



# MANGAUNG

AT THE HEART OF IT ALL

Mangaung Metropolitan Municipality  
Consolidated Annual Financial Statements  
for the year ended 30 June 2012

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## General Information

---

<b>Legal form of entity</b>	Municipality (MFMA)
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
<b>Mayoral committee</b>	
Executive Mayor	Manyoni T M
Councillors	Botes FR Dennis ME Hlujane MD Horn W Jacobs TA Jacobs TB July LR Khi ZT Lazenby JAA Lephoi MJ Litabe TK Mfazwe TM Minnie H Moilwa ME Mokotjo NG Mophethe TA Mtshwane KJ Phokoje SD Pongolo XD Powell JD Pretorius JC Rametse MA Ramokotjo FP Ramona TM Sechoaro CSK Selaledi M Siyonzana MA Snyman van Deventer E Terblanche AP Toba AL Tsomela MM Van Biljon PJJ Van der Merwe R Zerwick AS

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## General Information

---

Dibeco MD  
Dyosiba S  
Eti MJ  
Kaliya SG  
Kuape PA  
Lala TS  
Leech D  
Lekgela LE  
Mabela BNV  
Makhele ET  
Malebo MC  
Mangcotywa ZE  
Manyoni TM  
Masoetsa LA  
Mathobisa ML  
Matsemelela MV  
Matsoetlane MJ  
Moeng MA  
Mofokeng MJ  
Mogamise ID  
Mokoloko PR  
Moloabi RLAE  
Monnakgori SA  
Mononyane MB  
Moopelo TM  
Moroe TCL  
Moruri MM  
Mosiuoa TA  
Motladile MZ  
Motlatsi HJ  
Mpeqeka MS  
Naile TJ  
Ndamane SS  
Nkoe MJ  
Parkie TD  
Phajane MA  
Phupha NA  
Pretorius C  
Rabela KN  
Rampai CLM  
Ratsiu NA  
Sebothelo ME  
Sekakanyo DM  
Sokoyi ZG  
Thipenyane GTM  
Titi-Odile LM  
Tobie EC  
Van der Westhuizen P  
Van Niekerk HJC  
Viviers BJ  
Ward VW  
Zophe NM  
Bacela GM  
Britz JF  
Janse Van Vuuren DE  
Losika KP  
Makae TJ  
Mokone KO  
Mpakathe TS  
Nothnagel J  
Olivier GJ  
Pato TWG  
Teko ED

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## General Information

---

<b>Grading of local authority</b>	High Capacity (Metro)
<b>Accounting Officer</b>	Mazibuko S
<b>Chief Finance Officer (CFO)</b>	Mohlahlo M E
<b>Registered office</b>	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
<b>Business address</b>	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
<b>Auditors</b>	The Auditor-General of South Africa
<b>Attorneys</b>	Dehal Inc E.G Cooper Majiedt Inc Hill McHardy Herbst Kramer Weimann & Joubert Lebea & Associates Mashego M L Molefi Thoabala Moroka Attorneys Phatsoane Henney Inc Qwelane, Theron & Van Niekerk Schoeman Maree Inc Vermaak & Dennis
<b>Enabling legislation</b>	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 6 of 2011) Companies Act (Act 71 of 2008)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Index

---

The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	6
Accounting Officer's Report	7 - 8
Statement of Financial Position	9 - 10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12 - 15
Cash Flow Statement	16
Accounting Policies	17 - 45
Notes to the Consolidated Annual Financial Statements	46 - 137
Appendixes:	
Appendix A: Schedule of External loans - Unaudited	138
Appendix B: Analysis of Property, Plant and Equipment - Audited	141
Appendix C: Segmental analysis of Property, Plant and Equipment - Audited	147
Appendix D: Segmental Statement of Financial Performance - Audited	149
Appendix E(1): Actual versus Budget (Revenue and Expenditure) - Audited	151
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) - Unaudited	154
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act - Unaudited	155

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Index

---

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
COGTA	Cooperative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
EPWP	Extended Public Works Programme
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DWA	Department of Water Affairs

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity 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 consolidated annual financial statements and were given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he/she is supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 7.

The consolidated annual financial statements set out on pages 7 to 137, which have been prepared on the going concern basis, were approved by the accounting officer on 19 October 2012 and were signed:

---

**Mazibuko S**  
**Accounting Officer**

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Report

---

### 1. Review of activities

#### Main business and operations

The economic entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

Net surplus of the economic entity was R 350,923,790 (2011: surplus R 238,337,248).

### 2. Going concern

We draw attention to the fact that at 30 June 2012, the economic entity had accumulated surplus of R 7,683,668,195 and that the economic entity's total assets exceed its liabilities by R 10,463,145,599.

The consolidated 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 entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 6 of 2011).

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

Subsequent to year end, a council meeting was held on 28 August 2012 and the following items were condoned:

#### Irregular Expenditure

An amount of R 9,435,458 was condoned by the Council.

#### Fruitless and wasteful expenditure

An amount of R 3,357,811 was condoned by the Council.

#### Unallocated Receipts

An amount of R 4,515,517.68 was condoned by the Council.

### 4. Accounting Officer's interest in contracts

None.

### 5. Accounting policies

The consolidated annual financial statements prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003)..

### 6. Fixed Asset Management

The Annual Financial Statements of the Mangaung Metropolitan Municipality reflect a significant increase in the value of its fixed assets. This was brought about by the conclusion of the second phase of a project the Mangaung Metropolitan Municipality embarked on two years ago, to compile a GRAP compliant Fixed Asset Register (FAR).

Although it will be submitted to the Office of the Auditor General for the first time this year, I am of the opinion that the FAR will provide a sound foundation to account for all assets of the Mangaung Metropolitan Municipality as prescribed by section 63 of the Municipal Finance Management, (Act no 56 of 2003). The effort and resources the Mangaung Metropolitan Municipality have invested into this project clearly demonstrates its commitment to comply with legislation and to account for all assets and liabilities.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Report

---

### 7. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality
Mazibuko S	South African

### 8. Metro Status

The establishment of Mangaung Metropolitan Municipality led to Motheo District Municipality being dissolved, effectively on the local government election day, 18 May 2011. However, the transfer of the relevant functions from Motheo District Municipality to Mangaung Metropolitan Municipality as a metro was effective from 1 July 2011.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	Restated 2011	2012	Restated 2011
<b>Assets</b>					
Current Assets					
Inventories	3	47,163,654	40,952,174	8,269,683	9,332,950
Non-current receivables	4	488,803	488,803	13,447,336	13,838,035
Other receivables from exchange transactions	5	208,452,850	61,835,476	19,773,815	31,343,776
Other receivables from non-exchange transactions	6	106,447,321	61,713,023	106,447,321	61,713,023
Consumer receivables from exchange transactions	7	448,775,076	280,838,674	237,745,621	138,331,160
Cash and cash equivalents	8	341,761,026	246,465,537	178,976,851	231,675,533
VAT receivable		-	22,302,252	-	-
		<b>1,153,088,730</b>	<b>714,595,939</b>	<b>564,660,627</b>	<b>486,234,477</b>
Non-Current Assets					
Heritage Assets	9	88,888,407	85,870,632	88,888,407	85,870,632
Investment property	10	1,344,208,800	1,245,581,711	1,344,208,800	1,245,581,711
Property, plant and equipment	11	9,786,996,619	9,619,230,873	7,134,556,148	6,947,785,027
Intangible assets	12	18,461,880	8,189,349	7,519,051	7,483,798
Investments in controlled entities	13	-	-	100	100
Non-current receivables	4	15,215,489	13,271,250	2,149,880,431	1,975,402,534
		<b>11,253,771,195</b>	<b>10,972,143,815</b>	<b>10,725,052,937</b>	<b>10,262,123,802</b>
<b>Total Assets</b>		<b>12,406,859,925</b>	<b>11,686,739,754</b>	<b>11,289,713,564</b>	<b>10,748,358,279</b>
<b>Liabilities</b>					
Current Liabilities					
Non-current Borrowings	15	4,401,674	2,184,181	4,401,674	2,184,181
Finance lease liabilities	16	2,746,691	1,287,310	2,477,556	1,176,310
Payables from exchange transactions	17	958,510,488	639,245,215	1,621,702,433	1,381,909,839
Payables from non-exchange transactions	18	2,544,810	2,329,231	2,544,810	2,329,231
Consumer deposits	19	78,508,398	73,795,196	26,901,926	27,464,066
Unspent conditional grants and receipts	20	231,353,670	232,964,135	231,353,670	231,636,753
VAT payable	21	62,518,693	96,925,542	45,538,681	96,925,542
		<b>1,340,584,424</b>	<b>1,048,730,810</b>	<b>1,934,920,750</b>	<b>1,743,625,922</b>
Non-Current Liabilities					
Non-current Borrowings	15	57,685,520	20,162,975	57,685,520	20,162,975
Finance lease liabilities	16	3,287,560	1,909,252	2,990,344	1,677,641
Defined benefit plan obligation	22	497,437,000	442,310,000	497,437,000	442,310,000
Provisions	23	44,719,822	74,412,907	44,719,822	74,412,907
		<b>603,129,902</b>	<b>538,795,134</b>	<b>602,832,686</b>	<b>538,563,523</b>
<b>Total Liabilities</b>		<b>1,943,714,326</b>	<b>1,587,525,944</b>	<b>2,537,753,436</b>	<b>2,282,189,445</b>
<b>Net Assets</b>		<b>10,463,145,599</b>	<b>10,099,213,810</b>	<b>8,751,960,128</b>	<b>8,466,168,834</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	2011	2012	2011
<b>Net Assets</b>					
Reserves					
Housing Development Fund	24	-	3,650,426	-	3,650,426
Revaluation reserve	25	2,690,105,623	2,686,591,678	673,286,316	669,772,371
Mark-to-market reserve	26	11,513	9,333	11,513	9,333
Self-insurance reserve	27	77,595,746	76,090,167	77,595,746	76,090,167
COID reserve	28	11,764,522	10,996,660	11,764,522	10,996,660
Accumulated surplus		7,683,668,195	7,321,875,546	7,989,302,031	7,705,649,877
<b>Total Net Assets</b>		<b>10,463,145,599</b>	<b>10,099,213,810</b>	<b>8,751,960,128</b>	<b>8,466,168,834</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	Restated 2011	2012	Restated 2011
<b>Revenue</b>					
Sale of electricity		1,211,974,409	909,782,472	-	-
Sale of prepaid electricity		295,849,877	222,285,673	-	-
Fines		2,884,999	1,642,301	2,884,999	1,642,301
Government grants & subsidies	31	1,211,493,796	888,845,901	1,102,568,010	881,341,483
Income from agency services	32	-	-	109,327,894	115,010,183
Interest received - investment	33	92,387,219	55,737,152	238,687,814	194,039,948
Licences and permits		350,660	203,192	350,660	203,192
Other income	34	47,266,675	36,342,326	48,854,916	37,088,365
Property rates	35	463,255,702	396,843,392	463,255,702	396,843,392
Rental of facilities and equipment	36	106,106,515	45,992,460	106,106,515	45,992,460
Service charges	37	621,237,648	557,558,699	621,237,648	557,558,699
		-	-	-	-
Free service recovered		3,368,071	-	-	-
Administration and management fees received		8,011,422	9,208,595	-	-
Fees earned		298,004	1,991,554	-	-
Network upgrade		8,392,395	11,706,337	-	-
<b>Total Revenue</b>		<b>4,072,877,392</b>	<b>3,138,140,054</b>	<b>2,693,274,158</b>	<b>2,229,720,023</b>
<b>Expenditure</b>					
Employee related costs	42	(860,487,677)	(749,171,468)	(846,863,252)	(747,582,771)
Remuneration of councillors	47	(41,317,639)	(22,625,638)	(41,317,639)	(22,625,638)
Cost of maintenance and street lights		-	(13,807,224)	-	-
Transfer payments		-	182,163	-	-
Depreciation and amortisation	41	(440,205,941)	(427,334,557)	(295,729,446)	(282,884,861)
Impairment loss/ Reversal of impairments		1,073,762	(1,073,762)	-	-
Finance costs	43	(56,896,174)	(72,930,714)	(141,056,238)	(106,549,273)
Debt impairment	38	(440,626,459)	(216,770,042)	(222,234,114)	(134,287,282)
Administration and management fees		-	838,026	-	-
Repairs and maintenance		(177,942,530)	(83,740,034)	(148,390,544)	(61,389,167)
Bulk purchases	39	(1,236,265,461)	(1,009,033,395)	(284,552,289)	(250,335,123)
Contracted services	40	(129,702,666)	(97,411,889)	(129,702,666)	(97,411,889)
Grants and subsidies paid	46	(80,514,164)	(8,184,688)	(98,149,164)	(26,184,688)
Services rendered by Mangaung Metro		-	(2,939)	-	-
General Expenses	45	(348,398,353)	(285,109,920)	(301,825,996)	(275,120,636)
<b>Total Expenditure</b>		<b>(3,811,283,302)</b>	<b>(2,986,176,081)</b>	<b>(2,509,821,348)</b>	<b>(2,004,371,328)</b>
Gain on fair value adjustment on assets		97,608,235	78,111,568	97,608,235	78,111,568
Loss on disposal of assets		(3,000)	-	(3,000)	-
Actuarial gains/(loss) on defined benefit plan obligation	44	(9,969,000)	4,968,000	(9,969,000)	4,968,000
Gain on biological assets and agricultural produce		-	143,910	-	143,910
Gain on disposal of non-current assets		1,693,465	3,149,797	1,693,465	3,149,797
<b>Surplus for the year</b>		<b>350,923,790</b>	<b>238,337,248</b>	<b>272,782,510</b>	<b>311,721,970</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

Figures in Rand	Housing development fund reserve	Revaluation reserve	Mark-to-market reserve	Self Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
<b>Economic entity</b>								
Opening balance as previously reported	11,202,948	2,606,441,293	7,832	74,606,710	14,313,277	2,706,572,060	1,736,633,520	4,443,205,580
Adjustments								
Correction of prior period errors and adjustments	-	(212,905)	-	-	-	(212,905)	5,437,039,011	5,436,826,106
<b>Balance at 01 July 2010 as restated</b>	<b>11,202,948</b>	<b>2,606,228,388</b>	<b>7,832</b>	<b>74,606,710</b>	<b>14,313,277</b>	<b>2,706,359,155</b>	<b>7,173,672,531</b>	<b>9,880,031,686</b>
Changes in net assets								
Transfers	(7,552,522)	-	-	-	-	(7,552,522)	7,552,522	-
Contributions introduced	-	-	-	2,514,662	2,534,227	5,048,889	(5,048,889)	-
Insurance claims processed	-	-	-	(1,031,205)	(5,850,844)	(6,882,049)	6,884,303	2,254
Fair value gains (losses)	-	-	1,501	-	-	1,501	-	1,501
Net income (losses) recognised directly in net assets	(7,552,522)	-	1,501	1,483,457	(3,316,617)	(9,384,181)	9,387,936	3,755
Surplus for the year	-	-	-	-	-	-	238,337,248	238,337,248
Total recognised income and expenses for the year	(7,552,522)	-	1,501	1,483,457	(3,316,617)	(9,384,181)	247,725,184	238,341,003
Prior period adjustments	-	80,363,290	-	-	-	80,363,290	(53,918,635)	26,444,655
Total changes	(7,552,522)	80,363,290	1,501	1,483,457	(3,316,617)	70,979,109	193,806,549	264,785,658

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COID reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand								
<b>Balance at 01 July 2011 as restated</b>	3,650,426	2,686,591,678	9,333	76,090,167	10,996,660	2,777,338,264	7,321,875,546	10,099,213,810
Adjustments								
Correction of errors	-	-	-	-	-	-	(321,649,481)	(321,649,481)
	<b>3,650,426</b>	<b>2,686,591,678</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,996,660</b>	<b>2,777,338,264</b>	<b>7,000,226,065</b>	<b>9,777,564,329</b>
Changes in net assets								
Contributions introduced	-	-	-	1,708,607	3,074,454	4,783,061	(4,755,981)	27,080
Insurance claims processed	-	-	-	(203,028)	(1,610,361)	(1,813,389)	1,813,389	-
Revaluation of investment property	-	-	-	-	-	-	7,558,631	7,558,631
Transfers	(3,650,426)	-	-	-	-	(3,650,426)	3,650,426	-
Fair value gains (losses)	-	-	2,180	-	-	2,180	-	2,180
Net income (losses) recognised directly in net assets	(3,650,426)	-	2,180	1,505,579	1,464,093	(678,574)	8,266,465	7,587,891
Surplus for the year	-	-	-	-	-	-	350,923,790	350,923,790
Total recognised income and expenses for the year	(3,650,426)	-	2,180	1,505,579	1,464,093	(678,574)	359,190,255	358,511,681
Realisation of COID Reserve	-	-	-	-	(696,231)	(696,231)	-	(696,231)
Prior period adjustments	-	-	-	-	-	-	324,251,875	324,251,875
Assets revaluations	-	3,513,945	-	-	-	3,513,945	-	3,513,945
Total changes	(3,650,426)	3,513,945	2,180	1,505,579	767,862	2,139,140	683,442,130	685,581,270
<b>Balance at 30 June 2012</b>		<b>- 2,690,105,623</b>	<b>11,513</b>	<b>77,595,746</b>	<b>11,764,522</b>	<b>2,779,477,404</b>	<b>7,683,668,195</b>	<b>10,463,145,599</b>
Note(s)	24	25	26	27	28			

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COID reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand								
<b>Controlling entity</b>								
Opening balance as previously reported	11,202,948	589,621,986	7,832	74,606,710	14,313,277	689,752,753	2,001,419,595	2,691,172,348
Adjustments								
Correction of prior period errors	-	(212,905)	-	-	-	(212,905)	5,437,039,011	5,436,826,106
<b>Balance at 01 July 2010 as restated</b>	<b>11,202,948</b>	<b>589,409,081</b>	<b>7,832</b>	<b>74,606,710</b>	<b>14,313,277</b>	<b>689,539,848</b>	<b>7,438,458,606</b>	<b>8,127,998,454</b>
Changes in net assets								
Fair value gains (losses)	-	-	1,501	-	-	1,501	-	1,501
Transfers	(7,552,522)	-	-	-	-	(7,552,522)	7,552,522	-
Contributions introduced	-	-	-	2,514,662	2,534,227	5,048,889	(5,048,889)	-
Insurance claims processed	-	-	-	(1,031,205)	(5,850,844)	(6,882,049)	6,884,303	2,254
Net income (losses) recognised directly in net assets	(7,552,522)	-	1,501	1,483,457	(3,316,617)	(9,384,181)	9,387,936	3,755
Surplus for the year	-	-	-	-	-	-	311,721,970	311,721,970
Total recognised income and expenses for the year	(7,552,522)	-	1,501	1,483,457	(3,316,617)	(9,384,181)	321,109,906	311,725,725
Correction of errors	-	80,363,290	-	-	-	80,363,290	(53,918,635)	26,444,655
Total changes	(7,552,522)	80,363,290	1,501	1,483,457	(3,316,617)	70,979,109	267,191,271	338,170,380
<b>Balance at 01 July 2011 as restated</b>	<b>3,650,426</b>	<b>669,772,371</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,996,660</b>	<b>760,518,957</b>	<b>7,705,649,877</b>	<b>8,466,168,834</b>
Adjustments								
Correction of errors	-	-	-	-	-	-	(321,648,696)	(321,648,696)
	<b>3,650,426</b>	<b>669,772,371</b>	<b>9,333</b>	<b>76,090,167</b>	<b>10,996,660</b>	<b>760,518,957</b>	<b>7,384,001,181</b>	<b>8,144,520,138</b>
Changes in net assets								
Fair value gains (losses)	-	-	2,180	-	-	2,180	-	2,180
Net income (losses) recognised directly in net assets	-	-	2,180	-	-	2,180	-	2,180
Surplus for the year	-	-	-	-	-	-	272,782,510	272,782,510
Total recognised income and expenses for the year	-	-	2,180	-	-	2,180	272,782,510	272,784,690
Prior period errors	-	-	-	-	-	-	324,251,875	324,251,875
Realisation of COID Reserve	-	-	-	-	(696,231)	(696,231)	-	(696,231)
Asset Revaluations	-	3,513,945	-	-	-	3,513,945	-	3,513,945
Transfers	(3,650,426)	-	-	-	-	(3,650,426)	3,650,426	-
Revaluation of Investment Property	-	-	-	-	-	-	7,558,631	7,558,631
Contributions introduced	-	-	-	1,708,607	3,074,454	4,783,061	(4,755,981)	27,080

## Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

### Statement of Changes in Net Assets

	Hedging reserve	Revaluation reserve	Fair value adjustment assets- available-for- sale reserve	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand								
Insurance claims processed	-	-	-	(203,028)	(1,610,361)	(1,813,389)	1,813,389	-
Total changes	(3,650,426)	3,513,945	2,180	1,505,579	767,862	2,139,140	605,300,850	607,439,990
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>673,286,316</b>	<b>11,513</b>	<b>77,595,746</b>	<b>11,764,522</b>	<b>762,658,097</b>	<b>7,989,302,031</b>	<b>8,751,960,128</b>
Note(s)	24	25	26	27	28			

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2012	Restated 2011	2012	Restated 2011
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Cash receipts from customers		2,595,685,707	2,086,470,236	1,084,493,350	928,653,719
Grants		1,211,493,796	888,845,901	1,102,568,010	881,341,483
Interest income		92,387,219	55,737,152	238,687,814	194,039,948
Receipts: Other Receivables		173,310,670	163,823,917	32,173,763	64,428,979
Other Receipts		-	-	238,528,720	134,526,780
		<b>4,072,877,392</b>	<b>3,194,877,206</b>	<b>2,696,451,657</b>	<b>2,202,990,909</b>
<b>Payments</b>					
Employee costs		(902,679,876)	(925,492,760)	(873,420,891)	(770,208,409)
Suppliers		(2,493,555,800)	(719,732,899)	(1,299,086,374)	(576,716,374)
		<b>(3,396,235,676)</b>	<b>(1,645,225,659)</b>	<b>(2,172,507,265)</b>	<b>(1,346,924,783)</b>
<b>Net cash flows from operating activities</b>	<b>48</b>	<b>676,641,717</b>	<b>1,549,651,547</b>	<b>523,905,392</b>	<b>856,066,126</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	11	(599,706,589)	(552,120,087)	(481,370,649)	(517,967,772)
Proceeds from sale of property, plant and equipment	11	3,000	13,355,104	3,000	11,168,983
Purchase of investment property	10	(1,018,854)	(3,064,265)	(1,018,854)	(3,064,265)
Purchase of other intangible assets	12	(10,585,682)	-	(348,404)	-
Increase in non-current receivables		(11,913,062)	-	(184,059,199)	(6,889,764)
Purchase of heritage assets	9	(446,805)	(1,115,046)	(446,805)	(11,115,046)
Proceeds from sale of heritage assets	9	942,975	893,652	942,975	1,093,446
<b>Net cash flows from investing activities</b>		<b>(622,725,017)</b>	<b>(542,050,642)</b>	<b>(370,394,214)</b>	<b>(1,163,048,955)</b>
<b>Cash flows from financing activities</b>					
Proceeds from non-current borrowings		39,740,038	(153,764,199)	39,740,038	9,853,514
Movement in other liabilities - VAT		-	-	(51,386,861)	9,830,180
Repayment of shareholders loan		(1)	(657,303,374)	-	-
Finance lease payments		2,200,892	363,092	4,291,590	1,124,037
(Decrease)/Increase in consumer deposits		(562,140)	2,356,934	(562,140)	2,356,934
<b>Net cash flows from financing activities</b>		<b>41,378,789</b>	<b>(808,347,547)</b>	<b>(7,917,373)</b>	<b>23,164,665</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>95,295,489</b>	<b>199,253,358</b>	<b>(52,698,682)</b>	<b>184,679,712</b>
Cash and cash equivalents at the beginning of the year		246,465,537	47,212,179	231,675,533	46,995,821
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>341,761,026</b>	<b>246,465,537</b>	<b>178,976,851</b>	<b>231,675,533</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal finance management act,(Act 56 of 2003)..

