358 124)	(176 351 449)	19 993 325	113 %	110 %
Remuneration of councillors	18 133 000	(16 181 710)	(16 181 710)	(14 933 904)	(1 247 806)	92 %	(82)%
Debt impairment	-	-	-	(11 710 659)	11 710 659	- %	- %
Depreciation and asset impairment	(45 200 000)	(6 281 985)	(6 281 985)	(25 607 480)	19 325 495	408 %	57 %
Finance charges	(5 200 000)	(5 648 950)	(5 648 950)	(4 799 577)	(849 373)	85 %	92 %
Bulk purchases	(60 854 000)	(42 000 000)	(42 000 000)	(43 489 896)	1 489 896	104 %	71 %
Other expenditure	(168 807 000)	(139 399 901)	(139 399 901)	(94 289 111)	(45 110 790)	68 %	56 %
Total expenditure	**(422 236 000)**	**(365 870 670)**	**(365 870 670)**	**(371 182 076)**	**5 311 406**	**101 %**	**88 %**
Surplus/(Deficit) for the year	**152 000**	**23 635 036**	**23 635 036**	**39 041 500**	**(15 406 464)**	**165 %**	**25 685 %**

Notes to the Annual Financial Statements

Figures in Rand

60. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
FINANCE LEASES								
STANDARD BANK	1-57		7 327 109	-	2 420 784	4 906 325	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			7 327 109	**-**	**2 420 784**	**4 906 325**	**-**	**-**
INCA LOANS								
INCA	MAF-1-00-0001	2015/09/30	5 000 000	-	1 000 000	4 000 000	-	-
INCA	MAF-1-00-0002	2028/06/30	14 611 734	-	233 329	14 378 405	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			19 611 734	**-**	**1 233 329**	**18 378 405**	**-**	**-**
			-	**-**	**-**	**-**	**-**	**-**

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Loan Number Rand	Redeemable Rand	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA @ 13.22%	102/2301	2012/03/31	3 394 306	-	1 532 224	1 862 082	-	-
DBSA @ 10.00%	205/2300	2012/03/31	756 679	-	350 048	406 631	-	-
DBSA @ 10.00%	1028461/1	2019/03/31	2 768 866	-	281 409	2 487 457	-	-
DBSA @ 10.00%	1028461/2	2014/03/31	862 478	-	214 473	648 005	-	-
DBSA @ 10.00%	1028461/3	2019/03/31	19 556 254	-	1 828 141	17 728 113	-	-
			-	-	-	-	-	-
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			-	-	-	-	-	-
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			-	-	-	-	-	-
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			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			27 338 583	**-**	**4 206 295**	**23 132 288**	**-**	**-**
TOTAL EXTERNAL LOANS								
FINANCE LEASES			7 327 109	-	2 420 784	4 906 325	-	-
INCA LOANS			19 611 734	-	1 233 329	18 378 405	-	-
DEVELOPMENT BANK OF SOUTH AFRICA			27 338 583	-	4 206 295	23 132 288	-	-
			54 277 426	**-**	**7 860 408**	**46 417 018**	**-**	**-**

GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/ Revalued Amount					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
EXECUTIVE COUNCIL	19 550	452 875	-	-	**472 425**	962	3 165	-	**4 127**	**468 298**
FINANCE AND ADMINISTRATION	203 829 119	363 975 130	7 193 254	-	**574 997 503**	26 132 197	14 521 775	-	**40 653 972**	**534 343 531**
PLANNING	3 411 428	1 704 739	-	-	**5 116 167**	419 787	362 816	-	**782 603**	**4 333 564**
HEALTH	76 107	103 215	-	-	**179 322**	12 664	25 928	-	**38 592**	**140 730**
COMMUNITY AND SOCIAL SERVICES	7 543 332	-	-	-	**7 543 332**	2 115 679	1 075 093	-	**3 190 772**	**4 352 560**
HOUSING	82 718 499	-	-	-	**82 718 499**	47 023	39 906	-	**86 929**	**82 631 570**
PUBLIC SAFETY	5 661 835	919 942	-	-	**6 581 777**	1 469 742	931 288	-	**2 401 030**	**4 180 747**
SPORT AND RECREATION	7 650 203	-	-	-	**7 650 203**	725 074	377 293	-	**1 102 367**	**6 547 836**
WASTE MANAGEMENT	6 972 860	-	-	-	**6 972 860**	1 318 288	817 221	-	**2 135 509**	**4 837 351**
WASTE WATER MANAGEMENT	680 582	-	-	-	**680 582**	212 794	94 428	-	**307 222**	**373 360**
ROAD TRANSPORT	194 723 107	3 511 555	6 770 675	-	**205 005 337**	12 858 795	7 101 115	-	**19 959 910**	**185 045 427**
WATER	1 690 978	4 843 141	-	-	**6 534 119**	467 294	254 652	-	**721 946**	**5 812 173**
	-	-	-	-	**-**	-	-	-	**-**	**-**
	-	-	-	-	**-**	-	-	-	**-**	**-**
	514 977 600	**375 510 597**	**13 963 929**	**-**	**904 452 126**	**45 780 299**	**25 604 680**	**-**	**71 384 979**	**833 067 147**

APPENDIX F for the ended 30 June 2011

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did you municip ty comp with th grant conditio in terms grant framewo in the latest Division Revenu Act
																		Yes/ N
EQUITABLE SHARE		96 350 746	-	-	-	-	96 350 746	-	-	-	-	-	-	-	-	-		Yes
MSIG		750 000	-	-	-	-	750 000	-	-	-	-	-	-	-	-	-		Yes
MIG		29 417 000	-	-	-	-	22 946 992	-	-	-	-	-	-	-	-	-		Yes
FMG		1 000 000	-	-	-	-	1 000 000	-	-	-	-	-	-	-	-	-		Yes
LIBRARY GRANT		670 000	-	-	-	-	670 000	-	-	-	-	-	-	-	-	-		Yes
EPWP		113 000	-	-	-	-	113 000	-	-	-	-	-	-	-	-	-		
		128 300 746	-	-	-	-	121 830 738	-	-	-	-	-	-	-	-	-		

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