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

These accounting policies are consistent with the previous period.

#### 1.1 Reporting municipality

Mangaung Metropolitan Municipality ("the economic entity") is a local government institution in Bloemfontein in the Mangaung area. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

#### 1.2 Going concern assumption

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

#### 1.3 Offsetting

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

Revenues and expenses have not been off-set except when offsetting is required or permitted by a standard of GRAP.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.4 Use of estimates

The preparation of financial statements in conformity with GRAP requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, which may be material to these annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Significant judgements include:

#### **Trade receivables, loans and other receivables**

The entity assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **Available-for-sale financial assets**

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### **Allowance for slow moving, damaged and obsolete inventory**

An allowance is made for slow-moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets, such as trading and available-for-sale securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of Property, Plant and Equipment and Investment Property is based on market conditions at reporting date.

#### **Provisions**

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

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are measured at the discounted future cost at reporting date. Refer to note 23 of the annual financial statements.

#### **Useful lives and residual values**

The municipal entity re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use the individual assets, to determine the remaining period over which the asset will be used. This estimate is based on industry norm. Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.4 Use of estimates (continued)

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and medical aid obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in post retirement benefits note. Refer to note 22 of the annual financial statements.

### Effective interest rate and deferred payment terms

The entity used the prime interest rate adjusted for rates used by main suppliers or creditors to discount future cash flows.

### 1.5 Consolidation

#### Basis of consolidation

Consolidation of controlled entities

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements of the economic entity incorporate the annual financial statements of the entity which is the controlling entity, and all its controlled entities. Controlled entities are entities, including an unincorporated entity such as a partnership controlled by the controlling entity. Controlled entities include municipal controlled entities and special purpose entities.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

### 1.6 Investments in controlled entities

#### Economic entity consolidated annual financial statements

The economic entity consolidated annual financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.6 Investments in controlled entities (continued)

#### Controlling entity separate annual financial statements

In the entity's separate annual financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets, including infrastructure assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, major components, of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to and replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised or replace a part of an item of property, plant and equipment.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, major spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of an item shall be depreciated separately.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

#### **Subsequent measurement - Revaluation model (Land and Buildings)**

Subsequent to initial recognition items of property, plant and equipment are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Land is not depreciated, except for landfill and quarry sites, as it is deemed to have an indefinite useful life.

Revaluations are performed every 5 years by registered valuers for every class separately.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

#### **Subsequent measurement - Cost model**

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

Where the group replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **Depreciation and impairment**

---

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.7 Property, plant and equipment (continued)

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

Land is not depreciated as it has an indefinite useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

<b>Item</b>	<b>Average useful life</b>
Buildings	30 - 40 years
Capitalised lease assets	5 years
Environmental facilities	5 - 15 years
Fire arms	4 - 10 years
Fresh produce market	3 - 5 years
Furniture and office equipment	3 years
Parks and Cemeteries	
• Electricity plant transmissions and distribution network	5 - 60 years
Pedestrian Malls	
• Recreational facilities	20 - 30 years
Specialised plant and equipment	3 - 5 years
Other leased asset - Equipment	5 years
Finance leases - 3G cards	3 years
Finance leases - Cellphones	2 years
Security	3 - 5 years
Specialised vehicles	10 - 15 years
Roads and storm water	15 - 30 years
Quarries	20 - 30 years
Landfill sites	15 years
Water and sewerage network	15 - 20 years
Housing	30 years
Other property, plant and equipment	3 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.8 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 years

Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the entity is able to charge the public for the use of the infrastructure to the end of the concession period.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.9 Investment property

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

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.10 Heritage Assets

The entity displays wild animals primarily for the conservation of endangered species as well as for education purposes. The entity also displays orchids in the orchid house which are kept and cared for in the Orchid Greenhouse, for the same reasons. The service potential embodied in the zoo and nature reserve animals and the orchids mainly arises from the benefit to preserve the specific asset for present and future generations.

Heritage assets are generally classified as Property, Plant and Equipment.

#### Initial recognition

Biological and other assets recognised as heritage assets are initially recognised and measured at its cost. When the asset is acquired through a non-exchange transaction, its cost is measured at its fair value at the date of acquisition.

#### Subsequent measurement

Heritage assets of the entity are subsequently measured at fair value. It is not expected that the fair values will differ significantly from year to year, based on the condition, breeding and age of the animals currently kept by the entity. Fair value assessments therefore will be done every five years.

#### Impairment

The heritage assets of the entity shall not be depreciated but will be assessed at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

#### Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.11 Financial instruments

#### Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

#### Initial recognition and measurement

Financial instruments are recognised initially when the economic entity becomes a party to the contractual provisions of the instruments.

The economic entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.11 Financial instruments (continued)

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Amortised cost refers to the initial carrying amount, plus interest and less repayments.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value, with changes in value being recognised directly in net assets. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payables. The interest rate specific to consumer deposits is 4% per annum.

#### Fair value determination

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investments, such as available for sale investments are based on current bid prices.

If the market for a financial asset is not active and for unlisted securities, the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

The economic entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The economic entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

#### Financial instruments designated as available-for-sale

Fair value adjustments on available-for-sale financial instruments are recognised in the Mark-to-market reserve.

#### Loans to (from) economic entities

These include loans to and from controlling entities, are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.11 Financial instruments (continued)

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. 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 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured 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 economic entity's accounting policy for borrowing costs.

#### Held to maturity

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

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

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.

#### 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 an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- 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.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their 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.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

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.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity 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 economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.13 Impairment of cash-generating assets (continued)

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity 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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, 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.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.13 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The economic entity assesses 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.14 Impairment of non-cash-generating assets

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

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.14 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using one of the following approaches, depending on the nature of the asset in question:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.14 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service 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 non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

### 1.15 Revenue

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.

#### Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits or service potential can be measured reliably, except when specifically stated otherwise. 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. When considering the probability of the future economic benefits that will flow to the entity consideration is given to the requirements as outlined in IGRAP 1.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.15 Revenue (continued)

#### Rendering of 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 economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.15 Revenue (continued)

#### Service charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are 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. Estimates of consumption between meter readings are based on historical information.

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.

#### Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised based on consumption, except where a reliable estimate cannot be made after every reasonable effort to gather the appropriate information had been made. In these instances revenue is recognised at the point-of-sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Interest and rental income

##### Interest

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

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

##### 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 instalments

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

#### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

#### Revenue from non-exchange transactions

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 entity, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. When considering the probability of the future economic benefits that will flow to the entity consideration is given to the requirements as outlined in IGRAP 1.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.15 Revenue (continued)

#### 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 entity, 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 processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

Receipt of community services in exchange for a fine is not recognised as revenue.

#### 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 entity and 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 conditions associated with the grant.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

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.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.16 Provisions and contingencies (continued)

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, and only when, it is virtually certain that reimbursement will be received if the economic entity 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.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating losses .

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.16 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become vitually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the changes occurs. If an inflow of economic benefits or service potential has become probable, an entity dicloses the contingent asset.

The entity 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'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity 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.

A constructive obligation to restructure arises only when an entity:

- a) has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- a) necessarily entailed by the restructuring; and
- b) not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- a) the amount that would be recognised as a provision; and
- b) the amount initially recognised less cumulative amortisation.

### 1.17 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 and the obligation can be estimated reliably.

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.17 Employee benefits (continued)

#### Defined contribution plans

The entity'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, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Actuarial gains or losses are recognised in the statement of financial performance in the period that they occur.

Actuarial assumptions are included in the note of defined benefit obligation plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.18 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.18 Leases (continued)

#### Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

#### Finance leases - 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.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset. Assets leased under operating leases, except for property interests held by the entity as investment property, are not recognised in the statement of financial position.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases

#### Operating leases - 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.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense 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.

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

### 1.19 Borrowing costs

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.20 Donations and grants in aid

The entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the entity does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

### 1.21 Tax

#### Value Added Tax (VAT)

The entity accounts for VAT on the cash basis. The entity 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 entity accounts for VAT on a monthly basis.

### 1.22 Translation of foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.23 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.

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.24 Irregular expenditure (continued)

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008), in the absence of guidelines in terms of the MFMA:

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to 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.

Detailed disclosures were made in the notes to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

### 1.26 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified.

The comparative figures have been restated.

### 1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the entity should maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires, in terms of Section 14(4)(d)(ii)(aa) – read with, inter alia, Section 16(2) – that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the entity for housing development in accordance with the National Housing Policy.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.28 Accumulated surplus

#### Mark-to-market reserve

This reserve comprises of all fair value adjustments on available-for-sale financial instruments (unlisted shares). When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

#### Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

#### Self insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund should be invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

### 1.29 Site restoration and dismantling cost

The entity 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'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity 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.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the entity 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 or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.29 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) 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 revaluation surplus in net assets, 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 the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) 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
- (c) 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 or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.30 Finance expense

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

### 1.31 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the entity has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

### 1.32 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The economic entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements. GRAP 18 has not been considered in developing these policies

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

---

### 1.33 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer, Chief Financial Officer, Council members and other directors as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	Restated 2011	2012	Restated 2011

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• IGRAP 13: Operating Leases – Incentives	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

### 2. New standards and interpretations (continued)

• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 12 (as revised 2010): Inventories	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 13 (as revised 2010): Leases	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 16 (as revised 2010): Investment Property	01 April 2011	Refer to Note 50 on the impact of this standard on the financial statements
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	

### 2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2012 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	Not yet determined 01 April 2012	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 24: Presentation of Budget Information in the Financial Statements		
• GRAP 103: Heritage Assets	01 April 2012	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 25: Employee benefits	01 April 2013	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
• GRAP 104: Financial Instruments	01 April 2012	It is unlikely that the standard will have a material impact on the entity's annual financial statements.

# **Mangaung Metropolitan Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2012

## **Notes to the Consolidated Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>3. Inventories</b>				
Electricity maintenance materials	38,893,971	31,619,224	-	-
Consumable stores	3,717,555	3,277,693	3,717,555	3,277,693
Fuel (Diesel, Petrol)	1,536,441	894,610	1,536,441	894,610
Water in pipes	296,468	286,708	296,468	286,708
Water in reservoirs	1,014,416	880,339	1,014,416	880,339
Water maintenance materials	1,704,803	3,993,600	1,704,803	3,993,600
	<b>47,163,654</b>	<b>40,952,174</b>	<b>8,269,683</b>	<b>9,332,950</b>
Cost of inventories expensed	5,138,038	4,374,398	4,108,398	3,023,386
<b>Inventory pledged as security</b>				
No inventory was pledged as security for any financial liability for the reporting period.				
<b>4. Non-current receivables</b>				
<b>Available-for-sale</b>				
2,535 Unlisted shares - OVK Limited	14,048	11,868	14,048	11,868
<b>Loans and receivables</b>				
Centlec Pty Ltd - Advances	-	-	136,089,716	149,779,678
Centlec Pty Ltd - Shareholders loan	-	-	2,015,624,372	1,830,280,076
Vehicle loans	939,246	950,254	939,246	950,254
Study loans	48,509	49,599	48,509	49,599
Erven loans	9,393,841	9,864,964	9,393,841	9,376,161
Housing selling scheme loans	47,380,242	45,861,900	47,380,242	45,861,900
Cricket Stadium	9,345,458	9,169,214	9,345,458	9,169,214
Kopanong	2,332,243	2,102,095	-	-
Mohokare LM	1,221,452	1,337,755	-	-
Naledi Local Municipality	536,920	650,765	-	-
	71,197,911	69,986,546	2,218,821,384	2,045,466,882
Impairment - vehicle loans	(939,246)	(950,254)	(939,246)	(950,254)
Impairment - study loans	(48,509)	(49,599)	(48,509)	(49,599)
Impairment - erven loans	(9,340,732)	(9,376,428)	(9,340,732)	(9,376,428)
Impairment - housing selling scheme loans	(45,179,178)	(45,861,900)	(45,179,178)	(45,861,900)
	<b>15,690,246</b>	<b>13,748,365</b>	<b>2,163,313,719</b>	<b>1,989,228,701</b>
<b>Total other financial assets</b>	<b>15,704,294</b>	<b>13,760,233</b>	<b>2,163,327,767</b>	<b>1,989,240,569</b>
<b>Non-current assets</b>				
Available-for-sale	14,048	11,868	14,048	11,868
Loans and receivables	15,201,441	13,259,382	2,149,866,383	1,975,390,666
	<b>15,215,489</b>	<b>13,271,250</b>	<b>2,149,880,431</b>	<b>1,975,402,534</b>
<b>Current assets</b>				
Loans and receivables	488,803	488,803	13,447,336	13,838,035
	<b>15,704,292</b>	<b>13,760,053</b>	<b>2,163,327,767</b>	<b>1,989,240,569</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 4. Non-current receivables (continued)

#### Centlec (SOC) Ltd Advances

This amount is composed of various advances that have been lent to Centlec (SOC) Ltd by the entity during the past seven years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 9%.

#### Centlec (SOC) Ltd Shareholders Loan

From 30 June 2010, the shareholders loan contract has been amended to determine interest as the lower of 15% of Centlec (SOC) Ltd prior year's revenue or the interest rate used as on 30 June 2010 (i.e. 10,03%), adjusted for CPI for Public Finance Sector. The loan is repayable from 2015 over a period of twenty one years.

#### Details of loans and receivables

##### *Erven loans*

Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

##### *Housing selling scheme loans*

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

##### *Kopanong Local Municipality*

The capital advances provided bear interest at 10% (2010: 10%) and are repayable in monthly installments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Mohokare Local Municipality*

The capital advances provided bear interest at 10% (2010: 10%) and are repayable in monthly installments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Naledi Local Municipality*

The capital advances provided bear interest at 10% (2010: 10%) and are repayable in monthly installments based on the estimated useful life, as originally determined by the controlling entity, of the capital assets.

##### *Study loans*

Staff members qualified for interest free study loans under the approved study scheme of the entity. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA.

##### *Vehicle loans*

Permanent staff obtained loans at 8.5% (2010: 10%) interest per annum repayable over a period of 3 to 6 years. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA. Other staff loans bear interest of prime plus 1% and are repayable over a period of 3 to 6 years.

#### Fair value information

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets.

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

- Class 1 - Unlisted shares

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

#### 4. Non-current receivables (continued)

##### Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

##### Level 1

Class 1 - Unlisted shares	14,048	11,868	14,048	11,868
---------------------------	--------	--------	--------	--------

##### Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

None of the loans and receivables were pledged as security for any financial liability and no securities are held for any of the loans and receivables.

##### Reconciliation of provision for impairment of loans and receivables

##### Erven loans

Opening balance	9,376,428	8,334,174	9,376,428	8,334,174
Provision for impairment	(35,696)	1,042,254	(35,696)	1,042,254
	<b>9,340,732</b>	<b>9,376,428</b>	<b>9,340,732</b>	<b>9,376,428</b>

##### Housing selling scheme loans

Opening balance	45,861,900	31,326,876	45,861,900	31,326,876
Provision for impairment	(682,722)	14,535,024	(682,722)	14,535,024
	<b>45,179,178</b>	<b>45,861,900</b>	<b>45,179,178</b>	<b>45,861,900</b>

##### Study loans

Opening balance	49,599	49,599	49,599	49,599
Reversal of impairment for the year	(1,090)	-	(1,090)	-
	<b>48,509</b>	<b>49,599</b>	<b>48,509</b>	<b>49,599</b>

##### Vehicle loans

Reversal of impairment for the year	950,255	889,596	950,255	889,596
Current year impairment contribution	-	60,659	-	60,659
Reversal of impairment for the year	(11,009)	-	(11,009)	-
	<b>939,246</b>	<b>950,255</b>	<b>939,246</b>	<b>950,255</b>

The creation and release of provision for impairment receivables have been included in operating expenses in surplus or deficit (note 36). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

None of the loans and receivables were pledged as security for any financial liability and no securities are held for any of the loans and receivables.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>4. Non-current receivables (continued)</b>				
<b>Credit quality of other financial assets</b>				
The credit quality of loans and receivables that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.				
The assumption was made that the credit quality of the short term portion of long term receivables would equate to the credit quality of the receivables' long term portion.				
The credit quality of the short term portion of long term receivables was evaluated in terms of the risk and ageing of the individual receivable account.				
<b>5. Other receivables from exchange transactions</b>				
Deferred lease income	-	16,864,996	-	16,864,996
Kopanong	5,153,587	7,933,974	-	-
Interest accrual	61,694	597,953	61,694	597,953
Naledi Local Municipality	8,271,336	4,438,059	-	-
Mohokare Local Municipality	10,434,796	5,893,792	-	-
Other receivables	164,443,822	12,225,875	-	-
Staff leave day receivable	448,126	1,499,585	72,632	1,499,585
Sundry receivables	56,577,459	46,283,483	56,577,459	46,283,483
Sundry receivables - Impairment	(36,937,970)	(33,902,241)	(36,937,970)	(33,902,241)
	<b>208,452,850</b>	<b>61,835,476</b>	<b>19,773,815</b>	<b>31,343,776</b>

Sundry receivables consists of rental debtors and other debtors, which are not consumer debtors.

The amount due by Kopanong Local Municipality represents the shortfall on expenses incurred by Centlec for the distribution of electricity and the income as generated.

### Sundry receivables pledged as security

None of the receivables were pledged as security for any financial liability.

### Credit quality of sundry receivables

The credit quality of sundry receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

### Sundry receivables past due but not impaired

Sundry receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, there were no debtors past due but not impaired.

### Reconciliation of provision for impairment of sundry receivables

Opening balance	33,902,241	31,636,314	33,902,241	31,636,314
Provision for impairment	3,035,729	2,265,927	3,035,729	2,265,927
	<b>36,937,970</b>	<b>33,902,241</b>	<b>36,937,970</b>	<b>33,902,241</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>6. Consumer receivables from non-exchange transactions</b>				
Rates	378,880,397	299,111,645	378,880,397	299,111,645
Rates - Impairment	(272,433,076)	(237,398,622)	(272,433,076)	(237,398,622)
	<b>106,447,321</b>	<b>61,713,023</b>	<b>106,447,321</b>	<b>61,713,023</b>

### Economic Entity

	2012	2011
<b>Rates - Ageing</b>		
Current (0 - 30 days)	33,748,293	26,751,400
31 - 60 Days	17,812,923	11,774,312
61 - 90 Days	13,603,606	9,234,751
90 Days +	<u>313,715,575</u>	<u>251,351,182</u>
<b>Total</b>	<b><u>378,880,397</u></b>	<b><u>299,111,645</u></b>
<b>Summary of rates debtors by classification</b>		
<b>Residential and sundry</b>		
Current (0-30 days)	16,123,333	11,475,375
31 - 60 days	7,869,751	5,862,158
61 -90 days	6,301,438	4,744,968
91+ days	<u>204,572,762</u>	<u>180,518,669</u>
	234,867,284	202,601,170
Less: Impairment	<u>(168,880,780)</u>	<u>(160,800,288)</u>
<b>Total</b>	<b><u>65,986,506</u></b>	<b><u>41,800,882</u></b>
<b>Business/commercial</b>		
Current (0-30 days)	14,830,470	13,916,146
31 - 60 days	8,487,325	4,906,159
61 -90 days	6,280,890	3,583,552
91+ days	<u>88,539,618</u>	<u>50,619,422</u>
	118,138,303	73,025,279
Less: Impairment	<u>(92,181,630)</u>	<u>(57,958,628)</u>
<b>Total</b>	<b><u>25,956,673</u></b>	<b><u>15,066,651</u></b>
<b>Government</b>		
Current (0-30 days)	2,794,489	1,359,879
31 - 60 days	1,455,847	1,005,995
61 -90 days	1,021,278	906,231
91+ days	<u>20,603,195</u>	<u>20,213,091</u>
	25,874,809	23,485,196
Less: Impairment	<u>(11,370,666)</u>	<u>(18,639,706)</u>
<b>Total</b>	<b><u>14,504,143</u></b>	<b><u>4,845,490</u></b>

### Controlling Entity

	2012	2011
<b>Rates - Ageing</b>		
Current (0 - 30 days)	33,748,293	26,751,400
31 - 60 Days	17,812,923	11,774,312
61 - 90 Days	13,603,606	9,234,751
90 Days +	<u>313,715,575</u>	<u>251,351,182</u>
<b>Total</b>	<b><u>378,880,397</u></b>	<b><u>299,111,645</u></b>
<b>Summary of rates debtors by classification</b>		
<b>Residential and sundry</b>		
Current (0-30 days)	16,123,333	11,475,375
31 - 60 days	7,869,751	5,862,158
61 -90 days	6,301,438	4,744,968
91+ days	<u>204,572,762</u>	<u>180,518,669</u>
	234,867,284	202,601,170
Less: Impairment	<u>(168,880,780)</u>	<u>(160,800,288)</u>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>6. Consumer receivables from non-exchange transactions (continued)</b>				
<b>Total</b>			<b>65,986,506</b>	<b>41,800,882</b>
<b>Business/commercial</b>			-	-
Current (0-30 days)			14,830,470	13,916,146
31 - 60 days			8,487,325	4,906,159
61 -90 days			6,280,890	3,583,552
91+ days			88,539,618	50,619,422
			118,138,303	73,025,279
Less: Impairment			(92,181,630)	(57,958,628)
<b>Total</b>			<b>25,956,673</b>	<b>15,066,651</b>
<b>Government</b>			-	-
Current (0-30 days)			2,794,489	1,359,879
31 - 60 days			1,455,847	1,005,995
61 -90 days			1,021,278	906,231
91+ days			20,603,195	20,213,091
			25,874,809	23,485,196
Less: Impairment			(11,370,666)	(18,639,706)
<b>Total</b>			<b>14,504,143</b>	<b>4,845,490</b>

### Other receivables from non-exchange transactions pledged as security

None of the debtors from non-exchange transactions were pledged as security for any financial liability.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

### 7. Consumer receivables from exchange transactions

<b>Gross balances</b>				
Electricity	552,088,900	265,174,614	-	-
Water	726,633,045	481,589,595	726,633,045	481,589,595
Sewerage	187,583,383	150,681,655	187,583,383	150,681,655
Housing rental	21,868,953	19,456,932	21,868,953	19,456,932
Unallocated deposits	(814,627)	(784,463)	(814,627)	(784,463)
	<b>1,487,359,654</b>	<b>916,118,333</b>	<b>935,270,754</b>	<b>650,943,719</b>
<b>Less: Provision for debt impairment</b>				
Electricity	(341,059,445)	(122,667,100)	-	-
Water	(535,611,296)	(375,348,142)	(535,611,296)	(374,209,119)
Sewerage	(141,777,633)	(120,176,466)	(141,777,633)	(120,176,466)
Housing rental	(20,136,204)	(17,087,951)	(20,136,204)	(18,226,974)
	<b>(1,038,584,578)</b>	<b>(635,279,659)</b>	<b>(697,525,133)</b>	<b>(512,612,559)</b>
<b>Net balance</b>				
Electricity	211,029,455	142,507,514	-	-
Water	191,021,749	106,241,453	191,021,749	106,241,453
Sewerage	45,805,750	30,505,189	45,805,750	30,505,189
Housing rental	1,732,749	2,368,981	1,732,749	2,368,981
Unallocated deposits	(814,627)	(784,463)	(814,627)	(784,463)
	<b>448,775,076</b>	<b>280,838,674</b>	<b>237,745,621</b>	<b>138,331,160</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>7. Consumer receivables from exchange transactions (continued)</b>				
<b>Electricity</b>				
Current (0 -30 days)	171,188,092	107,649,727	-	-
31 - 60 days	107,712,176	27,071,499	-	-
61 - 90 days	80,819,591	14,363,101	-	-
91+ days	199,304,021	117,751,681	-	-
Less: Provision for impairment	(341,059,445)	(122,667,100)	-	-
Less: discounting adjustment to debtors	(6,934,980)	(1,661,394)	-	-
	<b>211,029,455</b>	<b>142,507,514</b>	-	-
<b>Water</b>				
Current (0 -30 days)	60,592,372	69,810,359	60,592,372	69,810,359
31 - 60 days	34,088,360	22,360,671	34,088,360	22,360,671
61 - 90 days	29,397,147	17,155,373	29,397,147	17,155,373
91+ days	589,184,214	362,542,890	589,184,214	362,542,890
Less: Provision for impairment	(535,611,296)	(375,348,142)	(535,611,296)	(374,209,119)
Meter reading estimate at year end	13,370,952	9,720,302	13,370,952	9,720,302
	<b>191,021,749</b>	<b>106,241,453</b>	<b>191,021,749</b>	<b>107,380,476</b>
<b>Sewerage</b>				
Current (0 -30 days)	14,724,478	15,644,341	14,724,478	15,644,341
31 - 60 days	7,792,402	4,295,220	7,792,402	4,295,220
61 - 90 days	6,132,672	4,420,961	6,132,672	4,420,961
91+ days	158,933,831	126,321,133	158,933,831	126,321,133
Less: Provision for impairment	(141,777,633)	(120,176,466)	(141,777,633)	(120,176,466)
	<b>45,805,750</b>	<b>30,505,189</b>	<b>45,805,750</b>	<b>30,505,189</b>
<b>Housing rental</b>				
Current (0 -30 days)	287,482	336,159	287,482	336,159
31 - 60 days	286,605	260,577	286,605	260,577
61 - 90 days	278,817	265,483	278,817	265,483
91+ days	21,016,049	18,594,713	21,016,049	18,594,713
Less: Provision for impairment	(20,136,204)	(17,087,951)	(20,136,204)	(18,226,463)
	<b>1,732,749</b>	<b>2,368,981</b>	<b>1,732,749</b>	<b>1,230,469</b>
<b>Unallocated deposits</b>				
90+ days	(814,627)	(784,463)	(814,627)	(784,463)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>7. Consumer receivables from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers/Households</b>				
Current (0 -30 days)	54,277,015	41,418,984	54,277,015	41,418,984
31 - 60 days	32,172,361	26,364,163	32,172,361	26,364,163
61 - 90 days	29,127,513	22,105,353	29,127,513	22,105,353
91+ days	710,790,626	484,605,489	710,790,626	484,605,489
	826,367,515	574,493,989	826,367,515	574,493,989
Less: Provision for debt impairment	(607,199,017)	(452,761,569)	(607,199,017)	(452,761,569)
	<b>219,168,498</b>	<b>121,732,420</b>	<b>219,168,498</b>	<b>121,732,420</b>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	14,995,417	15,175,190	14,995,417	15,175,190
31 - 60 days	6,749,418	5,013,954	6,749,418	5,013,954
61 - 90 days	4,560,252	4,242,556	4,560,252	4,242,556
91+ days	55,406,724	54,278,320	55,406,724	54,278,320
	81,711,811	78,710,020	81,711,811	78,710,020
Less: Provision for debt impairment	(53,968,529)	(38,807,145)	(53,968,529)	(38,807,145)
	<b>27,743,282</b>	<b>39,902,875</b>	<b>27,743,282</b>	<b>39,902,875</b>
<b>National and provincial government</b>				
Current (0 -30 days)	8,721,156	1,772,192	8,721,156	1,772,192
31 - 60 days	4,034,487	1,044,568	4,034,487	1,044,568
61 - 90 days	2,881,982	899,305	2,881,982	899,305
91+ days	43,968,612	23,186,339	43,968,612	23,186,339
	59,606,237	26,902,404	59,606,237	26,902,404
Less: Provision for debt impairment	(36,357,588)	(21,043,844)	(36,357,588)	(21,043,844)
	<b>23,248,649</b>	<b>5,858,560</b>	<b>23,248,649</b>	<b>5,858,560</b>
<b>Total</b>				
Current (0 -30 days)	77,993,588	56,652,911	77,993,588	56,652,911
31 - 60 days	42,956,265	32,422,685	42,956,265	32,422,685
61 - 90 days	36,569,746	27,247,244	36,569,746	27,247,244
91+ days	810,165,962	564,788,317	810,165,962	564,788,317
Water meter reading estimate	13,370,952	9,720,302	13,370,952	9,720,302
	981,056,513	690,831,459	981,056,513	690,831,459
Less: Provision for debt impairment (including sundry adjustments)	(717,448,589)	(647,391,408)	(697,525,134)	(512,612,558)
Add: Unallocated deposits	(814,627)	(784,463)	(814,627)	(784,463)
Add: Electricity	230,941,201	277,235,474	(11,709)	(50,890)
Transferred to current portion of non-current receivables	(1,007,964)	(1,000,121)	(1,007,964)	(1,000,121)
Transferred to other financial assets	(43,951,458)	(38,052,267)	(43,951,458)	(38,052,267)
	<b>448,775,076</b>	<b>280,838,674</b>	<b>237,745,621</b>	<b>138,331,160</b>
<b>Reconciliation of debt impairment provision</b>				
Balance at beginning of the year	(745,678,811)	(575,587,632)	(512,612,559)	(769,615,855)
Contributions to provision	(292,905,767)	(203,497,967)	(184,912,574)	121,015,207
Debt impairment written off against provision	-	143,805,940	-	135,988,089
	<b>(1,038,584,578)</b>	<b>(635,279,659)</b>	<b>(697,525,133)</b>	<b>(512,612,559)</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 7. Consumer receivables from exchange transactions (continued)

#### Consumer debtors pledged as security

None of the debtors were pledged as security for any financial liability.

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer debtors are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

#### Consumer debtors impaired

As of 30 June 2012, consumer debtors of R 1,038,584,578 (2011: R 635,279,659) were impaired and provided for.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

The ageing of these accounts is as follows:

3 to 6 months	-	-	1,068,236,365	816,139,499
---------------	---	---	---------------	-------------

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	54,869	54,869	54,869	54,869
Bank balances	211,208,652	47,515,992	48,424,477	32,725,988
Short-term deposits	130,497,505	198,894,676	130,497,505	198,894,676
	<b>341,761,026</b>	<b>246,465,537</b>	<b>178,976,851</b>	<b>231,675,533</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating

F1+	341,706,157	246,410,668	178,921,982	231,620,664
-----	-------------	-------------	-------------	-------------

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	11,764,522	10,996,660	11,764,522	10,996,660
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.				
Total financial assets pledged as collateral for contingent liabilities [specify the liability] Terms and conditions	11,764,522	10,996,660	11,764,522	10,996,660

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 8. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Primary account - 470 000 465	42,086,668	25,572,621	9,713,167	44,408,057	28,426,476	10,453,390
ABSA - Fresh produce market - 470 001 348	2,418,766	2,697,541	3,382,869	2,418,766	2,697,541	3,382,869
ABSA - 2010 World cup - 406 787 886	-	-	5,311,349	-	-	5,311,349
ABSA - Direct deposits banktel - 470 001 380	-	-	-	1,597,654	1,601,971	1,039,885
ABSA - Cheque account - 405 883 3582	162,784,775	14,790,004	216,358	162,784,175	14,790,004	216,358
<b>Total</b>	<b>207,290,209</b>	<b>43,060,166</b>	<b>18,623,743</b>	<b>211,208,652</b>	<b>47,515,992</b>	<b>20,403,851</b>

### 9. Heritage Assets

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Heritage Assets	88,888,407	-	88,888,407	85,870,632	-	85,870,632

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Heritage Assets	88,888,407	-	88,888,407	85,870,632	-	85,870,632

#### Reconciliation of heritage assets - Economic entity - 2012

	Opening balance	Additions	Disposals	Revaluations	Total
Heritage assets	85,870,632	446,805	(942,975)	3,513,945	88,888,407

#### Reconciliation of heritage assets - Economic entity - 2011

	Opening balance	Additions	Transfers in	Disposals	Total
Heritage assets	85,505,328	1,115,046	199,794	(949,536)	85,870,632

#### Reconciliation of heritage assets - Controlling entity - 2012

	Opening balance	Additions	Disposals	Revaluations	Total
Heritage assets	85,870,632	446,805	(942,975)	3,513,945	88,888,407

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 9. Heritage Assets (continued)

#### Reconciliation of heritage assets - Controlling entity - 2011

	Opening balance	Additions	Transfers in	Disposals	Total
Heritage assets	85,505,328	1,115,046	199,794	(949,536)	85,870,632

#### Transfers to and from Property, Plant and Equipment

The following assets were transferred from Property, Plant and Equipment.

	Cost/Valuation	2012 Revaluation	Carrying Value	Cost/Valuation	2011 Revaluation	Carrying Value
City Hall	75,541,666	3,024,400	78,566,066	75,541,666	-	75,541,666
Naval Hill Game Reserve	<u>4,821,624</u>	<u>-</u>	<u>4,821,624</u>	<u>4,821,624</u>	<u>-</u>	<u>4,821,624</u>
	<b><u>80,363,290</u></b>	<b><u>3,024,400</u></b>	<b><u>83,387,690</u></b>	<b><u>80,363,290</u></b>	<b><u>-</u></b>	<b><u>80,363,290</u></b>

The fair value of these assets were determined by an independent valuator as at 30 June 2012.

None of the assets were pledged as security for any financial liability.

#### Methods and assumptions used in determining fair value

The numbers of the Kwaggafontein Reserve animals were determined via an aerial game count, while the numbers of the Naval Hill Reserve animals were determined via on foot head count. For the Kwaggafontein Game Reserve and the Naval Hill Reserve the valuation figures are based on the 2011 game auction's averages. These figures does not allow for the possibility of trophies that might be present even though the aerial game count, done by professionals in this industry, does not show a high possibility of trophies being present.

A number of Zoo animals were verified through physical inspection of the animals and the valuation of the Zoo animals considered the following:

- Inbreeding , the genes, whether animals are sterilized, age of the animal, common availability of the animal type, novelty values where no market price exist e.g. Some of the snakes and animals hand-raised versus tame. During the valuation of the snakes their temperament was also taken into account.
- The birds of prey at the Zoo are kept for rehabilitation and therefore no value was placed on this, as it has a novelty attraction only.

The valuation of the orchids were done by physically inspecting the plants and verifying the amounts as stated on the stock sheets of the entity's Greenhouse and in the Orchid House.

There are no contractual commitments for the acquisition, maintenance and restoration of heritage assets at year end.

There are no heritage assets used for more than one purpose.

Revaluations were done on 30 June 2011 based on the market price for such assets by an independent valuator. The condition of the asset, the age and where applicable the breeding of the asset were all considered in determining the fair values.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 10. Investment property

Economic entity	2012			2011		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,344,208,800	-	1,344,208,800	1,245,581,711	-	1,245,581,711

  

Controlling entity	2012			2011		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,344,208,800	-	1,344,208,800	1,245,581,711	-	1,245,581,711

#### Reconciliation of investment property - Economic entity - 2012

	Opening balance	Additions	Revaluations	Total
Investment property	1,245,581,711	1,018,854	97,608,235	1,344,208,800

#### Reconciliation of investment property - Economic entity - 2011

	Opening balance	Additions	Revaluations	Total
Investment property	1,164,405,878	3,064,265	78,111,568	1,245,581,711

#### Reconciliation of investment property - Controlling entity - 2012

	Opening balance	Additions	Revaluations	Total
Investment property	1,245,581,711	1,018,854	97,608,235	1,344,208,800

#### Reconciliation of investment property - Controlling entity - 2011

	Opening balance	Additions	revaluations	Total
Investment property	1,164,405,878	3,064,265	78,111,568	1,245,581,711

#### Pledged as security

None of the properties were pledged as security for any financial liability.

It was impractical to disclose the expenditure incurred relating to the Investment Property.

There are no contractual obligations in respect of the Investment Property.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 10. Investment property (continued)

#### Gains from Fair Value Adjustments

	2012				2011			
	Cost/Valuation	Additions	Revaluations	Carrying Value	Cost/Valuation	Additions	Revaluations	Carrying Value
Free State Stadium	1,020,869,578	1,018,854	78,111,568	1,100,000,000	939,693,745	3,064,265	78,111,568	1,020,869,578
Sport Clubs	177,294,768	-	22,088,666	199,383,434	177,294,768	-	-	177,297,768
Boeremark	4,112,000	-	(2,592,000)	1,520,000	4,112,000	-	-	4,112,000
	<b>1,202,276,346</b>	<b>1,018,854</b>	<b>97,608,234</b>	<b>1,300,903,434</b>	<b>1,121,100,513</b>	<b>3,064,265</b>	<b>78,111,568</b>	<b>1,202,279,346</b>

#### Transfers to and from Property, Plant and Equipment

The following assets were transferred from Property, Plant and Equipment.

	2012				2011		
	Cost/Valuation	Revaluations	Carrying Value	Cost/Valuation	Additions	Carrying Value	
Creshes	856,537	-	856,537	856,537	-	856,537	
	<b>856,537</b>	<b>-</b>	<b>856,537</b>	<b>856,537</b>	<b>-</b>	<b>856,537</b>	

#### Details of valuation

Investment property were valued by an independent Valuator on 30 June 2012.

The movement in the revaluation was recognised in surplus and deficit for the year.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment

Economic entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	886,386,945	-	886,386,945	886,389,945	-	886,389,945
Buildings	600,031,703	(10,663,287)	589,368,416	482,595,137	(6,751,726)	475,843,411
Bridges	50,008,567	(3,712,725)	46,295,842	50,008,567	(2,935,093)	47,073,474
Parks and Cemeteries	92,340,848	(21,876,402)	70,464,446	87,033,736	(17,040,231)	69,993,505
CCTV system	51,766,886	(12,455,340)	39,311,546	38,718,208	(7,541,397)	31,176,811
Environmental facilities	3,131,439	(553,941)	2,577,498	2,649,044	(409,438)	2,239,606
Fresh produce market	53,350,749	(20,659,424)	32,691,325	53,350,749	(16,330,778)	37,019,971
Landfill sites (WIP)	1,781,240	-	1,781,240	450,000	-	450,000
Roads	3,034,373,408	(688,722,468)	2,345,650,940	2,911,037,274	(542,114,507)	2,368,922,767
Rail Road Siding	23,337,859	(4,696,481)	18,641,378	23,337,859	(3,757,185)	19,580,674
Sportsground and Stadiums	223,464,449	(51,121,671)	172,342,778	204,209,524	(40,721,343)	163,488,181
Pedestrian Malls	381,575,358	(50,876,715)	330,698,643	380,670,470	(37,252,648)	343,417,822
Water Mains and Purification	2,138,968,837	(248,373,448)	1,890,595,389	2,068,693,424	(198,670,369)	1,870,023,055
Water and Sanitation	757,254,928	(190,584,832)	566,670,096	643,759,159	(144,260,586)	499,498,573
White city infrastructure (WIP)	329,989	-	329,989	-	-	-
Zoo	47,240,586	(9,104,805)	38,135,781	47,240,586	(7,043,680)	40,196,906
Fire arms	783,481	(144,108)	639,373	781,081	(107,728)	673,353
Motor vehicles	188,549,861	(45,262,887)	143,286,974	179,327,589	(35,993,450)	143,334,139
Tools, Plant and Equipment	5,206,963	(1,905,017)	3,301,946	4,239,293	(1,504,757)	2,734,536
Furniture and office equipment	37,845,558	(12,187,627)	25,657,931	20,257,204	(3,754,011)	16,503,193
Capitalised lease assets	14,921,663	(9,105,736)	5,815,927	9,387,780	(6,557,203)	2,830,577
Plant and Machinery	2,855,892,509	(279,540,299)	2,576,352,210	2,737,954,263	(140,113,889)	2,597,840,374
<b>Total</b>	<b>11,448,543,826</b>	<b>(1,661,547,213)</b>	<b>9,786,996,613</b>	<b>10,832,090,892</b>	<b>(1,212,860,019)</b>	<b>9,619,230,873</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	878,826,945	-	878,826,945	878,829,945	-	878,829,945
Buildings	537,891,203	(6,092,099)	531,799,104	420,454,637	(4,466,132)	415,988,505
Bridges	50,008,567	(3,712,725)	46,295,842	50,008,567	(2,935,093)	47,073,474
Parks and Cemeteries	92,340,848	(21,876,402)	70,464,446	87,033,736	(17,040,231)	69,993,505
CCTV system	51,766,886	(12,455,340)	39,311,546	38,718,208	(7,541,397)	31,176,811
Environmental facilities	3,131,439	(553,941)	2,577,498	2,649,044	(409,438)	2,239,606
Fresh produce market	53,350,749	(20,659,424)	32,691,325	53,350,749	(16,330,778)	37,019,971
Roads	3,034,373,408	(688,722,468)	2,345,650,940	2,911,037,274	(542,114,507)	2,368,922,767
Landfill sites (WIP)	1,781,240	-	1,781,240	450,000	-	450,000
Rail Road Siding	23,337,859	(4,696,481)	18,641,378	23,337,859	(3,757,185)	19,580,674
Sportsground and Stadiums	223,464,449	(51,121,671)	172,342,778	204,209,524	(40,721,343)	163,488,181
Pedestrian Malls	381,575,358	(50,876,715)	330,698,643	381,575,358	(38,157,536)	343,417,822
Water Mains and Purification	2,138,968,837	(248,373,448)	1,890,595,389	2,068,693,424	(198,670,369)	1,870,023,055
Water and Sanitation	757,254,928	(190,584,832)	566,670,096	643,759,159	(144,260,586)	499,498,573
White city infrastructure (WIP)	329,989	-	329,989	-	-	-
Zoo	47,240,586	(9,104,805)	38,135,781	47,240,586	(7,043,680)	40,196,906
Fire arms	783,481	(144,108)	639,373	781,081	(107,728)	673,353
Motor vehicles	177,052,229	(40,776,139)	136,276,090	177,052,230	(35,388,125)	141,664,105
Tools, Plant and Equipment	5,206,963	(1,905,017)	3,301,946	4,239,293	(1,504,757)	2,734,536
Furniture and office equipment	26,505,540	(4,231,586)	22,273,954	14,741,781	(2,509,377)	12,232,404
Capitalised lease assets	13,413,482	(8,161,637)	5,251,845	8,937,783	(6,356,949)	2,580,834
<b>Total</b>	<b>8,498,604,986</b>	<b>(1,364,048,838)</b>	<b>7,134,556,148</b>	<b>8,017,100,238</b>	<b>(1,069,315,211)</b>	<b>6,947,785,027</b>

### Reconciliation of property, plant and equipment - Economic entity - 2012

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

	Opening balance	Additions	Work in progress Additions	Disposals	Additions through entity combinations	Transfers	Depreciation	Impairment loss	Total Net Book Value
Land	886,389,945	-	-	(3,000)	-	-	-	-	886,386,945
Buildings	475,843,411	-	110,286,566	-	-	7,150,000	(3,911,561)	-	589,368,416
Bridges	47,073,474	-	-	-	-	-	(777,632)	-	46,295,842
Parks and Cemeteries	69,993,505	-	5,307,112	-	-	-	(4,836,171)	-	70,464,446
CCTV system	31,176,811	13,048,678	-	-	-	-	(4,913,943)	-	39,311,546
Environmental facilities	2,239,606	-	482,395	-	-	-	(144,503)	-	2,577,498
Fresh produce market	37,019,971	-	-	-	-	-	(4,328,646)	-	32,691,325
Roads	2,368,922,767	18,179,876	105,156,258	-	-	-	(146,607,961)	-	2,345,650,940
Landfill sites (WIP)	450,000	-	1,331,240	-	-	-	-	-	1,781,240
Rail Road Siding	19,580,674	-	-	-	-	-	(939,296)	-	18,641,378
Sportsground and Stadiums	163,488,181	5,448,907	13,806,018	-	-	-	(10,400,328)	-	172,342,778
Pedestrian Malls	343,417,822	-	-	-	-	-	(12,719,179)	-	330,698,643
Water Mains and Purification	1,870,023,055	-	70,275,413	-	-	-	(49,703,079)	-	1,890,595,389
Water and Sanitation	499,498,573	11,880,435	101,615,334	-	-	-	(46,324,246)	-	566,670,096
White city infrastructure (WIP)	-	-	329,989	-	-	-	-	-	329,989
Zoo	40,196,906	-	-	-	-	-	(2,061,125)	-	38,135,781
Fire arms	673,353	2,400	-	-	-	-	(36,380)	-	639,373
Motor vehicles	143,334,139	6,320,161	-	-	-	-	(6,367,326)	-	143,286,974
Tools, Plant and Equipment	2,734,536	967,670	-	-	-	-	(400,260)	-	3,301,946
Furniture and office equipment	16,503,193	10,684,113	1,437,469	-	-	-	(2,966,844)	-	25,657,931
Capitalised leased assets	2,830,577	4,864,580	-	-	122,279	-	(2,341,374)	339,871	5,815,927
Plant and Machinery	2,597,840,374	118,281,975	-	-	-	-	(139,770,139)	-	2,576,352,210
	<b>9,619,230,873</b>	<b>189,678,795</b>	<b>410,027,794</b>	<b>(3,000)</b>	<b>122,279</b>	<b>7,150,000</b>	<b>(439,549,993)</b>	<b>339,871</b>	<b>9,786,996,613</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2011

	Opening balance	Additions	Work in progress Additions	Disposals	Depreciation	Total Net Book Value
Land	886,389,945	-	-	-	-	886,389,945
Buildings	304,304,610	-	175,313,106	-	(3,774,305)	475,843,411
Bridges	47,851,105	-	-	-	(777,631)	47,073,474
Parks and Cemeteries	73,072,536	1,633,172	-	-	(4,712,203)	69,993,505
CCTV system	31,860,035	2,780,866	-	-	(3,464,090)	31,176,811
Environmental facilities	2,384,109	-	-	-	(144,503)	2,239,606
Fresh produce market	41,348,617	-	-	-	(4,328,646)	37,019,971
Roads	2,256,864,475	212,321,766	42,247,385	-	(142,510,859)	2,368,922,767
Landfill sites (WIP)	-	-	450,000	-	-	450,000
Rail Road Siding	20,519,970	-	-	-	(939,296)	19,580,674
Sportsground and Stadiums	172,201,529	1,472,321	-	-	(10,185,669)	163,488,181
Pedestrian Malls	356,137,001	-	-	-	(12,719,179)	343,417,822
Water Mains and Purification	1,915,678,287	-	4,047,847	-	(49,703,079)	1,870,023,055
Water and Sanitation	480,177,709	10,036,638	54,412,154	-	(45,127,928)	499,498,573
Zoo	41,750,732	475,593	-	-	(2,029,419)	40,196,906
Fire arms	709,600	-	-	-	(36,247)	673,353
Motor vehicles	154,792,330	1,831,480	-	(10,698,854)	(2,590,817)	143,334,139
Tools, Plant and Equipment	1,955,375	1,178,398	-	-	(399,237)	2,734,536
Furniture and office equipment	16,595,237	2,163,179	-	-	(2,255,223)	16,503,193
Capitalised leased assets	2,150,920	1,890,246	-	-	(1,210,589)	2,830,577
Plant and Machinery	2,700,744,577	39,865,936	-	(2,656,250)	(140,113,889)	2,597,840,374
	<b>9,507,488,699</b>	<b>275,649,595</b>	<b>276,470,492</b>	<b>(13,355,104)</b>	<b>(427,022,809)</b>	<b>9,619,230,873</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2012

	Opening balance	Additions	Work in progress Additions	Disposals	Additions through entity combinations	Transfers	Depreciation	Impairment loss	Total Net Book Value
Land	878,829,945	-	-	(3,000)	-	-	-	-	878,826,945
Buildings	415,988,505	348,068,209	110,286,566	-	7,150,000	(348,068,209)	(1,625,967)	-	531,799,104
Bridges	47,073,474	-	-	-	-	-	(777,632)	-	46,295,842
Parks and Cemeteries	69,993,505	-	5,307,112	-	-	-	(4,836,171)	-	70,464,446
CCTV system	31,176,811	13,048,678	-	-	-	-	(4,913,943)	-	39,311,546
Environment Facilities	2,239,606	-	482,395	-	-	-	(144,503)	-	2,577,498
Fresh produce market	37,019,971	-	-	-	-	-	(4,328,646)	-	32,691,325
Roads	2,368,922,767	18,179,876	105,156,258	-	-	-	(146,607,961)	-	2,345,650,940
Landfill sites (WIP)	450,000	-	1,331,240	-	-	-	-	-	1,781,240
Rail Road Siding	19,580,674	-	-	-	-	-	(939,296)	-	18,641,378
Sportsgrounds and Stadiums	163,488,181	5,448,906	13,806,019	-	-	-	(10,400,328)	-	172,342,778
Pedestrian Malls	343,417,822	-	-	-	-	-	(12,719,179)	-	330,698,643
Water Mains and Purification	1,870,023,055	-	70,275,413	-	-	-	(49,703,079)	-	1,890,595,389
Water and Sanitation	499,498,573	11,880,435	101,615,334	-	-	-	(46,324,246)	-	566,670,096
White city infrastructure (WIP)	-	-	329,989	-	-	-	-	-	329,989
Zoo	40,196,906	-	-	-	-	-	(2,061,125)	-	38,135,781
Fire arms	673,353	2,400	-	-	-	-	(36,380)	-	639,373
Motor vehicles	141,664,105	-	-	-	-	-	(5,388,015)	-	136,276,090
Tools, Plant and Equipment	2,734,536	967,670	-	-	-	-	(400,260)	-	3,301,946
Furniture and office equipment	12,232,404	10,326,291	-	-	1,437,469	-	(1,722,210)	-	22,273,954
Capitalised lease assets	2,580,834	4,353,420	-	-	122,279	-	(2,144,559)	339,871	5,251,845
	<b>6,947,785,027</b>	<b>412,275,885</b>	<b>408,590,326</b>	<b>(3,000)</b>	<b>8,709,748</b>	<b>(348,068,209)</b>	<b>(295,073,500)</b>	<b>339,871</b>	<b>7,134,556,148</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2011

	Opening balance	Additions	Work in progress Additions	Disposals	Depreciation	Depreciation on sale	Total Net Book Value
Land	878,829,945	-	-	-	-	-	878,829,945
Buildings	242,164,110	175,313,106	-	-	(1,488,711)	-	415,988,505
Bridges	47,851,106	-	-	-	(777,632)	-	47,073,474
CCTV system	31,860,035	2,780,866	-	-	(3,464,090)	-	31,176,811
Parks and Cemeteries	73,072,536	1,633,172	-	-	(4,712,203)	-	69,993,505
Environmental Facilities	2,384,109	-	-	-	(144,503)	-	2,239,606
Fresh produce market	41,348,617	-	-	-	(4,328,646)	-	37,019,971
Roads	2,256,864,475	219,005,685	35,563,466	-	(142,510,859)	-	2,368,922,767
Landfill sites (WIP)	-	-	450,000	-	-	-	450,000
Rail Road Siding	20,519,970	-	-	-	(939,296)	-	19,580,674
Sportsgrounds and Stadiums	172,201,529	1,472,321	-	-	(10,185,669)	-	163,488,181
Pedestrian malls	356,137,001	-	-	-	(12,719,179)	-	343,417,822
Water Mains and Purification	1,915,678,287	-	4,047,847	-	(49,703,079)	-	1,870,023,055
Water and Sanitation	480,177,710	3,352,718	61,096,073	-	(45,127,928)	-	499,498,573
Zoo	41,750,732	475,593	-	-	(2,029,419)	-	40,196,906
Fire arms	709,600	-	-	-	(36,247)	-	673,353
Motor vehicles	152,516,971	1,831,480	-	(10,698,854)	(6,116,037)	4,130,545	141,664,105
Tools, Plant and Equipment	1,955,375	1,178,398	-	-	(399,237)	-	2,734,536
Furniture and Office equipment	11,289,350	1,953,641	-	-	(1,010,587)	-	12,232,404
Capitalised lease assets	1,902,362	2,158,936	-	(470,129)	(1,439,678)	429,343	2,580,834
	<b>6,729,213,820</b>	<b>411,155,916</b>	<b>101,157,386</b>	<b>(11,168,983)</b>	<b>(287,133,000)</b>	<b>4,559,888</b>	<b>6,947,785,027</b>

#### Pledged as security

None of the property, plant and equipment are pledged as security, except for finance leased assets.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>11. Property, plant and equipment (continued)</b>				
<b>Assets subject to finance lease (Net carrying amount)</b>				
Furniture and office equipment	5,223,887	2,347,822	5,223,887	2,347,822
Cellular Data Services	6,072	56,345	6,072	56,345
Cellular Phones	21,885	176,666	21,885	176,666
	<b>320,881,601</b>	<b>309,403,153</b>	<b>313,870,711</b>	<b>307,733,119</b>

### Assets Transferred In From Motheo District Municipality (Refer to Note 64: Transfer of Functions between Entities not under Common Control)

	Cost/Valuation	Revaluations	Accumulated Depreciation	Carrying Value
Buildings	7,150,000	-	-	7,150,000
Furniture and Office Equipment	2,910,054	158,788	(1,631,374)	1,437,468
Cellular Phones	488,443	-	(366,163)	122,280
	<b>10,548,497</b>	<b>158,788</b>	<b>(1,997,537)</b>	<b>8,709,748</b>

Assets transferred in from the Motheo District Municipality have been revalued during the 2009-2010 financial year by Mr Matthew Henderson, a qualified Appraiser in terms of Section 6(1) of the Administration of Estates Act, 1965 (Act 66 of 1965).

A total of 626 movable assets disclosed at a nominal rate of R1 have been revalued by Mr. Nico Smith, a qualified Appraiser in terms of Section 6(1) of the Administration of Estates Act, 1965 (Act 66 of 1965).

Date of revaluation 30 June 2012.

### Reconciliation of Work-in-Progress Economic entity - 2012

	Included within Infrastructure	Total Net Book Value
Opening balance	511,306,735	511,306,735
Additions/capital expenditure	408,590,325	408,590,325
Transferred to completed items	(348,068,209)	(348,068,209)
	<b>571,828,851</b>	<b>571,828,851</b>

### Reconciliation of Work-in-Progress Economic entity - 2011

	Included within Infrastructure	Total Net Book Value
Opening balance	234,836,243	234,836,243
Additions/capital expenditure	276,470,492	276,470,492
	<b>511,306,735</b>	<b>511,306,735</b>

### Reconciliation of Work-in-Progress Controlling entity - 2012

	Included within Infrastructure	Total Net Book Value
Opening balance	511,306,735	511,306,735
Additions/capital expenditure	408,590,325	408,590,325
Transferred to completed items	(348,068,209)	(348,068,209)
	<b>571,828,851</b>	<b>571,828,851</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 11. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress Controlling entity - 2011

	Included within Infrastructure	Total Net Book Value
Opening balance	234,836,243	234,836,243
Additions/capital expenditure	276,470,492	276,470,492
	<b>511,306,735</b>	<b>511,306,735</b>

Refer to Appendix B for more details

#### Deemed cost

Aggregate of items valued using deemed cost	-	89,068	-	89,068
Aggregate adjustment to the carrying amounts previously reported	-	3,890,078,513	-	3,890,078,513

Deemed cost was determined using depreciated replacement cost.

### 12. Intangible assets

Economic entity	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software - Centlec (SOC) Ltd	10,942,829	-	10,942,829	705,551	-	705,551
Computer software	9,700,948	(2,181,897)	7,519,051	9,352,544	(1,868,746)	7,483,798
<b>Total</b>	<b>20,643,777</b>	<b>(2,181,897)</b>	<b>18,461,880</b>	<b>10,058,095</b>	<b>(1,868,746)</b>	<b>8,189,349</b>

Controlling entity	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	9,700,948	(2,181,897)	7,519,051	9,352,544	(1,868,746)	7,483,798

#### Reconciliation of intangible assets - Economic entity - 2012

	Opening balance	Additions	Transfers	Amortisation	Total Net Book Value
Computer software	705,551	10,237,278	-	-	10,942,829
Computer software	7,483,798	348,404	14,923	(328,074)	7,519,051
	<b>8,189,349</b>	<b>10,585,682</b>	<b>14,923</b>	<b>(328,074)</b>	<b>18,461,880</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - Economic entity - 2011

	Opening balance	Amortisation	Total Net Book Value
Computer software	705,551	-	705,551
Computer software	7,795,549	(311,751)	7,483,798
	<b>8,501,100</b>	<b>(311,751)</b>	<b>8,189,349</b>

#### Reconciliation of intangible assets - Controlling entity - 2012

	Opening balance	Additions	Transfers	Amortisation	Total Net Book Value
Computer software	7,483,798	348,404	14,923	(328,074)	7,519,051

#### Reconciliation of intangible assets - Controlling entity - 2011

	Opening balance	Amortisation	Total Net Book Value
Computer software	7,795,549	(311,751)	7,483,798

#### Pledged as security

No intangible asset was pledged as security for any financial liability.

### 13. Investments in controlled entities

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Centlec (Pty) Ltd	Mangaung Metropolitan Municipality	100.00 %	100.00 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses. There has been no impairment for 2011 and 2012.

A company, Centlec (SOC) Ltd, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account. Control over Centlec (SOC) Ltd by Mangaung Metropolitan Municipality was acquired in 2003.

The financial information of these two entities are consolidated in this set of financial statements as the economic entity.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below except for the other receivables from non-exchange transactions which are not a contractual instrument:

#### Economic entity - 2012

	Loans and receivables	Held to maturity Investments	Available-for- sale	Total
Cash and cash equivalents	211,263,521	130,497,505	-	341,761,026
Consumer receivables	448,775,076	-	-	448,775,076
Other financial assets - Non-current portion	15,201,441	-	14,048	15,215,489
Other receivables from exchange transactions	208,452,850	-	-	208,452,850
	<b>883,692,888</b>	<b>130,497,505</b>	<b>14,048</b>	<b>1,014,204,441</b>

#### Economic entity - 2011

	Loans and receivables	Held to maturity Investments	Available-for- sale	Total
Cash and cash equivalents	47,570,861	198,894,676	-	246,465,537
Consumer receivables	280,838,674	-	-	280,838,674
Other financial assets - Non-current portion	13,259,382	-	11,868	13,271,250
Other receivables from exchange transactions	61,835,476	-	-	61,835,476
	<b>403,504,393</b>	<b>198,894,676</b>	<b>11,868</b>	<b>602,410,937</b>

#### Controlling entity - 2012

	Loans and receivables	Held to maturity Investments	Available-for- sale	Total
Cash and cash equivalents	48,479,346	130,497,505	-	178,976,851
Consumer receivables from exchange transactions	303,732,127	-	-	303,732,127
Other financial assets - Non-current portion	2,149,866,383	-	14,048	2,149,880,431
Other receivables from exchange transactions	1,813,232	-	-	1,813,232
	<b>2,503,891,088</b>	<b>130,497,505</b>	<b>14,048</b>	<b>2,634,402,641</b>

#### Controlling entity - 2011

	Loans and receivables	Held to maturity Investments	Available-for- sale	Total
Cash and cash equivalents	32,780,857	198,894,676	-	231,675,533
Other receivables from exchange transactions	180,132,042	-	-	180,132,042
Other financial assets - Non-current portion	1,975,390,665	-	11,868	1,975,402,533
Other receivables from exchange transactions	31,343,780	-	-	31,343,780
	<b>2,219,647,344</b>	<b>198,894,676</b>	<b>11,868</b>	<b>2,418,553,888</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>15. Non-current Borrowings</b>				
<b>Held at amortised cost</b>				
DSA - FS1034/01	10,861,564	-	10,861,564	-
DBSA - FS1034/02	42,761,225	11,829,774	42,761,225	11,829,774
DBSA Bloemfontein - Sewer 8001/104	4,423,907	5,432,535	4,423,907	5,432,535
DBSA Bloemfontein - Water 8001/104	4,040,498	4,961,888	4,040,498	4,961,888
DBSA Thaba Nchu - 1861/202	-	122,959	-	122,959
	<b>62,087,194</b>	<b>22,347,156</b>	<b>62,087,194</b>	<b>22,347,156</b>

These loans are from The Development Bank of South Africa and repayments are made either monthly or on a six monthly basis. The last loan will be redeemed at 30 March 2026 and the loans bear interest between 6% and 14%.

The entity did not default on any of the non-current borrowings, whether it be on the capital or the interest portions and none of the terms attached to the non-current borrowings were renegotiated.

### Non-current liabilities

At amortised cost	57,685,520	20,162,975	57,685,520	20,162,975
-------------------	------------	------------	------------	------------

### Current liabilities

At amortised cost	4,401,674	2,184,181	4,401,674	2,184,181
-------------------	-----------	-----------	-----------	-----------

	<b>62,087,194</b>	<b>22,347,156</b>	<b>62,087,194</b>	<b>22,347,156</b>
--	-------------------	-------------------	-------------------	-------------------

### 16. Finance lease liabilities

#### Minimum lease payments due

- within one year	3,180,832	1,471,624	2,845,995	1,299,137
- in second to fifth year inclusive	3,519,016	2,121,804	3,198,342	1,852,815

	6,699,848	3,593,428	6,044,337	3,151,952
less: future finance charges	(665,597)	(396,866)	(576,437)	(298,001)

<b>Present value of minimum lease payments</b>	<b>6,034,251</b>	<b>3,196,562</b>	<b>5,467,900</b>	<b>2,853,951</b>
--	------------------	------------------	------------------	------------------

#### Present value of minimum lease payments due

- within one year	2,746,691	1,287,310	2,477,556	1,176,310
- in second to fifth year inclusive	3,287,560	1,909,252	2,990,344	1,677,641

	<b>6,034,251</b>	<b>3,196,562</b>	<b>5,467,900</b>	<b>2,853,951</b>
--	------------------	------------------	------------------	------------------

Non-current liabilities	3,287,560	1,909,252	2,990,344	1,677,641
Current liabilities	2,746,691	1,287,310	2,477,556	1,176,310

	<b>6,034,251</b>	<b>3,196,562</b>	<b>5,467,900</b>	<b>2,853,951</b>
--	------------------	------------------	------------------	------------------

The entity leases various equipment and 3-G cards under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>17. Payables from exchange transactions</b>				
Accrued leave pay	53,633,584	45,412,416	52,936,389	45,356,533
Centlec Pty Ltd - Intercompany loan	-	-	988,053,879	1,036,781,760
Deferred interest	7,311,614	6,974,177	7,311,614	6,974,177
Deferred lease expenditure	9,414,000	1,769,661	9,414,000	1,769,661
Other payables	2,263,614	5,577,071	1,566,577	-
Other payables - Grants	102,371,917	5,050,984	101,350,762	4,029,819
Payments received in advanced	99,423,194	79,168,073	99,423,194	79,168,073
Retentions	35,013,879	27,503,726	34,584,226	27,503,726
Salary control	-	165,316	-	165,316
Accrued bonus - 13th cheque	17,623,306	16,466,696	17,623,306	16,466,696
Pending claims - Unfair dismissals	6,608,171	-	6,608,171	-
Trade payables	622,291,698	449,872,498	302,830,315	163,694,078
Mantsopa Local Municipality	2,355,891	1,123,350	-	-
Lease accrual	199,620	161,247	-	-
	<b>958,510,488</b>	<b>639,245,215</b>	<b>1,621,702,433</b>	<b>1,381,909,839</b>

Included in Payments Received in Advance for the current financial year is an amount of R17,960,582 for unallocated deposits.

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 50 days (2011: 40 days).

The terms were not renegotiated before the financial statements were authorised for issue and no creditors are secured.

### 18. Payables from non-exchange transactions

Deposits	447,326	451,156	447,326	451,156
Other payables	2,097,484	1,878,075	2,097,484	1,878,075
	<b>2,544,810</b>	<b>2,329,231</b>	<b>2,544,810</b>	<b>2,329,231</b>

### 19. Consumer deposits

Electricity	51,606,472	46,331,130	-	-
Water	26,901,926	27,464,066	26,901,926	27,464,066
	<b>78,508,398</b>	<b>73,795,196</b>	<b>26,901,926</b>	<b>27,464,066</b>

Guarantees held in lieu of water deposits	2,356,728	6,013,517	2,356,728	6,013,517
---	-----------	-----------	-----------	-----------

Included in deposits is an accrual of interest at an effective interest rate of 4% per annum (2011: 4%), which is paid to consumers when the deposits are refunded.

Please refer to note 53 for the reclassification of accrued interest payable.

Guarantees in lieu of consumer deposits amounted to R 2,356,728 (2011: R6,013,517).

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>20. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
2010 World cup - Stadia provincial grant	6,638,800	7,842,755	6,638,800	7,842,755
COGTA - Fire suppression grant	-	82,817	-	82,817
DBSA - Capacity building programme grant	234,104	234,104	234,104	234,104
Financial Management Grant	472,777	977,457	472,777	12,623
Local government and housing grant - Grasslands	3,965,043	3,965,043	3,965,043	3,965,043
Local government and housing grant -White city hostels	-	42,308	-	42,308
Motheo - Contribution environmental health grant	9,813,076	10,680,301	9,813,076	10,680,301
Motheo - Tourism grant	-	10,750	-	10,750
Motheo - Upgrading of roads grant	-	1,259,252	-	1,259,252
Municipal accreditation project funding - Housing grant	6,507,821	3,422,275	6,507,821	3,422,275
Municipal infrastructure grant	282,469	62,931,480	282,469	62,931,480
Municipal systems improvement grant	831,151	-	831,151	-
Provincial grant - Batho roads project	5,688,069	26,423,367	5,688,069	26,423,367
Provincial grant - CCTV	1,858,068	130,851	1,858,068	130,851
Provincial grant - Du Plessis/Muller intersection	554,640	554,640	554,640	554,640
Provincial grant - Grassland area	4,500,000	4,500,000	4,500,000	4,500,000
Provincial grant - Hlasela project - Batho car wash	150,000	150,000	150,000	150,000
Provincial grant - Hlasela project - Iphakamiseng	3,703	3,703	3,703	3,703
Provincial grant - Hlasela project - Re Ba I Kemetseng Bomme	100,000	100,000	100,000	100,000
Provincial grant - Planning surveying	493,144	493,144	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	135,964	509,787	135,964	147,239
Provincial grant - Upgrade housing in Batho	1,749,275	1,749,275	1,749,275	1,749,275
Public transport infrastructure and systems fund grant	56,632,691	100,115,219	56,632,691	100,115,219
Urban renewal grant	280,553	280,553	280,553	280,553
Urban settlement development grant	130,462,322	6,505,054	130,462,322	6,505,054
	<b>231,353,670</b>	<b>232,964,135</b>	<b>231,353,670</b>	<b>231,636,753</b>

The amounts will be recognised as revenue when conditions have been met. No grants were withheld due to unfilled conditions.

### 21. VAT payable

VAT payable	62,518,693	96,925,542	45,538,681	96,925,542
-------------	------------	------------	------------	------------

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

### 22. Employee benefit obligations

#### Defined benefit plan

The defined benefit plans disclosed below are represented by the medical aid for retired employees and pension payments for employees who were in the service of the Council on or before 1 October 1981, as well as a pension to retired employees based on certain criteria to be met, set in the Entity Conditions of Service. Also included in the obligation is the liability arising from the long service leave awarded to qualifying in-service employees.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 22. Employee benefit obligations (continued)

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

#### Carrying value

Present value of the defined benefit obligation	497,437,000	442,310,000	497,437,000	442,310,000
---	-------------	-------------	-------------	-------------

These liabilities are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these liabilities.

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

	Pension fund	Medical aid	Long Service Award	Total
<b>Defined benefit obligation as at 30 June 2010</b>	2,693,000	348,225,000	43,222,000	<b>394,140,000</b>
Interest costs	236,000	34,821,000	2,948,000	<b>38,005,000</b>
Current service costs	-	21,278,000	4,230,000	<b>25,508,000</b>
Benefits paid (expected)	(478,000)	(5,995,000)	(3,902,000)	<b>(10,375,000)</b>
Actuarial (Gain)/Loss	<u>4,263,000</u>	<u>(14,372,000)</u>	<u>5,141,000</u>	<u><b>(4,968,000)</b></u>
<b>Deferred benefit obligation as at 30 June 2011</b>	<b><u>6,714,000</u></b>	<b><u>383,957,000</u></b>	<b><u>51,639,000</u></b>	<b><u>442,310,000</u></b>
	-	-	-	-
	Pension fund	Medical aid	Long Service Award	Total
<b>Defined benefit obligation as at 30 June 2011</b>	6,714,000	383,957,000	51,639,000	<b>442,310,000</b>
Interest costs	555,000	35,100,000	4,744,000	<b>40,399,000</b>
Current service costs	61,000	14,242,000	4,518,000	<b>18,821,000</b>
Benefits paid (expected)	(367,000)	(6,569,000)	(7,126,000)	<b>(14,062,000)</b>
Actuarial (Gain)/Loss	<u>(1,196,000)</u>	<u>6,574,000</u>	<u>4,591,000</u>	<u><b>9,969,000</b></u>
<b>Deferred benefit obligation as at 30 June 2012</b>	<b><u>5,767,000</u></b>	<b><u>433,304,000</u></b>	<b><u>58,366,000</u></b>	<b><u>497,437,000</u></b>

It was not practical to disclose the obligation for the four year period as required by IAS 19.

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used - healthcare	9.00 %	9.05 %	9.00 %	9.05 %
Discount rates used - gratuity	8.00 %	8.55 %	8.00 %	8.55 %
Expected increase in healthcare costs	7.50 %	7.70 %	7.50 %	7.70 %
Expected increase in salaries	7.50 %	7.70 %	7.50 %	7.70 %
Expected increase in pension	5.50 %	5.70 %	5.50 %	5.70 %
Inflation rate	7.50 %	5.70 %	7.50 %	5.70 %
Medical cost trend rates	7.00 %	7.00 %	7.00 %	7.00 %
Membership discounted at retirement or death-in-service	10.00 %	10.00 %	10.00 %	10.00 %
Expected retirement age (yrs)	55	55	55	55

Assumed healthcare cost trends have a significant effect on the amounts recognised in surplus for the year. The value of the liability could also be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted. Other assumptions were held constant.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 22. Employee benefit obligations (continued)

#### Inflation sensitivities

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	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(68,341,000)	(60,348,000)	(68,341,000)	(60,348,000)
Effect on the aggregate of the service cost	(6,083,000)	(5,220,000)	(6,083,000)	(5,520,000)
Effect on the aggregate of the interest cost	(5,374,000)	(4,734,000)	(5,374,000)	(4,734,000)
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Defined benefit obligation	(497,437,000)	(443,210,000)	-	-
Experience adjustments on plan liabilities	(8,418,000)	25,607,000	-	-

The entity obtained an actuarial valuation for the first time on the defined benefit obligations plans on 30 June 2009. A valuation was carried out on 30 June 2012 and the next valuation will be completed for the 2013 financial year.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 23. Provisions

#### Reconciliation of provisions - Economic entity - 2012

	Opening Balance	Movement	Total
Rehabilitation of landfill sites	72,002,358	(27,854,167)	44,148,191
Rehabilitation of quarry sites	2,410,549	(1,838,918)	571,631
	<b>74,412,907</b>	<b>(29,693,085)</b>	<b>44,719,822</b>

#### Reconciliation of provisions - Economic entity - 2011

	Opening Balance	Movement	Total
Rehabilitation of landfill sites	69,629,772	2,372,586	72,002,358
Rehabilitation of quarry sites	2,114,966	295,583	2,410,549
	<b>71,744,738</b>	<b>2,668,169</b>	<b>74,412,907</b>

#### Reconciliation of provisions - Controlling entity - 2012

	Opening Balance	Movement	Total
Rehabilitation of landfill sites	72,002,358	(27,854,167)	44,148,191
Rehabilitation of quarry sites	2,410,549	(1,838,918)	571,631
	<b>74,412,907</b>	<b>(29,693,085)</b>	<b>44,719,822</b>

#### Reconciliation of provisions - Controlling entity - 2011

	Opening Balance	Movement	Total
Rehabilitation of landfill sites	69,629,772	2,372,586	72,002,358
Rehabilitation of quarry sites	2,114,966	295,583	2,410,549
	<b>71,744,738</b>	<b>2,668,169</b>	<b>74,412,907</b>

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques

The discount rate used for all the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation, adjusted by 1,50% for the circumstances of the entity.

Landfills consist of:

- Botshabelo landfill site
- Bloemfontein Northern landfill site
- Bloemfontein Southern landfill site
- Thaba Nchu landfill site

The final restoration of landfill sites are expected to be over a period of 20 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

#### Rehabilitation of quarry sites

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 23. Provisions (continued)

In terms of the Mineral and Petroleum Resources Development (Act, 28 of 2002), it is required from the entity to execute the environmental management program to restore the quarry sites after their useful life.

The provision for the quarries has been made based on costs determined by an independent expert on the 21 August 2012 and is based on the estimated use per annum plus the total area to be rehabilitated multiplied with the estimated restoration cost per unit and increased annually by using an average inflation rate of 6%. The calculation is cumulative and thus equates to the present value of restoration costs at the reporting date.

The discount rate used for all the quarry sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation, adjusted by 1,50% for the circumstances of the entity.

Quarries consist of;

- Cecilia Quarry
- Sunnyside Quarry
- Thaba Nchu Quarries
- Botshabelo Quarries

The provision was determined by an independent expert and approximates the discounted expected future cash flows using reasonable estimation techniques.

The final restoration of quarry sites is expected to be over a period of five years, being the estimated useful life of the quarry sites. No uncertainties were listed in the expert's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

### 24. Housing development fund reserve

Opening balance	3,650,426	11,202,948	3,650,426	11,202,948
Transfers	(3,650,426)	(7,552,522)	(3,650,426)	(7,552,522)
	-	<b>3,650,426</b>	-	<b>3,650,426</b>

#### The housing development fund is represented by the following assets and liabilities

Housing rental receivables	267,786	1,229,958	267,786	1,229,958
(Surplus) / deficit over reserve fund	(267,786)	2,420,468	(267,786)	2,420,468
<b>Total housing development fund assets and liabilities</b>	-	<b>3,650,426</b>	-	<b>3,650,426</b>

### 25. Revaluation reserve

Opening balance	2,686,591,678	2,606,441,293	669,772,371	589,621,986
Contributions	3,513,945	80,363,290	3,513,945	80,363,290
Prior year adjustments	-	(212,905)	-	(212,905)
	<b>2,690,105,623</b>	<b>2,686,591,678</b>	<b>673,286,316</b>	<b>669,772,371</b>

### 26. Mark-to-market reserve

Available-for-sale financial instruments	9,333	7,832	9,333	7,832
Fair value gain	2,180	1,501	2,180	1,501
	<b>11,513</b>	<b>9,333</b>	<b>11,513</b>	<b>9,333</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>27. Self-insurance reserve</b>				
Opening balance	76,090,167	74,606,710	76,090,167	74,606,710
Contributions	1,708,607	2,514,662	1,708,607	2,514,662
Insurance claims processed	(203,028)	(1,031,205)	(203,028)	(1,031,205)
	<b>77,595,746</b>	<b>76,090,167</b>	<b>77,595,746</b>	<b>76,090,167</b>

### 28. COID reserve

Opening balance	10,996,660	14,313,277	10,996,660	14,313,277
Contributions	2,378,223	2,534,227	2,378,223	2,534,227
Insurance claims processed	(1,610,361)	(5,850,844)	(1,610,361)	(5,850,844)
	<b>11,764,522</b>	<b>10,996,660</b>	<b>11,764,522</b>	<b>10,996,660</b>

### 29. Financial liabilities by category

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

#### Economic entity - 2012

	Financial liabilities at amortised cost	Total
Payables from exchange transaction	958,510,488	958,510,488
Consumer deposits	78,508,398	78,508,398
Current portion of non-current borrowings	4,401,674	4,401,674
Non-current borrowings	57,685,520	57,685,520
Payables from non-exchange transactions	2,544,810	2,544,810
VAT payable	62,518,693	62,518,693
	<b>1,164,169,583</b>	<b>1,164,169,583</b>

#### Economic entity - 2011

	Financial liabilities at amortised cost	Total
Consumer deposits	73,795,196	73,795,196
Current portion of non-current borrowings	2,184,181	2,184,181
Payables from exchange transactions	639,245,215	639,245,215
Non-current borrowings	20,162,975	20,162,975
Payables from non-exchange transactions	2,329,231	2,329,231
VAT payable	96,925,542	96,925,542
	<b>834,642,340</b>	<b>834,642,340</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 29. Financial liabilities by category (continued)

#### Controlling entity - 2012

		Financial liabilities at amortised cost	Total
Payables		1,603,741,850	1,603,741,850
Consumer deposits		26,901,926	26,901,926
Current portion of non-current borrowings		4,401,674	4,401,674
Non-current borrowings		57,685,520	57,685,520
Payables from non-exchange transactions		2,544,810	2,544,810
VAT payable		45,538,681	45,538,681
		<b>1,740,814,461</b>	<b>1,740,814,461</b>

#### Controlling entity - 2011

		Financial liabilities at amortised cost	Total
Consumer deposits		27,464,066	27,464,066
Current portion of non-current borrowings		2,184,181	2,184,181
Payables		1,381,909,843	1,381,909,843
Non-current borrowings		20,162,975	20,162,975
Payables from non-exchange transactions		2,329,231	2,329,231
VAT payable		96,925,542	96,925,542
		<b>1,530,975,838</b>	<b>1,530,975,838</b>

### 30. Revenue

Fines	2,884,999	1,642,301	2,884,999	1,642,301
Government grants & subsidies	1,211,493,796	888,845,901	1,102,568,010	881,341,483
Income from agency services	-	-	109,327,894	115,010,183
Interest received	92,387,219	55,737,152	238,687,814	194,039,948
Licences and permits	350,660	203,192	350,660	203,192
Other income	47,266,675	36,342,326	48,854,916	37,088,365
Property rates	463,255,702	396,843,392	463,255,702	396,843,392
Rental of facilities & equipment	106,106,515	45,992,460	106,106,515	45,992,460
Service charges	621,237,648	557,558,699	621,237,648	557,558,699
Rendering of services	295,849,877	222,285,673	-	-
Sale of electricity	1,211,974,409	909,782,472	-	-
Construction contracts	3,368,071	-	-	-
Administration and management fees received	8,011,422	9,208,595	-	-
Royalty income	-	-	-	-
Fees earned	298,004	1,991,554	-	-
Network upgrade	8,392,395	11,706,337	-	-
	<b>4,072,877,392</b>	<b>3,138,140,054</b>	<b>2,693,274,158</b>	<b>2,229,720,023</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>30. Revenue (continued)</b>				
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>				
Income from agency services	-	-	109,327,894	115,010,183
Licences and permits	350,660	203,192	350,660	203,192
Rental of facilities & equipment	106,106,515	45,992,460	106,106,515	45,992,460
Service charges	621,237,648	557,558,699	621,237,648	557,558,699
Sale of goods	1,211,974,409	909,782,472	-	-
Rendering of services	295,849,877	222,285,673	-	-
Sale of electricity	1,211,974,409	909,782,472	-	-
Construction contracts	3,368,071	-	-	-
	<b>3,450,861,589</b>	<b>2,645,604,968</b>	<b>837,022,717</b>	<b>718,764,534</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>				
<b>Taxation revenue</b>				
Property rates	463,255,702	396,843,392	463,255,702	396,843,392
<b>Transfer revenue</b>				
Government grants and subsidies	1,211,493,796	888,845,901	1,102,568,010	881,341,483
Fines	2,884,999	1,642,301	2,884,999	1,642,301
	<b>1,677,634,497</b>	<b>1,287,331,594</b>	<b>1,568,708,711</b>	<b>1,279,827,176</b>
<b>Other:</b>				
Interest received	92,387,219	55,737,152	238,687,814	194,039,948
Other income	47,266,675	36,342,326	48,854,916	37,088,365
Administration an management fees received	8,011,422	9,208,595	-	-
Fees earned	298,004	1,991,554	-	-
Network upgrade	8,392,395	11,706,337	-	-
	<b>156,355,715</b>	<b>114,985,964</b>	<b>287,542,730</b>	<b>231,128,313</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies</b>				
2010 World cup - Host city operating grant	-	19,000,000	-	19,000,000
2010 World cup - Stadia provincial grant	1,203,954	8,779,971	1,203,954	8,779,971
DWA - Water services operating and transfer subsidy grant	-	2,025,823	-	2,025,823
Electricity demand side management grant	5,964,834	4,461,922	5,000,000	5,000,000
Equitable share	581,692,160	504,274,138	544,206,000	494,272,603
Motho - Upgrading of roads	1,259,252	-	1,259,252	-
Financial management grant	1,462,623	1,238,094	1,462,623	1,238,094
Urban settlement development grant	302,784,976	-	248,037,732	-
DME Grant	362,548	11,040,961	-	-
Local government and housing grant - White city hostels	42,308	1,172,882	42,308	1,172,882
Motheo - Contribution environment health	867,225	9,106,157	867,225	9,106,157
Motheo - Tourism grant	10,750	89,250	10,750	89,250
Municipal accreditation project funding - Housing grant	549,455	55	549,455	55
Fuel Levy grant	175,972,000	-	175,972,000	-
Municipal infrastructure grant	62,689,011	145,501,257	62,689,011	145,501,257
Municipal systems improvement grant	-	1,435,145	-	1,435,145
National electrification program grant - DME	28,000,000	-	12,635,000	13,000,000
COGTA - Fire suppression grant	82,817	-	82,817	-
Provincial grant - Land use scheme	-	748,686	-	748,686
Provincial grant - CCTV	8,272,782	-	8,272,782	-
Provincial grant - Du Plessis/Muller intersection	-	24,093	-	24,093
Provincial grant - Hlasela project - Lehlohonolo	-	7,200	-	7,200
Provincial grant - Hlasela project - Upgrading roads in Batho	-	334,124	-	334,124
Provincial grant - Hlasela project - Upgrading housing	20,735,298	5,911,183	20,735,298	5,911,183
Provincial grant - Planning and surveying	-	81,066	-	81,066
Provincial grant - Township establishment - Caleb Motshabi	11,275	1,196,552	11,275	1,196,552
Public transport infrastructure and systems fund grant	19,530,528	172,005,330	19,530,528	172,005,330
Restructuring grant	-	123,686	-	123,686
Urban renewal grant	-	288,326	-	288,326
	<b>1,211,493,796</b>	<b>888,845,901</b>	<b>1,102,568,010</b>	<b>881,341,483</b>

### Equitable Share

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

Current-year receipts	581,692,160	504,274,138	544,206,000	494,272,603
Conditions met - transferred to revenue	(581,692,160)	(504,274,138)	(544,206,000)	(494,272,603)
	-	-	-	-

### Financial Management Grant

Balance unspent at beginning of year	12,623	61,718	12,623	61,718
Current-year receipts	1,922,777	1,188,999	1,922,777	1,188,999
Conditions met - transferred to revenue	(1,462,623)	(1,238,094)	(1,462,623)	(1,238,094)
	<b>472,777</b>	<b>12,623</b>	<b>472,777</b>	<b>12,623</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

### Municipal accreditation project funding - Housing grant

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	3,422,275	3,422,330	3,422,275	3,422,330
Current-year receipts	3,635,000	-	3,635,000	-
Conditions met - transferred to revenue	(549,454)	(55)	(549,454)	(55)
	<b>6,507,821</b>	<b>3,422,275</b>	<b>6,507,821</b>	<b>3,422,275</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

### Motheo - Tourism grant

Balance unspent at beginning of year	10,750	-	10,750	-
Current-year receipts	-	100,000	-	100,000
Conditions met - transferred to revenue	(10,750)	(89,250)	(10,750)	(89,250)
	-	<b>10,750</b>	-	<b>10,750</b>

Conditions still to be met - remain liabilities (see note 20).

The grant was allocated for development of tourism.

### Municipal systems improvement grant

Balance unspent at beginning of year	-	685,145	-	685,145
Current-year receipts	831,151	750,000	831,151	750,000
Conditions met - transferred to revenue	-	(1,435,145)	-	(1,435,145)
	<b>831,151</b>	-	<b>831,151</b>	-

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act.

### Provincial Administration Grant Stadiums

Balance unspent at beginning of year	7,842,755	16,622,725	7,842,755	16,622,725
Conditions met - transferred to revenue	(1,203,955)	(8,779,970)	(1,203,955)	(8,779,970)
	<b>6,638,800</b>	<b>7,842,755</b>	<b>6,638,800</b>	<b>7,842,755</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.

### Provincial grant - Planning and surveying

Balance unspent at beginning of year	493,144	574,210	493,144	574,210
Conditions met - transferred to revenue	-	(81,066)	-	(81,066)
	<b>493,144</b>	<b>493,144</b>	<b>493,144</b>	<b>493,144</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>				
<b>Motheo - Contribution environment health grant</b>				
Balance unspent at beginning of year	10,680,301	13,786,458	10,680,301	13,786,458
Current-year receipts	-	6,000,000	-	6,000,000
Conditions met - transferred to revenue	(867,225)	(9,106,157)	(867,225)	(9,106,157)
	<b>9,813,076</b>	<b>10,680,301</b>	<b>9,813,076</b>	<b>10,680,301</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to assist municipalities with the rendering of environmental health services.

### Municipal infrastructure grant

Balance unspent at beginning of year	62,931,480	38,703,737	62,931,480	38,703,737
Current-year receipts	40,000	169,729,000	40,000	169,729,000
Conditions met - transferred to revenue	(62,689,011)	(145,501,257)	(62,689,011)	(145,501,257)
	<b>282,469</b>	<b>62,931,480</b>	<b>282,469</b>	<b>62,931,480</b>

Conditions still to be met - remain liabilities (see note 20).

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

### Public transport infrastructure and systems fund grant

Balance unspent at beginning of year	100,115,219	121,120,549	100,115,219	121,120,549
Current-year receipts	15,000,000	151,000,000	15,000,000	151,000,000
Conditions met - transferred to revenue	(19,530,528)	(172,005,330)	(19,530,528)	(172,005,330)
Withheld by National Treasury	(38,952,000)	-	(38,952,000)	-
	<b>56,632,691</b>	<b>100,115,219</b>	<b>56,632,691</b>	<b>100,115,219</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with the agreed project plans.

National Treasury instructed all municipalities who had unspent but committed funds for the period 2005/2006 to 2008/2009 and that was not spent at 30 June 2010, to be repaid.

### Local government and housing - Grassland area

Balance unspent at beginning of year	3,965,043	3,965,043	3,965,043	3,965,043
Conditions met - transferred to revenue	-	-	-	-
	<b>3,965,043</b>	<b>3,965,043</b>	<b>3,965,043</b>	<b>3,965,043</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated for housing infrastructure projects for the Grassland area.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>				
<b>Local government and housing grant -White city hostels</b>				
Balance unspent at beginning of year	42,308	1,215,190	42,308	1,215,190
Conditions met - transferred to revenue	(42,308)	(1,172,882)	(42,308)	(1,172,882)
	-	<b>42,308</b>	-	<b>42,308</b>
Conditions still to be met - remain liabilities (see note 20).				
The grant is allocated for the upgrading of the White city hostels.				
<b>Urban renewal grant</b>				
Balance unspent at beginning of year	280,553	568,879	280,553	568,879
Conditions met - transferred to revenue	-	(288,326)	-	(288,326)
	<b>280,553</b>	<b>280,553</b>	<b>280,553</b>	<b>280,553</b>
Conditions still to be met - remain liabilities (see note 20).				
The grant is allocated for the development of erven.				
<b>DBSA - Capacity building programme grant</b>				
Balance unspent at beginning of year	234,104	234,104	234,104	234,104
Conditions met - transferred to revenue	-	-	-	-
	<b>234,104</b>	<b>234,104</b>	<b>234,104</b>	<b>234,104</b>
Conditions still to be met - remain liabilities (see note 20).				
The grant was allocated to the entity to assist with capacity building.				
<b>Fuel levy grant</b>				
Balance unspent at beginning of year	-	-	-	-
Current-year receipts	175,972,000	-	175,972,000	-
Conditions met - transferred to revenue	(175,972,000)	-	(175,972,000)	-
	-	-	-	-
The fuel levy is allocated to the entity from the General Feul Levy Revenue Fund.				
<b>Provincial grant - Township establishment - Caleb Motshabi</b>				
Balance unspent at beginning of year	147,239	1,343,791	147,239	1,343,791
Conditions met - transferred to revenue	(11,275)	(1,196,552)	(11,275)	(1,196,552)
	<b>135,964</b>	<b>147,239</b>	<b>135,964</b>	<b>147,239</b>
Conditions still to be met - remain liabilities (see note 20).				
To assist the entity with the establishing of the township establishment Caleb Motshabi.				
<b>Provincial grant - Grasslands area</b>				
Balance unspent at beginning of year	4,500,000	4,500,000	4,500,000	4,500,000
Conditions met - transferred to revenue	-	-	-	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>4,500,000</b>
Conditions still to be met - remain liabilities (see note 20).				
The grant is to be used for the installation of storm water drainage and re-gravelling of roads. Planning and surveying in respect of phase 3 of the Grasslands area.				
<b>Provincial grant -Hlasela project - Upgrading roads Batho</b>				
Balance unspent at beginning of year	1,749,275	2,083,399	1,749,275	2,083,399
Conditions met - transferred to revenue	-	(334,124)	-	(334,124)
	<b>1,749,275</b>	<b>1,749,275</b>	<b>1,749,275</b>	<b>1,749,275</b>
Conditions still to be met - remain liabilities (see note 20).				
The purpose of the grant is to assist the entity with the operation Hlasela project, the upgrading of housing in the Batho area.				
<b>COGTA - Fire suppression grant</b>				
Balance unspent at beginning of year	82,817	82,817	82,817	82,817
Conditions met - transferred to revenue	(82,817)	-	(82,817)	-
	-	<b>82,817</b>	-	<b>82,817</b>
Conditions still to be met - remain liabilities (see note 20).				
The grant was allocated to the entity to capacitate the fire and rescue division in order to deal with the 2010 World Cup.				
<b>Provincial grant - Hlasela project -Batho Car Wash</b>				
Balance unspent at beginning of year	150,000	150,000	150,000	150,000
Conditions met - transferred to revenue	-	-	-	-
	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
Conditions still to be met - remain liabilities (see note 20).				
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.				
<b>Provincial Grant - Hlasela Project - Re Ba Ikemetseng Bomme</b>				
Balance unspent at beginning of year	100,000	100,000	100,000	100,000
Conditions met - transferred to revenue	-	-	-	-
	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Conditions still to be met - remain liabilities (see note 20).				
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, Re Ba Ikemetseng Bomme swing project.				
<b>Provincial grant - Hlasela project - Iphahamiseng Centre</b>				
Balance unspent at beginning of year	3,703	3,703	3,703	3,703
Conditions met - transferred to revenue	-	-	-	-
	<b>3,703</b>	<b>3,703</b>	<b>3,703</b>	<b>3,703</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 31. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, for wings, computer internet services and adopting the Iphahamiseng centre for vulnerable children.

#### Provincial grant - Du Plessis / Muller intersection

Balance unspent at beginning of year	554,640	578,732	554,640	578,732
Conditions met - transferred to revenue	-	(24,092)	-	(24,092)
	<b>554,640</b>	<b>554,640</b>	<b>554,640</b>	<b>554,640</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to assist the entity with the Du Plessis / Muller intersection infrastructure project as part of the widening of Nelson Mandela Drive.

#### Motheo - Upgrading of roads grant

Balance unspent at beginning of year	1,259,252	-	1,259,252	-
Current-year receipts	-	1,259,252	-	1,259,252
Conditions met - transferred to revenue	(1,259,252)	-	(1,259,252)	-
	-	<b>1,259,252</b>	-	<b>1,259,252</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to assist the entity with the implementation of the upgrading of roads.

#### Urban Settlement Development Grant

Balance unspent at beginning of year	6,505,054	916,014	6,505,054	916,014
Current-year receipts	466,742,244	5,589,040	411,995,000	5,589,040
Conditions met - transferred to revenue	(302,784,976)	-	(248,037,732)	-
Conditions met - transferred to Centlec Creditors	(40,000,000)	-	(40,000,000)	-
	<b>130,462,322</b>	<b>6,505,054</b>	<b>130,462,322</b>	<b>6,505,054</b>

Conditions still to be met - remain liabilities (see note 20).

To implement the electricity demand site management (EDSM) programme by providing capital subsidy to licensed distributors to address EDSM in residential dwellings, communities and municipal buildings in order to mitigate the risk load shedding and supply interruptions.

#### Provincial grant - Upgrading housing in Batho

Balance unspent at beginning of year	26,423,367	-	26,423,367	-
Current-year receipts	-	32,334,550	-	32,334,550
Conditions met - transferred to revenue	(20,735,298)	(5,911,183)	(20,735,298)	(5,911,183)
	<b>5,688,069</b>	<b>26,423,367</b>	<b>5,688,069</b>	<b>26,423,367</b>

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.

#### Provincial grant - CCTV

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	130,851	130,851	130,851	130,851
Current-year receipts	10,000,000	-	10,000,000	-
Conditions met - transferred to revenue	(8,272,783)	-	(8,272,783)	-
	<b>1,858,068</b>	<b>130,851</b>	<b>1,858,068</b>	<b>130,851</b>

Conditions still to be met - remain liabilities (see note 20).

The was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Navil Hill.

### DME Grant

Balance unspent at beginning of year	362,548	-	-	-
Current-year receipts	-	11,403,509	-	-
Conditions met - transferred to revenue	(362,548)	(11,040,961)	-	-
	-	<b>362,548</b>	-	-

Conditions still to be met - remain liabilities (see note 20).

### Electricity demand site management grant

Balance unspent at beginning of year	964,834	1,040,792	-	-
Current-year receipts	5,000,000	4,385,964	5,000,000	5,000,000
Conditions met - transferred to revenue	(5,964,834)	(4,461,922)	(5,000,000)	(5,000,000)
	-	<b>964,834</b>	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was allocated to the entity for PHP housing infrastructure project in Thaba Nchu.

### Provincial grant - Land use scheme

Balance unspent at beginning of year	-	748,686	-	748,686
Conditions met - transferred to revenue	-	(748,686)	-	(748,686)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

To assist the entity with the compilation of a town planning scheme, to manage land development.

### 2010 World cup - Host city operating grant

Balance unspent at beginning of year	-	19,000,000	-	19,000,000
Conditions met - transferred to revenue	-	(19,000,000)	-	(19,000,000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was allocated to the entity to assist with the development and improvement of stadiums and to assist host cities with operational responsibilities associated with hosting the 2010 World Cup.

### National Electrification Programme - DME

Current-year receipts	43,365,000	-	28,000,000	13,000,000
Conditions met - transferred to revenue	(28,000,000)	-	(12,635,000)	(13,000,000)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>31. Government grants and subsidies (continued)</b>				
Conditions met - transferred to Centlec (Pty) Ltd Creditors	(15,365,000)	-	(15,365,000)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

### Provincial grant - Hlasela project - Lehlohonolo music group

Balance unspent at beginning of year	-	7,200	-	7,200
Conditions met - transferred to revenue	-	(7,200)	-	(7,200)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, the Lehlohonolo music group.

### Restructuring grant

Balance unspent at beginning of year	-	123,686	-	123,686
Conditions met - transferred to revenue	-	(123,686)	-	(123,686)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.

### DWA - Water services operating and transfer subsidy grant

Balance unspent at beginning of year	-	2,025,823	-	2,025,823
Conditions met - transferred to revenue	-	(2,025,823)	-	(2,025,823)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 20).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

### 32. Income from agency services

Centlec (SOC) Ltd - Employee related costs	-	-	109,327,894	104,639,888
Centlec (SOC) Ltd - Insurance	-	-	-	853,855
Centlec (SOC) Ltd - Services	-	-	-	9,516,440
	-	-	<b>109,327,894</b>	<b>115,010,183</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>33. Interest received</b>				
<b>Interest revenue</b>				
Cash and cash equivalents	14,571,843	10,643,763	14,571,843	10,643,763
Centlec (SOC) Ltd -Advances	-	-	13,480,815	16,361,771
Centlec (SOC) Ltd - Shareholders loan	-	-	185,344,025	142,802,314
Interest charged on consumer receivables	75,857,654	42,622,124	23,333,409	21,760,835
Loans and receivables	1,957,722	2,471,265	1,957,722	2,471,265
	<b>92,387,219</b>	<b>55,737,152</b>	<b>238,687,814</b>	<b>194,039,948</b>
<b>34. Other income</b>				
Administration fees received	462,183	643,007	462,183	643,007
Building plan fees	2,740,167	2,169,747	2,740,167	2,169,747
Commissions received - Fresh market produce	14,713,977	14,536,896	14,713,977	14,536,896
Donations and public contributions	-	746,393	-	746,393
Entrance fees	1,501,525	1,575,595	1,501,525	1,575,595
Grave plots	2,295,008	2,558,390	2,295,008	2,558,390
Insurance collection	1,532,868	1,169,351	1,532,868	1,169,351
Parking fees	737,775	863,617	737,775	863,617
Reconnection of water	446,268	447,438	446,268	447,438
Rehabilitation of landfill and quarry sites	7,280,544	-	7,280,544	-
Removal fees	952,663	979,994	952,663	979,994
Sale of redundant materials	2,301	(3,833,667)	2,301	(4,087,628)
Sundry income	6,065,741	6,007,573	7,653,982	7,007,573
Training costs	2,355,071	3,762,810	2,355,071	3,762,810
Unclaimed deposits and stale cheques	6,180,584	4,715,182	6,180,584	4,715,182
	<b>47,266,675</b>	<b>36,342,326</b>	<b>48,854,916</b>	<b>37,088,365</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>35. Property rates</b>				
<b>Rates received</b>				
Residential and business/commercial	394,982,667	345,437,738	394,982,667	345,437,738
Government	68,273,035	51,405,654	68,273,035	51,405,654
	<b>463,255,702</b>	<b>396,843,392</b>	<b>463,255,702</b>	<b>396,843,392</b>

### Valuations

Residential	31,750,814,701	29,927,765,099	31,750,814,701	29,927,765,099
Business/Commercial	7,159,246,096	8,168,958,164	7,159,246,096	8,168,958,164
Government	3,613,182,379	3,580,394,249	3,613,182,379	3,580,394,249
Municipal	2,776,400,120	2,709,153,580	2,776,400,120	2,709,153,580
	<b>45,299,643,296</b>	<b>44,386,271,092</b>	<b>45,299,643,296</b>	<b>44,386,271,092</b>

Valuations on which property rates are based are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The basic rates of R0.0912 on the value of land and R0.008238 on the value of improvements are applied to determine assessment rates. The first R40,000 of the rateable value of residential property are exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes.

The new general valuation will be implemented on 1 July 2013.

### 2012

From 1 July 2011 the basic rates were adjusted as follows:

- R0.0071520 on the value of rateable farm property
- R0.0071520 on the value of rateable residential property
- R0.017881 on the value of rateable government property
- R0.035432 on the value of rateable business/commercial property

### 2011

From 1 July 2010 the basic rates were adjusted as follows:

- R0.006386 on the value of rateable farm property
- R0.006386 on the value of rateable residential property
- R0.015965 on the value of rateable government property
- R0.031081 on the value of rateable business/commercial property

### 36. Rental of facilities and equipment

#### Premises

Premises	91,749,400	14,567,711	91,749,400	14,567,711
Venue hire	1,090,890	1,409,460	1,090,890	1,409,460
	<b>92,840,290</b>	<b>15,977,171</b>	<b>92,840,290</b>	<b>15,977,171</b>

#### Facilities and equipment

Rental other	469,311	501,582	469,311	501,582
Rental of equipment	312,853	270,234	312,853	270,234
Rental of facilities	12,484,061	29,243,473	12,484,061	29,243,473
	<b>13,266,225</b>	<b>30,015,289</b>	<b>13,266,225</b>	<b>30,015,289</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>36. Rental of facilities and equipment (continued)</b>				
	<b>106,106,515</b>	<b>45,992,460</b>	<b>106,106,515</b>	<b>45,992,460</b>
No contingent rent is due for the reporting period				
Included in the rental of premises is an amount of R90,807,675 (2011: R13,755,394) income relating to the FRESHCO Housing Development. The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, whereby FRESHCO will maintain and refurbish 351 municipal flats situated in a suburb called Brandwag in Bloemfontein from 01 February 2010 to 31 January 2025. In terms of the agreement, FRESHCO will utilise 85% of the rental income earned from renting out these properties to maintain and refurbish these flats. The amount recognised as revenue relates to the costs incurred by FRESHCO to maintain and refurbish the property.				
Mangaung Metropolitan Municipality is in the process of investigating accounting treatment of revenue relating to FRESHCO Housing Development. Deferred lease income will be recognised in line with accounting standards after assessment and interpretation of the relevant agreements.				
<b>37. Service charges</b>				
Refuse removal	5,240,865	5,343,219	5,240,865	5,343,219
Sale of water	447,910,378	406,241,759	447,910,378	406,241,759
Sewerage and sanitation charges	168,086,405	145,973,721	168,086,405	145,973,721
	<b>621,237,648</b>	<b>557,558,699</b>	<b>621,237,648</b>	<b>557,558,699</b>
<b>38. Debt impairment</b>				
Contributions to debt impairment provision	440,626,459	216,770,042	222,234,114	134,287,282
<b>39. Bulk purchases</b>				
Electricity	951,713,172	758,698,272	-	-
Water	284,552,289	250,335,123	284,552,289	250,335,123
	<b>1,236,265,461</b>	<b>1,009,033,395</b>	<b>284,552,289</b>	<b>250,335,123</b>
<b>40. Contracted services</b>				
Audit fees	14,639,616	6,962,300	14,639,616	6,962,300
Consultant fees	26,778,146	-	26,778,146	-
Debt collection fees	3,688,935	24,357,150	3,688,935	24,357,150
Integrated call centre	14,730,670	10,556,236	14,730,670	10,556,236
Investigations	13,639,424	-	13,639,424	-
Other contracted services	39,205,467	24,622,524	39,205,467	24,622,524
Security services	17,020,408	14,728,719	17,020,408	14,728,719
VAT Review fees	-	16,184,960	-	16,184,960
	<b>129,702,666</b>	<b>97,411,889</b>	<b>129,702,666</b>	<b>97,411,889</b>
<b>41. Depreciation and amortisation</b>				
Intangible assets	328,074	311,745	328,074	311,745
Property, plant and equipment	439,877,867	427,022,812	295,401,372	282,573,116
	<b>440,205,941</b>	<b>427,334,557</b>	<b>295,729,446</b>	<b>282,884,861</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>42. Employee related costs</b>				
UIF Contributions	4,613,195	4,365,001	4,613,195	4,365,001
Defined benefit plan obligation - current service cost	18,821,000	25,508,000	18,821,000	25,508,000
Basic	568,464,610	509,608,125	554,840,185	504,942,218
Housing benefits and allowances	3,038,755	2,790,346	3,038,755	2,790,346
Medical aid contributions	37,624,052	26,724,704	37,624,052	26,724,704
Other short term costs	186,315	-	186,315	-
Overtime payments	73,300,900	55,632,880	73,300,900	55,632,880
Pension contributions	86,496,771	79,906,272	86,496,771	79,906,272
Staff bonuses - 13th Cheques	(758,130)	2,050,524	(758,130)	2,050,524
Leave pay provision charge	16,511,103	2,802,447	16,511,103	2,802,447
Travel, motor car, accommodation, subsistence allowance	52,189,106	39,783,169	52,189,106	42,860,379
	<b>860,487,677</b>	<b>749,171,468</b>	<b>846,863,252</b>	<b>747,582,771</b>

### Remuneration of Accounting Officer - 1 July 2011 to 30 October 2011 (SJ Msibi)

Annual Remuneration	515,008	1,176,129	515,008	1,176,129
Car Allowance	80,000	240,000	80,000	240,000
Contributions to UIF, Medical and Pension Funds	76,480	211,452	76,480	211,452
	<b>671,488</b>	<b>1,627,581</b>	<b>671,488</b>	<b>1,627,581</b>

### Remuneration of Accounting Officer - 1 November 2011 30 June 2012 (SM Mazibuko)

Annual Remuneration	1,228,672	-	1,228,672	-
Car Allowance	178,515	-	178,515	-
Contributions to UIF, Medical and Pension Funds	25,168	-	25,168	-
	<b>1,432,355</b>	<b>-</b>	<b>1,432,355</b>	<b>-</b>

### Remuneration of Chief Finance Officer - 1 July 2011 to 31 December 2011 (BR Tayo)

Annual Remuneration	664,508	960,082	664,508	960,082
Car Allowance	104,000	156,000	104,000	156,000
Contributions to UIF, Medical and Pension Funds	169,724	228,382	169,724	228,382
	<b>938,232</b>	<b>1,344,464</b>	<b>938,232</b>	<b>1,344,464</b>

### Remuneration of chief finance officer - 1 November 2011 to 30 June 2012 (ME Mohlahlo)

Annual Remuneration	999,428	-	999,428	-
Car Allowance	132,115	-	132,115	-
Contributions to UIF, Medical and Pension Funds	25,072	-	25,072	-
	<b>1,156,615</b>	<b>-</b>	<b>1,156,615</b>	<b>-</b>

This Chief Financial Officer position has been occupied by two officials from 1 November 2011 till 31 December 2011. The suspended Chief Financial Officer received his salary for two months whilst his matter was being finalised. Additional text

### Remuneration of executive director - Humman settlement (MM Mokoena)

Annual Remuneration	1,512,956	-	1,512,956	-
Car Allowance	107,000	-	107,000	-
Contributions to UIF, Medical and Pension Funds	73,287	-	73,287	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>42. Employee related costs (continued)</b>	<b>1,693,243</b>	<b>-</b>	<b>1,693,243</b>	<b>-</b>

The remuneration as reflected in 2012 was for the period 01 January 2012 to 30 June 2012 i.e. 6 months. This directorate was established in January 2012.

### Remuneration of executive director - Corporate services (WH Boshoff)

Annual Remuneration	1,305,160	1,372,423	1,305,160	1,372,423
Car Allowance	129,000	84,000	129,000	84,000
Contributions to UIF, Medical and Pension Funds	209,693	1,547	209,693	1,547
	<b>1,643,853</b>	<b>1,457,970</b>	<b>1,643,853</b>	<b>1,457,970</b>

### Remuneration of executive director - Community and Social Development (HE Radebe)

Annual Remuneration	1,185,926	903,043	1,185,926	903,043
Car Allowance	120,000	120,000	120,000	120,000
Contributions to UIF, Medical and Pension Funds	227,470	176,255	227,470	176,255
	<b>1,533,396</b>	<b>1,199,298</b>	<b>1,533,396</b>	<b>1,199,298</b>

### Remuneration of executive director - Infrastructure (LX Ntoyi)

Annual Remuneration	1,156,497	993,398	1,156,497	993,398
Car Allowance	360,000	240,000	360,000	240,000
Contributions to UIF, Medical and Pension Funds	28,384	14,116	28,384	14,116
	<b>1,544,881</b>	<b>1,247,514</b>	<b>1,544,881</b>	<b>1,247,514</b>

### Remuneration of executive director - Economic Development and Planning (H Kabagambe)

Annual Remuneration	1,045,199	1,179,059	1,045,199	1,179,059
Car Allowance	170,000	120,000	170,000	120,000
Contributions to UIF, Medical and Pension Funds	63,879	158,911	63,879	158,911
	<b>1,279,078</b>	<b>1,457,970</b>	<b>1,279,078</b>	<b>1,457,970</b>

The remuneration as reflected in 2012 was for the period 01 November 2011 to 30 June 2012 i.e. 8 months. The position was vacant for 4 months of the year.

### Remuneration of executive director - Regional Operations (GM Mohlakoana)

Annual Remuneration	1,259,680	1,240,158	1,259,680	1,240,158
Car Allowance	180,000	168,000	180,000	168,000
Contributions to UIF, Medical and Pension Funds	51,212	17,753	51,212	17,753
	<b>1,490,892</b>	<b>1,425,911</b>	<b>1,490,892</b>	<b>1,425,911</b>

### 43. Finance costs

Consumer deposits	1,056,614	2,702,170	1,056,614	2,702,170
Defined benefit plan obligation	40,399,000	38,005,000	40,399,000	38,005,000
Finance leases	636,797	193,344	636,797	138,648
Interest on intercompany loan - Centlec (SOC) Ltd	-	-	96,422,834	64,354,915
Non-current borrowings - DBSA loans	2,540,993	1,349,557	2,540,993	1,348,540
Trade and other payables	12,262,770	30,680,643	-	-
	<b>56,896,174</b>	<b>72,930,714</b>	<b>141,056,238</b>	<b>106,549,273</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>44. Fair value adjustments</b>				
• Actuarial (loss) gain on the defined benefit obligation	(9,969,000)	4,968,000	(9,969,000)	4,968,000

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>45. General expenses</b>				
Advertising	1,738,565	1,825,229	811,182	1,372,669
Animal Costs	1,323,479	1,125,224	1,323,479	1,125,224
Assets expensed	358,039	(748,916)	358,039	(748,916)
Auditors remuneration	5,857,971	4,312,249	-	-
Bank charges	9,118,662	8,566,535	7,502,932	6,374,767
Chemicals	4,886,718	6,283,515	4,886,718	6,283,515
Cleaning	4,257,604	8,202,212	4,257,604	8,096,261
Commission paid	35,215,272	29,682,734	-	-
Commitment fees	1,172,329	-	1,172,329	-
Community development and training	3,887,562	3,426,750	3,887,562	3,426,750
Computer expenses	272,610	189,521	-	-
Conferences and delegations	3,513,167	2,621,503	3,513,167	2,621,503
Consumables	4,238,825	3,084,717	4,232,266	3,083,614
Contractors fees	8,363,816	6,118,154	-	-
Delivery expenses	1,460,390	-	-	-
Electricity	4,497,513	358,077	54,646,742	54,924,430
Employment agency fees	-	(190,522)	-	(490,371)
Entertainment	168,528	263,518	-	-
Financial management grant projects	6,280,493	2,452,018	5,953,571	2,358,351
Fuel and oil	20,443,561	18,667,214	17,522,083	16,108,181
Fuel charges	564,050	-	564,050	-
Gas	342,440	-	342,440	-
Hire equipment	6,784,245	4,375,302	6,220,053	3,913,032
Indigent burials	1,289,415	1,682,932	1,289,415	1,682,932
Insurance	4,884,521	5,505,421	4,914,521	3,185,072
Lease rentals on operating lease	33,111,628	32,041,040	32,711,803	31,559,061
Leave provision	-	352,209	-	-
Legal expenses	38,849,357	15,572,246	18,695,797	12,624,892
Marketing	18,334,716	11,080,966	18,334,716	2,734,791
Metro transitional arrangements	3,163,779	1,239,125	2,015,723	-
Motor vehicle expenses	7,284,488	1,740,577	7,284,488	1,740,577
Packaging	227,769	140,264	-	-
Penalties and interest	3,212,851	(106,384)	3,212,851	(106,384)
Pest control	336,916	-	-	-
Postage and courier	4,919,146	5,147,424	4,916,431	5,143,425
Printing and stationery	5,669,881	5,603,418	4,097,553	4,602,360
Promotions and sponsorships	5,762,783	-	-	-
Railway siding facilities	-	100,000	-	-
Reconnection test and removal - Meters	7,310,450	8,190,998	5,449,980	7,664,396
Refreshments	931,286	598,885	931,286	598,885
Refuse	19,651,566	3,295,506	19,651,566	3,295,506
Rehabilitation of landfill and quarry sites	(27,588,967)	620,229	(27,588,967)	536,207
Restructuring	-	2,547,520	-	2,547,520
Royalties and license fees	3,425,205	1,308,459	3,425,205	1,308,459
Sale of goods	44,711	(69,309)	-	-
Security (Guarding of municipal property)	2,758,037	2,441,562	-	-
Sewerage and waste disposal	290,529	276,387	290,529	276,387
Skill development levy	7,827,756	5,873,372	7,827,756	5,873,372
Skills Development Levy	(15,032)	-	-	-
Software expenses	220,500	4,089	220,500	225
Staff welfare	929,457	871,989	454,772	193,425
Subscriptions and membership fees	11,748,085	5,001,059	11,607,772	4,900,800
Sundry expenses	7,262,171	17,720,565	6,387,611	22,695,370
Telephone and fax	13,410,929	13,992,984	12,489,468	13,127,810
Title deed search fees	19,616	14,313	19,616	14,313
Tourism development	481,092	431,100	481,092	431,100
Training	4,695,451	4,128,855	3,163,492	3,404,311
Transport and freight	-	447	-	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>45. General expenses (continued)</b>				
Travel and subsistence	161,126	201,525	161,126	201,525
Uniforms	4,199,723	3,423,240	3,380,869	2,955,195
Vacuum services	23,877,943	7,616,078	23,877,943	7,616,078
Vehicle tracking system	36,765	41,779	-	-
Water	11,253,999	10,429,762	11,253,999	10,429,762
Water research	3,536,766	2,009,308	3,536,766	2,009,308
Workmens compensation contribution	-	2,450,205	-	2,450,205
World cup expenses	136,100	10,974,741	136,100	10,974,741
	<b>348,398,353</b>	<b>285,109,920</b>	<b>301,825,996</b>	<b>275,120,636</b>
<b>46. Grants and subsidies paid</b>				
Bursaries paid to employees	994,432	732,767	994,432	732,767
Central agricultural society	9,199	-	9,199	-
Cost of living allowance for pensioners	(15)	-	(15)	-
Employees and ex-employees	(327,969)	-	(327,969)	-
Free services - Eskom	44,191,775	6,985,393	56,826,775	19,985,393
Miscellaneous grants	274,577	115,429	274,577	115,429
National electrification programme grant	-	-	5,000,000	5,000,000
<b>Other subsidies</b>				
SPCA	372,165	351,099	372,165	351,099
Urban settlement development grant	35,000,000	-	35,000,000	-
	<b>80,514,164</b>	<b>8,184,688</b>	<b>98,149,164</b>	<b>26,184,688</b>

### *Bursaries paid to employees*

Bursaries are paid to employees in accordance with the approved study scheme.

### *Central Agricultural Society*

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

### *Cost of living allowance for pensioners*

The allowance is applicable to pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

### *Employees and ex-employees*

This is paid to employees who belong to a non-contributive gratuity scheme and is paid out on retirement, termination or death.

### *Free electricity services*

The free electricity provided by Centlec (SOC) Ltd and Eskom is recoverable from the equitable share grant.

### *Miscellaneous grants*

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

### *National Electrification Programme Grant*

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Ltd.

### *SPCA - Society for the Prevention of Cruelty to Animals*

The subsidy is paid annually to the society to assist them in performing their tasks.

### *Urban Settlement Development*

The grant is used to upgrade urban areas and the amount paid relates to the portion provided for upgrading of urban areas allocated to Centlec (SOC) Ltd.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>47. Remuneration of councillors</b>				
Executive Mayor	1,031,719	708,438	1,031,719	708,438
Deputy Executive Mayor	816,940	560,113	816,940	560,113
Mayoral Committee Members	7,086,296	5,304,134	7,086,296	5,304,134
Speaker	835,957	561,207	835,957	561,207
Councillors	30,762,706	15,172,702	30,762,706	15,172,702
Chief Whip	784,021	319,044	784,021	319,044
	<b>41,317,639</b>	<b>22,625,638</b>	<b>41,317,639</b>	<b>22,625,638</b>

It was not practical to disclose the breakdown of the various classes of income making up the councillors remuneration balance.

### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>48. Cash generated from operations</b>				
Surplus	350,923,790	238,337,248	272,782,510	311,721,970
<b>Adjustments for:</b>				
Depreciation and amortisation	440,205,941	427,334,557	295,729,446	282,884,861
Profit on the sale of assets and liabilities	-	(143,910)	-	-
Loss on sale of assets and liabilities/write-offs	3,000	-	3,000	-
Revaluation of Investment property	(97,608,235)	(78,111,568)	(97,608,235)	(78,111,568)
Defined benefit plan obligation: Actuarial (gains)/losses recognised in surplus	9,969,000	(4,968,000)	9,969,000	(4,968,000)
Debt impairment	440,626,459	216,770,042	222,234,114	134,287,282
Movements in provisions	(29,693,085)	127,229	(29,693,085)	127,229
Loss on sale of assets and liabilities/Write offs	-	-	(97,608,235)	-
Heritage Assets fair value adjustments	-	1,115,046	-	1,115,046
Staff bonuses-13th Cheque Accrual	1,772,334	2,050,524	4,302,798	2,050,524
Staff leave-day accrual and receivable	16,154,616	2,802,447	17,817,675	2,802,447
Defined benefit plan obligation: Benefits paid by the plan	(14,062,000)	(10,374,000)	(14,062,000)	(10,374,000)
Defined benefit plan obligation: Current service cost	19,047,000	25,508,000	19,047,000	25,508,000
Defined benefit plan obligation: Interest	40,399,000	38,005,000	40,399,000	38,005,000
Fair value adjustments	(426,019,054)	1,933,833	654,543,116	82,084,218
FRESHCO Housing Development	(90,807,675)	(13,755,394)	(90,807,675)	(13,755,394)
Deferred Lease expenditure	5,836,222	1,315,857	22,831,498	31,995,782
Interest Income	(227,668,456)	(190,284,090)	16,529,565	13,115,028
Finance cost	139,730,655	106,549,273	4,234,404	1,757,405
Other non-cash items	597,334,245	1,407,539,285	(763,735,321)	(655,410,661)
<b>Changes in working capital:</b>				
Inventories	(5,137,718)	11,973,975	1,063,267	2,105,554
Other receivables from exchange transactions	(146,617,374)	19,000,542	-	-
Other receivables	(44,734,298)	-	(52,774,635)	(37,505,042)
Consumer receivables	(608,562,861)	(36,967,393)	(99,414,461)	14,548,137
Payables from exchange transactions	319,265,273	(603,418,675)	239,792,590	703,370,165
VAT	(12,104,597)	(11,856,834)	(51,386,861)	9,830,180
Unspent conditional grants and receipts	(1,610,465)	(831,447)	(283,083)	(1,118,037)
	<b>676,641,717</b>	<b>1,549,651,547</b>	<b>523,905,392</b>	<b>856,066,126</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>49. Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	217,635,407	167,157,795	217,635,407	162,056,439
• Other financial assets	12,647,613	40,985,935	12,647,613	40,985,935
• Property, plant and equipment	52,892,390	26,626,912	-	-
	<b>283,175,410</b>	<b>234,770,642</b>	<b>230,283,020</b>	<b>203,042,374</b>
<b>Approved and not yet contracted for</b>				
• Property, plant and equipment	-	37,053,772	-	-
• Infrastructure	321,431,670	731,044	321,431,670	-
	<b>321,431,670</b>	<b>37,784,816</b>	<b>321,431,670</b>	<b>-</b>
<b>The capital expenditure will be financed from</b>				
Non-current borrowings	62,087,194	22,347,156	62,087,194	22,347,156
Unspent capital conditional grants	284,104,569	194,176,090	231,353,670	180,695,218
Own resources	258,415,317	56,032,211	258,273,826	-
	<b>604,607,080</b>	<b>272,555,457</b>	<b>551,714,690</b>	<b>203,042,374</b>
<b>Operating leases - as lessee (expense)</b>				
<b>Minimum lease payments due</b>				
- within one year	3,103,213	2,842,917	2,751,734	2,523,390
- in second to fifth year inclusive	1,397,443	6,210,287	117,707	4,597,073
	<b>4,500,656</b>	<b>9,053,204</b>	<b>2,869,441</b>	<b>7,120,463</b>
Operating leases payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years. No sublease contracts exists and no contingent rent is payable for the reporting period. The lease agreements have escalations of 10% per year. There are no renewal and/or purchase options.				
<b>Operating leases - as lessor (revenue)</b>				
<b>Minimum lease payments due</b>				
- within one year	3,118,008	5,974,020	3,118,008	5,974,020
- in second to fifth year inclusive	13,174,164	19,696,479	13,174,164	19,696,479
- later than five years	178,567,477	111,564,642	178,567,477	111,564,642
	<b>194,859,649</b>	<b>137,235,141</b>	<b>194,859,649</b>	<b>137,235,141</b>

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R13,195,798 (2011: R13,365,113) has been recognised in the Statement of financial performance during the year. There are no renewal or purchase options.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 50. Guarantees and contingent liabilities

#### Guarantees and contingent liabilities

##### Guarantees

Housing loans	3,870,811	3,915,811	3,870,811	3,915,811
---------------	-----------	-----------	-----------	-----------

These are guarantees by the entity for housing loans to employees at various financial institutions. The amount reflected as guarantees for 2011 have been restated from R3,002,597 to R3,915,811.

#### Contingent liabilities

##### Economic Entity

The economic entity has various contract claims by contractors, suppliers and staff which are in dispute and subject to mediation. The amount disclosed below are possible outflow amounts:

	2012	2011
Probable legal costs to be incurred for various matters being handled by various attorneys	1,635,009	-
Labour cases and employee related matters	2,890,028	691,410
Claims by individuals due to damage of property in various incidents	885,000	2,968,647
Claims by individuals due to injuries in various incidents	659,232	452,509
Claims from suppliers - contractual disputes	3,054,218	8,992,745
MNK Services for VAT	31,000,000	38,063,331
	<u>40,123,487</u>	<u>51,168,642</u>
	-	-

##### Controlling Entity

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The amount and the timing of the outflow of these liabilities is uncertain. The amounts for 2011 have been restated from R82,272,798 to R76,670,885 as an amount of R5,601,913 was incorrectly included. The amounts disclosed below are possible outflows amounts:

	2012	2011
Probable legal costs to be incurred for various matter being handled by various attorneys	1,635,009	-
Labour Cases and employee related matters	2,716,594	691,410
Claims by individuals due to damage of property in various incidents	885,000	2,968,647
Claims by individuals due to injuries in various incidents	618,032	452,509
Claims from suppliers - contractual disputes	400,218	7,898,745
MNK Services for VAT	-	7,063,331
Mangaung Metropolitan Municipality has a claim for the consumption of all public lighting in the Mangaung Metro Area from Centlec (SOC) Ltd	12,699,110	-
Mangaung Metropolitan Municipality has a claim for the electricity consumption of all Manguang owned properties from Centlec (SOC) Ltd	2,151,216	-
Interest due to Eskom - dispute as to whether Centlec (SOC) Ltd or Mangaung is responsible for payment	-	20,698,488
Interest payable on the intercompany loan - loan agreement was signed by CFO's but not yet approved / ratified by council	-	36,897,755
	<u>21,105,179</u>	<u>76,670,885</u>
	-	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 51. Related parties

#### Relationships

Controlling entity  
Controlled entities

Mangaung Metropolitan Municipality  
Refer to note 13

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

Related parties include:

- entities that are directly or indirectly controlled by the entity;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### Related party transactions

##### Key management and Councillors

No transactions took place between the economic entity, key management personnel and close family members of key management personnel during the financial year.

Remuneration details are disclosed in note 36, for key management personnel and note 37 for Councillors.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:

#### 52.1. Prior period errors - Depreciation recalculation

Depreciation was recalculated based on days. Previously depreciation was calculated based on number of months. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Intangible Assets	-	(28,482)	-	(28,482)
Decrease Accumulated Surplus or Deficit	-	28,482	-	28,482

#### 52.2. Prior period errors - Classification of fire arms

Three fire arms are classified as heritage assets. The original cost price of these heritage assets were disclosed under Property, plant and equipment and during 2011 financial year this cost was disposed of under Property, plant and equipment. Correct the original cost by transferring it from Property, plant and equipment to Heritage assets and reverse the disposal of the cost in Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(621)	-	(621)
Increase in Heritage assets	-	621	-	621
Increase in Reserve	-	(621)	-	(621)

##### Statement of Financial Performance

Increase in loss on sale of assets	-	621	-	621
------------------------------------	---	-----	---	-----

#### 52.3. Prior period errors - Depreciation recalculation

Depreciation was recalculated based on days. Depreciation was previously calculated based on number of months. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in accumulated surplus	-	(156,784)	-	(156,784)
Increase in Property, plant and equipment	-	135,530	-	135,530

##### Statement of Financial Performance

Increase in depreciation and amortisation	-	21,254	-	21,254
---	---	--------	---	--------

#### 52.4. Prior period errors - Cost prices recalculation

Recalculated the cost price of fire arms by utilising the report obtained from an expert as to what the estimated fair value is at 30 June 2011. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in Property, plant and equipment	-	181,349	-	181,349
Decrease opening accumulated surplus	-	(181,349)	-	(181,349)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.5. Prior period errors - Assets with negative carrying values

A calculation error was detected when the depreciation for 2011 was calculated, this resulted in some of the assets having a credit carrying value as at 30 June 2011. The calculation error has been corrected and the the comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in Property, plant and equipment	-	10,906	-	10,906
---	---	--------	---	--------

##### Statement of financial performance

Decrease in Depreciation and amortisation	-	(10,906)	-	(10,906)
---	---	----------	---	----------

#### 52.6. Prior period errors - Valuation of Modems under Finance lease

The fair value for additions during 2011 were incorrectly calculated. The restated fair value was confirmed with Vodacom suppliers The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Finance lease liability	-	40,560	-	40,560
Decrease in Property, Plant & equipment	-	(40,560)	-	(40,560)

#### 52.7. Prior period errors - Correction of additions and disposal of finance leases

Cell phones used by Centlec (SOC) Ltd employees were incorrectly included in the entity's asset register and were removed. Correct additions and disposals during 2011 that were incorrectly accounted for. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(427,528)	-	(427,528)
Decrease in finance lease liability	-	537,963	-	537,963
Decrease in Opening Accumulated surplus	-	(110,435)	-	(110,435)

#### 52.8. Prior period errors - Valuation of Equipment under Finance leases

The fair value for additions during 2011 were incorrectly calculated. The restated fair value was confirmed with the agreement signed. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(400,392)	-	(400,392)
Decrease in Finance lease liability	-	400,392	-	400,392

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.9. Prior period errors - Correction of biological assets quantities and cost

The quantities reflecting previously in the fixed asset register were restated, mostly due to animals on loan being included in the register. The cost prices of some of the animals were changed from fair value to actual invoice prices. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Revaluation reserve opening balance	-	(1,771,472)	-	(1,771,472)
Revaluation reserve movement for 2011	-	1,984,998	-	1,984,998
Decrease in Property, plant and equipment	-	(95,000)	-	(95,000)
Opening Accumulated Surplus or Deficit	-	46,984	-	46,984

##### Statement of Financial Performance

Decrease in General expenses	-	(165,510)	-	(165,510)
------------------------------	---	-----------	---	-----------

#### 52.10. Prior period errors - Recalculation of depreciation for furniture and office equipment

Eighty-five new assets were identified under furniture and office equipment. 2,163 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. Depreciation for furniture and office equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(660,664)	-	(660,664)
Decrease in Opening accumulated surplus	-	949,227	-	949,227

##### Statement of Financial Performance

Decrease in depreciation and amortisation	-	(288,563)	-	(288,563)
---	---	-----------	---	-----------

#### 52.11. Prior period errors - Correction of cost prices of furniture and office equipment

Eighty-five new assets were identified under furniture and office equipment. 2,163 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. Cost prices for furniture and office equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in Property, plant and equipment	-	1,311,944	-	1,311,944
Increase in Opening Accumulated Surplus	-	(966,651)	-	(966,651)

##### Statement of Financial Performance

Decrease in General Expenses	-	(345,293)	-	(345,293)
------------------------------	---	-----------	---	-----------

#### 52.12. Prior period errors - Recalculation of depreciation for tools, plant and equipment

Sixty new assets were identified under tools, plant and equipment. 2,104 assets previously classified as furniture and office equipment and 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. Depreciation for tools, plant and equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
<b>Statement of financial position</b>				
Increase in Property, plant and equipment	-	32,331,466	-	32,331,466
Increase in Opening Accumulated Surplus	-	(30,585,885)	-	(30,585,885)
<b>Statement of Financial Performance</b>				
Decrease in depreciation and amortisation	-	(1,745,581)	-	(1,745,581)
<b>52.13. Prior period errors - Correction of cost prices of tools, plant and equipment</b>				
Sixty new assets were identified under tools, plant and equipment. 2,106 assets previously classified as furniture and office equipment were reclassified to tools, plant and equipment. 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. Cost prices for tools, plant and equipment were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Decrease in Property, plant and equipment	-	38,721,451	-	(38,721,451)
Decrease in Opening Accumulated Surplus	-	39,775,802	-	39,775,802
<b>Statement of Financial Performance</b>				
Decrease in General expenses	-	(1,054,351)	-	(1,054,351)
<b>52.14. Prior period errors - Correction of cost prices of motor vehicles</b>				
Twenty-two new assets were identified under motor vehicles. 20 assets previously classified as motor vehicles were reclassified to tools, plant and equipment. 2 assets have been found to be duplicated. Cost prices for motor vehicles were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Property, plant and equipment	-	10,949,906	-	10,949,906
Increase in Opening Accumulated Surplus	-	(10,949,906)	-	(10,949,906)
<b>52.15. Prior period errors - Correction of cost prices of motor vehicles</b>				
Twenty-two new assets were identified that was sold during 2011. 2 assets previously shown as disposals were duplicated. 4 vehicles were found to be Centlec (SOC) Ltd vehicles that were sold. The cost prices and accumulated depreciation until selling date were recalculated. Profit and loss on sale of motor vehicles were recalculated as a result of these differences identified. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Decrease in Property, plant and equipment	-	(2,095,095)	-	(2,095,095)
Increase in Trade and other payables from exchange transactions	-	(86,000)	-	(86,000)
Increase in Opening Accumulated Surplus	-	(4,473,214)	-	(4,473,214)
<b>Statement of Financial Performance</b>				
Decrease in Profit and loss on sale of assets	-	6,654,309	-	6,654,309

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.16. Prior period errors - Recalculation of depreciation for motor vehicles

Twenty-two new assets were identified under motor vehicles. Twenty assets previously classified as motor vehicles were reclassified to tools, plant and equipment. 2 assets have been found to be duplicated. Cost prices for motor vehicles were recalculated as a result of the mentioned changes. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

#### Statement of financial position

Increase in Property, plant and equipment	-	6,365,114	-	6,365,114
Increase in Opening Accumulated Surplus	-	(6,420,687)	-	(6,420,687)

#### Statement of Financial Performance

Decrease in Depreciation and Amortisation	-	55,573	-	55,573
---	---	--------	---	--------

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.17. Prior period errors - Investment property incorrectly classified as Property, plant and equipment

Sunlawns pre-primary (erf 9097 universitas) and Bloemfontein weg (erf 1/21467 Peet laan) were incorrectly classified as Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, Plant and Equipment	-	(808,054)	-	(808,054)
Increase in Investment Property	-	856,537	-	856,537

##### Statement of Financial Performance

Decrease in depreciation	-	(16,161)	-	(16,161)
--------------------------	---	----------	---	----------

##### Statement of net assets

Increase in opening accumulated surplus	-	-	-	(32,322)
---	---	---	---	----------

#### 52.18. Prior period errors - Centlec (SOC) Ltd Shareholders Loan

The Centlec (SOC) Ltd shareholders loan was not accounted for in accordance with the amended agreement. The impact is as follows:

1. Interest was not capitalised if no payment accrued, this prior year interest was capitalised.
2. Deferred Interest was corrected to account for change due to the amended agreement.
3. Prior year interest was adjusted for to the amount per the amended agreement.

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

##### Statement of financial position

Increase in shareholders loan	-	607,668,873	-	607,668,873
Increase in intercompany loan	-	(583,501,785)	-	(583,501,785)
Decrease deferred Interest account on shareholders loan	-	546,157,566	-	546,157,566
Increase in accumulated surplus / deficit	-	(546,157,566)	-	(546,157,566)

##### Statement of Financial Performance

Increase in Interest Income	-	(24,167,088)	-	(24,167,088)
-----------------------------	---	--------------	---	--------------

#### 52.19. Prior period errors - Expenditure on the development of a Fixed Asset Register transferred to Operating Expenditure

The expenditure incurred during the 2010-2011 on the development of a fixed asset register was incorrectly disclosed as a capital expenditure in stead of operation expenditure. The comparative statements for 2010/2011 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Intangible Assets	-	(3,426,110)	-	(3,426,110)
-------------------------------	---	-------------	---	-------------

##### Statement of Changes in Net Assets

Decrease in Accumulated Surplus	-	3,426,110	-	3,426,110
---------------------------------	---	-----------	---	-----------

#### 52.20. Prior period errors - Debtors with credit balances written off

Individual debtors with credit balances were written off on the control account and not on the general ledger.

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
<b>Statement of financial position</b>				
Increase in Trade and Other Payables	-	(8,233,410)	-	(8,233,410)
<b>Statement of Financial Performance</b>				
Decrease in other income(unclaimed deposits)	-	8,233,410	-	8,233,410
<b>52.21. Prior period errors - Water sales accrual</b>				
The year-end accrual for water sales was overstated.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Decrease in Trade and Other Receivables	-	(29,353,144)	-	(29,353,144)
Increase in VAT (accrued water)	-	3,604,772	-	3,604,772
<b>Statement of Financial Performance</b>				
Decrease in revenue (sale of water)	-	25,748,372	-	25,748,372
<b>52.22. Prior period errors - Inventory</b>				
Inventory items belonging to Centlec (SOC) Ltd were included as part of Mangaung's inventory.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Decrease in Inventories	-	(44,387)	-	(44,387)
Decrease in the Inter-Company Loan account with Centlec (SOC) Ltd	-	44,387	-	44,387
<b>52.23. Prior period errors - Unallocated deposits</b>				
Deposits older than 3 years were written off in the prior year in the general ledger and not in the control accounts				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Increase in Trade and Other Receivables	-	53,219	-	53,219
Increase in Trade and Other Payables (Suspense Account)	-	(1,256,611)	-	(1,256,611)
<b>Statement of Financial Performance</b>				
Decrease in other income (unallocated deposits)	-	1,203,393	-	1,203,393
<b>52.24. Prior period errors - Correction of Long Service Awards</b>				
The long service awards obligation was incorrectly calculated in the prior year and an adjustment has been made to account for the balance as per the actuarial valuation.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Decrease in opening accumulated surplus	-	43,222,000	-	43,222,000

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
Increase in Defined Benefit Obligation	-	(35,009,163)	-	(35,009,163)
<b>Statement of Financial Performance</b>				
Decrease in Employee Costs	-	(16,300,837)	-	(16,300,837)
Increase in Finance Costs	-	3,965,000	-	3,965,000
Decrease in Actuarial Gain	-	4,123,000	-	4,123,000

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
<b>52.25. Prior period errors - Deferred operating lease expenditure</b>				
The deferred operating lease expenditure was restated to agree to the operating lease register.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Increase in Trade and Other Payables	-	(1,512,520)	-	(1,512,520)
<b>Statement of Financial Performance</b>				
Increase in Deferred Lease Expenditure	-	1,512,520	-	1,512,520
<b>52.26. Prior period errors - Deferred Operating Lease Income</b>				
The deferred operating lease income was restated to agree to the operating lease register.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Decrease in Trade and Other Receivables	-	(30,189,526)	-	(30,189,526)
<b>Statement of Financial Performance</b>				
Decrease in Deferred Lease Income	-	30,189,526	-	30,189,526
<b>52.27. Prior period errors - 2010/2011 Fair Value of Creditors</b>				
The 2010/2011 fair value of creditors has been reversed as per guidance in GRAP 104, section 7.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>				
Increase in Trade and Other Payables	-	(116,579)	-	(116,579)
<b>Statement of Financial Performance</b>				
Increase in Water Purchases	-	116,579	-	116,579
Increase in Finance Costs	-	-	-	-
<b>52.28. Prior period errors - Nashua finance lease contracts not disclosed</b>				
During the follow up of lease agreements for copiers the entity identified 3 Nashua contracts that were not previously accounted for. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Property, plant and equipment	-	77,184	-	77,184
Increase in Finance lease liability	-	(165,010)	-	(165,010)
<b>Statement of Financial Performance</b>				
Increase in Depreciation and amortisation	-	53,026	-	53,026
<b>Statement of changes in Net Assets</b>				

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
Decrease in Accumalated Surplus	-	34,800	-	34,800

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.29. Provision for Petra Quarry

From 2005, a provision to account for the cost to rehabilitate the Petra Quarry has been made in the records of the entity. The responsibility to rehabilitate this quarry rest with the tenant and as a result, the provision amount has been overstated by the costs provided to rehabilitate the Petra Quarry.

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

##### Statement of financial position

Decrease in the provision	-	2,779,424	-	2,779,424
---------------------------	---	-----------	---	-----------

##### Statement of Financial Performance

Decrease in Expenditure	-	(238,483)	-	(238,483)
-------------------------	---	-----------	---	-----------

##### Statement of changes in Net Assets

Increase in opening Accumulated Surplus	-	(2,540,492)	-	(2,540,492)
---	---	-------------	---	-------------

#### 52.30. Prior period errors - Interest payable on the Centlec (SOC) Ltd Intercompany Loan Account

Interest payable on the Centlec (SOC) Ltd Intercompany Loan account was not provided for in the prior year.

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

##### Statement of financial position

Increase in the Intercompany Loan Account	-	(64,354,915)	-	(64,354,915)
---	---	--------------	---	--------------

##### Statement of Financial Performance

Increase in Finance Costs	-	64,354,915	-	64,354,915
---------------------------	---	------------	---	------------

#### 52.31. Prior period errors - VAT Output relating to the Fresh Produce Market

In 2010 and 2011 the VAT Output on the income from the Fresh Produce Market was incorrectly debited against the Output VAT Account as opposed to the sundry debtors account.

##### Statement of financial position

Increase in VAT Output	-	(3,190,000)	-	(3,190,000)
------------------------	---	-------------	---	-------------

Increase in Sundry Debtors	-	3,190,000	-	3,190,000
----------------------------	---	-----------	---	-----------

#### 52.32. Prior period errors - Heritage assets incorrectly classified as Property, plant and equipment

City Hall was incorrectly classified as Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(71,265,723)	-	(71,265,723)
---	---	--------------	---	--------------

Increase in Heritage assets	-	75,541,666	-	75,541,666
-----------------------------	---	------------	---	------------

##### Statement of Financial Performance

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
Decrease in Depreciation and amortisation	-	(1,425,314)	-	(1,425,314)
<b>Statement of Changes in Net Assets</b>				
Decrease in Accumulated surplus	-	72,691,037	-	72,691,037
Increase in Revaluation reserve	-	(75,541,666)	-	(75,541,666)
<b>52.33. Prior period errors - Penalties and Interest</b>				
Penalties and interest incurred in the prior period relating to the SARS investigation was incorrectly accounted for in the 2012 financial year.				
<b>Statement of financial position</b>				
Decrease in VAT	-	(21,481,046)	-	(21,481,046)
<b>Statement of Net Assets</b>				
Decrease in penalties and interest	-	(8,047,092)	-	(8,047,092)
<b>Statement of Changes in Net Assets</b>				
Decrease in Opening Accumulated Surplus	-	29,528,138	-	29,528,138
<b>52.34. Prior period errors - Heritage assets incorrectly classified as Property, plant and equipment</b>				
Naval Hill was incorrectly classified as an infrastructure asset under Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Heritage Assets	-	4,821,624	-	4,821,624
<b>Statement of Financial Performance</b>				
Increase in Revaluation Reserve	-	(4,821,624)	-	(4,821,624)
<b>52.35. Prior period errors - Expense incorrect capitalised as Intangible asset</b>				
Website cost incurred during 2010 financial year was incorrectly capitalised as intangible assets. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Decrease in Intangible Assets	-	(1,379,589)	-	(1,379,589)
<b>Statement of Financial Performance</b>				
Decrease in depreciation	-	(50,000)	-	(50,000)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
<b>Statement of Changes in Net Assets</b>				
Decrease in Opening Accumulated Surplus	-	1,429,589	-	1,429,589
<b>52.36. Prior period errors - Sport clubs not previously capitalised</b>				
During the 2012 external audit 24 sport clubs were identified that is not reflecting the entity's asset register. These assets were brought in as investment property at there fair value at 30 June 2008. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Investment property	-	181,406,768	-	181,406,768
<b>Statement of Changes in Net Assets</b>				
Increase in Opening Accumulated Surplus	-	(181,406,768)	-	(181,406,768)
<b>52.37. Prior period errors - Social Housing Project: Brandwag and Inter-Modal Public Transport Facility</b>				
The improvements made to the Brandwag Flats in terms of the agreement entered into with FRESCHO and Inter-Modal Public Transport Facility were previously not accounted for and comparative statements for 2010-11 have been restated:				
<b>Statement of financial position</b>				
Increase in Property, Plant and Equipment - Brandwag Flats	-	13,755,394	-	13,755,394
Increase in Property, Plant and Equipment - Intermodel Public Transport Facility	-	338,589,318	-	338,589,318
<b>Statement of Changes in Net Assets</b>				
Increase in Accumulated Surplus	-	(352,344,712)	-	(352,344,712)
<b>52.38. Prior period errors - Reconstruction of investment property asset register</b>				
During the asset project of identifying and recording all municipal assets the Free State Rugby Stadium was identified as investment property. Power station that was previously recognised as investment property has been identified an assets of Centlec (SOC) Ltd and was subsequently deregonised. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Investment Property	-	786,534,873	-	786,534,873
<b>Statement of Changes in Net Assets</b>				
Increase in Opening Accumulated Surplus	-	(786,534,873)	-	(786,534,873)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.39. Prior period errors - Reconstruction of infrastructure asset register

During the 2010/11 financial year the entity embarked on a project to reconstruct the asset register of the entity, this project was done in two main phases. Phase 1 was for moveable assets and land and buildings and phase 2 is for infrastructure assets. Phase 1 was completed during 2010/11 financial year and phase 2 during the 2011/12 financial year.

##### Statement of financial position

Increase in PPE	- 3,560,887,142	- 3,560,887,142
-----------------	-----------------	-----------------

##### Statement of Financial Performance

Increase in repairs and maintenance	- 33,480,045	- 33,480,045
Increase in Depreciation	- 136,156,106	- 136,156,106

##### Statement of Changes in Net Assets

Increase in Opening Accumulated Surplus	- (3,730,523,293)	- (3,730,523,293)
---	-------------------	-------------------

#### 52.40. Prior period errors - Brandwag flats not previously capitalised

The original Brandwag flats were not previously included in the asset register. These assets are capitalised in 2008 at a fair value as premitted by Directive 7. The flats are classified as Property, plant and equipment. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in Property, Plant and Equipment	- 38,276,033	- 38,276,033
---	--------------	--------------

##### Statement of Financial Performance

Increase in depreciation	- 765,521	- 765,521
--------------------------	-----------	-----------

##### Statement of Changes in Net Assets

Increase in Opening Accumulated Surplus	- (39,041,554)	- (39,041,554)
---	----------------	----------------

#### 52.41. Prior period errors - Finance lease depreciation captured incorrectly

The depreciation expense for 2011 relating to finance leases were incorrectly captured on the system and this resulted in a under statement of finance leases. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

##### Statement of financial position

Increase in Property, Plant and Equipment	- 2,427,725	- 2,427,725
---	-------------	-------------

##### Statement of Financial Performance

Decrease in depreciation	- (2,427,725)	- (2,427,725)
--------------------------	---------------	---------------

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.42. Prior period errors - Gain in fair value on Investment Property not previously recognised

The Free State Stadium was last valued during the 2008/2009 financial year. A revaluation was done during 2012 and a gain of R312,446,272.60 was realised over a four year period. 75% of the gain in fair value should therefore be recognised in prior periods. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

<b>Statement of financial position</b>				
Increase in Investment property	-	234,334,704	-	234,334,704
<b>Statement of Financial Performance</b>				
Increase in Fair value adjustment	-	(78,111,568)	-	(78,111,568)
<b>Statement of Changes in Net Assets</b>				
Increase in Accumulated surplus	-	(156,223,136)	-	(156,223,136)

#### 52.43. Prior period errors - Revenue accrual incorrectly reversed

The water provision reversal for the 2009/2010 financial year was incorrectly reversed against the revenue in the comparative year, 2010/2011 instead of being reversed against the accumulated surplus. The effect of the restatement is summarised below:

<b>Statement of Financial Performance</b>				
Increase in Service charges - water	-	(25,748,372)	-	(25,748,372)
<b>Statement of Changes in Net Assets</b>				
Increase in Accumulated surplus	-	25,748,372	-	25,748,372

#### 52.44. Prior period errors - Medical Officer of Health Building incorrectly disclosed as Property Plant and Equipment

The Medical Officer of Health building was incorrectly disclosed as PPE during 2010/2011. The building was at the time rented from the former Motheo District Municipality. The comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:

<b>Statement of financial position</b>				
Decrease in Property Plant and Equipment	-	(1,299,350)	-	(1,299,350)

#### Statement of Financial Performance

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>52. (continued)</b>				
Decrease in Depreciation	-	(77,961)	-	(77,961)
<b>Statement of Changes in Net Assets</b>				
Decrease in Accumulated surplus	-	1,377,311	-	1,377,311
<b>52.45. Prior period errors - Assets with negative carrying values</b>				
A calculation error was detected when the depreciation for 2011 was calculated, this resulted in some of the assets having a credit carrying value as at 30 June 2011. The calculation error has been corrected and the the comparative statements for 2010/11 have been restated. The effect of the restatement is summarised below:				
<b>Statement of financial position</b>				
Increase in Property, plant and equipment	-	405,141	-	405,141
<b>Statement of Financial Performance</b>				
Decrease in Depreciation and amortisation	-	(405,141)	-	(405,141)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 52. (continued)

#### 52.46. Prior period errors - Centlec (SOC) Ltd

The Municipal entity corrected the following prior period errors retrospectively and restated comparative amounts:

A retention creditor amounting to R 281 529 was not recognised in the prior financial year. The effect of the correction is that the loans and other receivables was overstated with R 281 529 and payables from exchange transactions was understated with R 281 529.

General stock amounting to R 2 248 650 was incorrectly recognised as part of inventory on 30 June 2011. The effect of the correction is that the inventory was overstated with R 2 248 650 and expenses were understated with the same amount.

A creditor amounting to R 1 948 232 was incorrectly recognised as part of payables from exchange transaction on 30 June 2010. The effect of the correction is that the creditors were understated with R 1 948 232 and retained earnings was overstated with the same amount.

The shareholder's loan was not treated in accordance with the sale of business agreement amendment 2 in the prior years. The effects of the corrections are that finance costs for 2010 were understated with R 20 411 730, inter-company loan was overstated with R 20 411 730, deferred interest was overstated with R 500 554 534, and the shareholder's loan was understated with R 500 554 534, the inter-company loan was understated with R 603 913 015 and the shareholder's loan was also understated with R 603 913 015.

A creditor amounting to R 7 274 691 was not recognised as part of payables from exchange transaction on 30 June 2011. The effect of the correction is that the creditors were understated with R 7 274 691 and bulk purchases were understated with the same amount.

The inter-company loan was overstated with an amount of R 34 805 900 at 30 June 2010 and retained earnings was overstated with the same amount.

The invoice raised for street light consumption for the year ended 30 June 2011 was not fully accrued for. The effect was an understatement of the inter-company loan with R 1 790 978 and an understatement of sale of electricity with R 1 571 034 and VAT payable with R 219 944.

Interest on the inter-company loan was levied in accordance with the agreement for the year ended 30 June 2011. The effect was an understatement of interest income with R 64 354 914 and an understatement of the inter-company loan with the same amount.

The correction of the error results in adjustments as follows:

#### Statement of financial position

Decrease in opening accumulated surplus/deficit	-	539,675,757	-	-
Decrease in inventory	-	(2,248,650)	-	-
Increase in consumer deposits	-	(17,646)	-	-
Increase in shareholder loan	-	(1,104,467,549)	-	-
Increase in intercompany loan	-	612,496,212	-	-
Increase in trade and other receivables	-	6,376,928	-	-
Increase in trade and other payables	-	(9,442,867)	-	-
Increase in VAT receivable	-	893,384	-	-

#### Statement of Financial Performance

Increase in finance cost	-	20,411,730	-	-
Increase in general expenses	-	2,248,650	-	-
Increase in sales	-	(1,571,034)	-	-
Increase in interest income	-	(64,354,914)	-	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 53. Comparative figures

Certain comparative figures have been reclassified.

The interest on consumer deposits should be capitalised against the consumer deposit balances. Therefore the following reclassification is made to consumer deposits. Refer to note 22.

The effects of the reclassification are as follows:

#### Statement of financial position

Increase in Consumer Deposits - Water	-	-	-	2,702,170
Decrease in Consumer Deposits - Accrued interest payable	-	-	-	(2,702,170)

The short term portion of of non-current receivables was restated to only include the amount receivable within the next twelve months on the Centlec Advance Account. Therefore the following accounts were reclassified:

Decrease in current portion of non-current assets	-	-	-	(10,761,160)
Increase in the non current portion of non current receivables	-	-	-	10,761,160

Included in Consumer receivables from exchange transactions was the amount due in respect of property rates. This relates to non-exchange transactions and as a result, the following accounts were reclassified:

Decrease consumer receivables	-	-	-	(61,713,023)
Increase other receivables from non-exchange transactions	-	-	-	61,713,023

The deferred lease expenditure was reclassified as deferred lease income:

Increase in rental income	-	-	-	(2,455,549)
Decrease in general expenses	-	-	-	2,455,549

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 54. Risk management

#### Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The economic entity's monitors and manages the financial risks relating to the operations of the economic entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk and price risk).

The economic entity seeks to minimise the effects of these risks in accordance with the economic entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The economic entity does not enter into or trade in financial instruments for speculative purposes.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 54. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

The entity has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

#### Impairment losses

Impairment losses - All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from consumers defaulting on service costs levied by the entity.

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

#### Economic entity

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	4,401,674	57,685,520	-	-	62,087,194
Finance lease liability	2,746,691	3,287,560	-	-	6,034,251
Trade and other payables	1,757,330,195	-	-	-	1,757,330,195

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	2,184,181	20,162,975	-	-	22,347,156
Finance lease liability	1,287,310	1,909,252	-	-	3,196,562
Trade and other payables	1,676,071,546	-	-	-	1,676,071,546

#### Controlling entity

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	4,401,674	57,685,520	-	-	62,087,194
Finance lease liability	2,477,556	2,990,344	-	-	5,467,900
Trade and other payables	1,603,741,850	-	-	-	1,603,741,850

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	2,184,181	20,162,975	-	-	22,347,156
Finance lease liability	1,176,310	1,677,641	-	-	2,853,951
Trade and other payables	1,381,909,843	-	-	-	1,381,909,843

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 54. Risk management (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the economic entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

#### Foreign currency risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

#### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call and notice deposits
- Development Bank of South Africa loan

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk. Economic Entity policy is to make as far as possible use of fixed rate instruments. The contracted interest rates are not based on prime and therefore fluctuations in prime will not affect the entity.

The contracted interest rates are not based on prime and therefore fluctuations in prime will not affect the entity.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 54. Risk management (continued)

#### Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Bank guarantees are obtained for prepaid electricity vendors when deemed appropriate.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	Economic entity - 2012	Economic entity - 2011	Controlling entity - 2012	Controlling entity - 2011
Cash and cash equivalents	341,761,026	246,465,537	178,976,851	231,675,533
Available-for-sale investments	14,048	11,868	14,048	11,868
Other loans	2,153,468,194	1,979,481,280	2,149,866,383	1,975,390,665
Consumer debtors	448,775,076	280,838,674	303,732,127	180,132,042
Trade and other receivables from exchange	208,452,850	61,835,476	1,813,223	31,343,780

These balances represent the maximum exposure to credit risk.

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 50 for additional details.

#### Price risk

The economic entity is exposed to equity securities price risk because of investments held by the economic entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The economic entity is not exposed to commodity price risk and are not allowed to invest in securities, as per the MFMA.

#### Economic entity

Financial instrument	Fair value		Impact on other components of net assets in Rand	
	2012	2011	2012	2011
OVK	14,048	11,686	2,180	1,501

#### Controlling entity

Financial instrument	Fair value		Impact on other components of net assets in Rand	
	2012	2011	2012	2011
OVK	14,048	11,686	2,180	1,501

### 55. Financial sustainability

The consolidated 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.

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act No.6 of 2011).

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 55. Financial sustainability (continued)

The entity has an intercompany loan from Centlec (SOC) Ltd, as shown under note 17 with an amount of R 988,053,879 (2011: R 1,036,781,760). The current ratio is calculated at 0.73:1 (2011: 0.75:1), when excluding the loan, as the entity has full control over Centlec (SOC) Ltd, municipal entity.

### 56. Events after the reporting date

The accounting officer is not aware of any material matter or circumstances arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements. Subsequent to year end, a council meeting was held on 28 August 2012 and the following items were condoned:

#### Irregular expenditure

The amount of R 9,435,458 was condoned by the Council.

#### Fruitless and wasteful expenditure

The amount of R 3,357,811 was condoned by the Council.

A statement was received from SARS dated November 2012 in which an amount of R1,115,909 claimed by the entity as input VAT was denied. This related to expenditure incurred during the periods indicated below:

2012:	R338,814
2011:	R633,891
Penalties and interest:	R147204.

These transactions have not been processed in the accounting records for 2012 and will be investigated by the entity and if necessary be processed in the new financial year.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>57. Unauthorised expenditure</b>				
Opening balance	466,793,278	399,081,386	466,793,278	399,081,386
Unauthorised expenditure - current year	307,256,486	67,711,892	307,256,486	67,711,892
Approved/Condoned by council	(399,081,386)	-	(399,081,386)	-
	<b>374,968,378</b>	<b>466,793,278</b>	<b>374,968,378</b>	<b>466,793,278</b>

### Details of unauthorised expenditure

<b>Incidents regarding 2007/2008</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Infrastructural services	Condoned by council	-	21,389,005
Miscellaneous services	Condoned by council	-	168,868,774
Office of the city manager	Condoned by council	-	965,000
Water	Condoned by council	-	31,393,789
<b>Incidents regarding 2008/2009</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Unbudgeted infrastructure services	Condoned by council	-	12,592,777
Unbudgeted environmental management	Condoned by council	-	423,098
Unbudgeted expenditure	Condoned by council	-	107,235,351
<b>Incidents regarding 2009/2010</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Fresh produce market	Condoned by council	-	527,316
Miscellaneous services	Condoned by council	-	48,014,018
Office of the city manager	Condoned by council	-	791,620
Overspending on the finance directorate	Condoned by council	-	6,881,000
<b>Incidents regarding 2010/2011</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Fresh produce market	None	417,912	417,912
Miscellaneous services	None	29,774,764	29,774,764
Water - Operating	None	23,353,983	23,353,983
Water - Capital	None	14,165,233	14,165,233
<b>Incidents regarding 2011/2012</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Overspending by the finance directorate	None	35,020,886	-
Overspending by infrastructural services	None	29,551,033	-
Overspending by Regional operations	None	159,247,863	-
Overspending by Miscellaneous Services	None	44,318,396	-
Overspending by Corporate Services	None	37,317,682	-
Overspending by Fresh Produce Market		177,295	
Overspending by Water Services		1,623,331	

Refer to Appendix E(1) and E(2) for more details.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>58. Fruitless and wasteful expenditure</b>				
Opening balance	76,685,448	35,732,312	34,880,254	23,044,112
Net Fruitless and wasteful expenditure awaiting condonation	11,092,862	40,953,136	<u>183,514</u>	<u>11,836,142</u>
Fruitless and wasteful expenditure for 2011/2012	14,450,673	-	3,541,325	-
Amounts written off by Council or condoned	<u>(3,357,811)</u>	-	<u>(3,357,811)</u>	-
	87,778,310	-	35,063,768	-
Fruitless and wasteful expenditure prior to 2012 written off or condoned by Council	(8,063,563)	-	(8,063,563)	-
	<b>79,714,747</b>	<b>76,685,448</b>	<b>27,000,205</b>	<b>34,880,254</b>

<b>Details of fruitless and wasteful expenditure incidents 2008/09</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Penalties and interest paid on late payment of UIF for Councillors. The entity ceased payment of UIF for councillors according to a directive received from SALGA during 2003. During 2006/07 it was determined that UIF was payable to SARS, which resulted in penalties and interest on late payment of UIF.	These penalties and interest are not recoverable as no official of the entity is liable for the non-payment of the UIF contributions. The item has been condoned by council.	-	41,490
Interest paid on overdue accounts.	The interest could not be recovered. The item has been condoned by council.	-	5,235
Excessive credit card expenditure of the Executive Mayor was incurred to pay for accommodation.	The money could not be recovered as there were weaknesses in the policies. A new business credit card policy has been drafted and is awaiting approval. The item has been condoned by council.	-	2,010
<b>Details of fruitless and wasteful expenditure incidents 2009/10</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Fruitless and wasteful expenditure incurred due to settlement of legal cost.	The legal cost could not be recovered. The item has been condoned by council.	-	2,744,214
No support could be obtained that an official attended a meeting.	The item has been condoned by council.	-	3,574
An advance payment was made to a supplier while it is unsure whether the site has been established.	The item has been condoned by council.	-	1,099,158
Interest paid on late payment as a result of payment kept back as penalties charged to a supplier for breach of contract. Court ordered the penalties not to be charged to the supplier. After the payment was made by the entity, the entity lodged an appeal.	The item has been condoned by council.	-	191,066
Expenditure incurred on fuel cards while the use of the fuel cards have been stopped.	The item has been condoned by council.	-	36,606
Differences on electricity expenses.	The item has been condoned by council.	-	1,077

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>58. Fruitless and wasteful expenditure (continued)</b>				
Discrepancies regarding credit card expenditure.	The item has been condoned by council.		-	3,272
Penalties and interest paid on the late submission of a VAT return.	The result of the investigation from SARS is awaited.		5,099,888	5,099,888
<b>Details of fruitless and wasteful expenditure incidents 2010/11</b>	<b>Disciplinary steps taken / criminal proceedings</b>			
The use of the ABSA fuel cards have been stopped, the account was closed late and the monthly bank charges continued till the account was closed.	None.		-	34,849
Penalties and interest paid on the late submission of a VAT return.	None.		7,729,134	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	A letter was written to SARS, requesting to waive the penalties and interest charged due to late submission. The penalties were waived but not the interest.		171,147	171,147
Interest paid on overdue accounts - Telkom.	This has been condoned.		-	81,043
Interest paid on overdue accounts - AGSA.	This has been condoned.		-	1,378
Interest paid on overdue accounts - FDC.	This has been condoned.		-	3,708
Payments to employees who were retrenched during the financial year.	This has been condoned.		-	3,814,883
<b>Details of fruitless and wasteful expenditure incidents 2011/12</b>	<b>Disciplinary steps taken / criminal proceedings</b>		-	-
Penalties and interest paid on the late submission of a VAT return.	None.		113,832	-
Penalties and interest paid on the late submission of a VAT return prior years.	None.		13,816,522	13,816,522
Interest paid on overdue accounts.	None.		31,163	-
Interest paid on overdue accounts - Telkom.	None.		38,520	-
Interest paid on overdue Eskom accounts.	None			7,271,180
Termination charges paid to a supplier.	None			4,353,231
Penalties and interest paid on the late submission of a VAT return.	None			1,063,789
Details of fruitless and wasteful expenditure incidents 2010/11 - Centlec Pty Ltd				-
Penalties and interest paid on the late submission of a VAT return.	None			1,362,676
Interest paid on overdue accounts - Eskom.	The interest could not be recovered, an item was prepared for condonation.			27,624,929
Interest paid on overdue accounts - AGSA.	The interest could not be recovered, an item was prepared for condonation.			29,996
Suite tickets at Vodacom Park - Macufe.	None			5,130

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>58. Fruitless and wasteful expenditure (continued)</b>				
Use of a suite at Vodacom Park.	None			94,263
Details of fruitless and wasteful expenditure incidents 2011/12 - Centlec Pty Ltd				-
Penalties and interest paid to SARS due to late VAT payments	None			999,330
Interest incurred due to late payments to Eskom	None			9,910,018

The opening balance for 2011 has been restated from R9227590 to R23044112 as an amount of R13816522 from interest and penalties was previously omitted.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>59. Irregular expenditure</b>				
Opening balance	299,363,858	150,598,349	207,212,944	98,785,349
Add: Irregular Expenditure - current year	113,698,713	148,765,509	57,254,523	108,427,595
Less: Amounts condoned	(9,435,458)	-	(9,435,458)	-
	<b>403,627,113</b>	<b>299,363,858</b>	<b>255,032,009</b>	<b>207,212,944</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	113,664,713	148,765,509	57,254,523	108,427,595
Prior years	197,727,486	98,785,348	198,116,195	98,785,349
	<b>311,392,199</b>	<b>247,550,857</b>	<b>255,370,718</b>	<b>207,212,944</b>

### Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified where the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	5,337,098
Expenditure items identified where the tender process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	31,016,398
A total of 9,000 pre-paid water meters were purchased. Only 014 were delivered. The amount paid for the remaining 8,386 meters is considered irregular	The expenditure was identified during the current financial year and still needs to be investigated.	20,901,027
		<b>57,254,523</b>

### Details of irregular expenditure - current year - Centlec Pty Ltd

	Disciplinary steps taken/criminal proceedings	
No letter of deviation attached	None	56,084
3 quotations not obtained	None	1,337,744
Appointment in the absence of an approved deviation	None	383,981
Suppliers not registered on the approved database	None	40,098,704
Appointment without following a competitive bidding process	None	14,520,102
Requisition that could not be found	None	33,573
Order forms not approved by the Executive Manager as required	None	14,002
		<b>56,444,190</b>

### 60. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	-	-	-
Current year subscription / fee	10,273,749	3,683,225	10,273,749	3,683,225
Amount paid - current year	(10,273,749)	(3,683,225)	(10,273,749)	(3,683,225)
Amount paid - previous years	-	-	-	-
	-	-	-	-

Contributions to organised local government consist of annual subscriptions paid to SALGA.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

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

#### Audit fees

Opening balance	365,812	477,336	365,812	477,336
Current year regularity audit fees	20,766,985	13,294,220	14,909,014	8,462,963
Amount paid - current year	(14,273,801)	(8,097,151)	(14,273,801)	(8,097,151)
Amount paid - previous years	(365,812)	(477,336)	(365,812)	(477,336)
	<b>6,493,184</b>	<b>5,197,069</b>	<b>635,213</b>	<b>365,812</b>

#### PAYE, UIF and SDL

Opening balance	1,639,948	-	1,639,948	-
Current year fees	125,158,567	103,665,963	122,156,149	103,392,984
Amount paid - current year	(122,758,863)	(101,753,036)	(122,758,863)	(101,753,036)
	<b>4,039,652</b>	<b>1,912,927</b>	<b>1,037,234</b>	<b>1,639,948</b>

#### Pension and Medical Aid Deductions

Opening balance	-	-	-	-
Current year payroll deductions	217,364,840	108,182,830	216,275,659	108,130,830
Amount paid - current year	(216,275,659)	(108,130,830)	(216,275,659)	(108,130,830)
	<b>1,089,181</b>	<b>52,000</b>	<b>-</b>	<b>-</b>

#### Electricity losses

Electricity distribution losses for the year were estimated to 10.99% (2011 : 7.40%). Management best estimated value of these losses are:

	2012	2011
Electricity losses	183,033,832	130,533,189

#### Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable.

The main reason for incurring water losses relates to burst water pipes, leaks and unmetered water sites.

	Kilo liter	Cost per kilo liter	Total loss in Rand
Unaccounted water - 2012	31,851,224	3.50	111,479,285
Unaccounted water - 2011	29,061,300	4	114,210,109

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>60. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
<b>VAT</b>				
VAT receivable	-	22,302,252	-	-
Opening Balance	96,925,542	96,635,913	96,925,542	96,635,913
VAT Payable	19,657,997	22,691,119	19,657,997	22,691,119
VAT paid	(18,723,226)	(21,451,664)	(18,723,226)	(21,451,664)
VAT claimed not received	(52,321,632)	(949,826)	(52,321,632)	(949,826)
<b>VAT payable</b>	<b>45,538,681</b>	<b>96,925,542</b>	<b>45,538,681</b>	<b>96,925,542</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Britz JF	2,115	-	2,115
Dyosiba S	135	-	135
Fujana MD	133	199	332
Horn W	280	-	280
Jacobs TA	441	119	560
Janse van Vuuren DE	2,114	-	2,114
July LR	1,023	224	1,247
Lazenby JAA	1,501	-	1,501
Lekgela LE	11,104	51,444	62,548
Lephoi MJ	140	137	277
Mangcotywa ZE	347	180	527
Manyoni TM	832	-	832
Masoetsa LA	7,060	164	7,224
Moilwa ME	336	263	599
Mononyane MB	8,696	32,943	41,639
Mpakathe TS	350	-	350
Mpheqeka MS	3,135	30,819	33,954
Ndamane SS	1,107	3,323	4,430
Nkoe MJ	5,001	32,675	37,676
Nothnagel J	2,407	-	2,407
Powell JD	978	-	978
Rampai CLM	3,285	-	3,285
Titi-Odili LM	1,000	6,640	7,640
Tsomela MM	180	-	180
Van der Merwe RA	3,214	-	3,214
Viviers BJ	331	-	331
Ward VW	6,122	13,335	19,457
	<b>63,367</b>	<b>172,465</b>	<b>235,832</b>

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Britz JF	1,327	-	1,327
Choene K	2,199	243	2,442
Erasmus JC	788	-	788
July LR	776	249	1,025
Lazenby JAA	213	-	213
Lekgela LE	1,352	53,342	54,694
Lephoi MJ	156	-	156
Manyoni TM	4,325	-	4,325
Maphakisa LE	578	10,175	10,753
Mashoane ED	-	114,540	114,540
Matsemeleala MV	10,223	825	11,048
Matsoetlane MJ	385	1,715	2,100
Minnie H	139	174	313
Monanyane MB	15,023	17,138	32,161
Monnakgori SA	401	-	401
Mpakathe TS	33	-	33

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>60. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
Mpheqeka MS		1,515	32,366	33,881
Mtshwane KJ		432	1,677	2,109
Naile TJ		46	443	489
Ndamane SS		1,810	4,144	5,954
Northnagel J		-	1,110	1,110
Powell JD		1,231	-	1,231
Sechoaro CSK		1,905	-	1,905
Setlaba ME		-	299	299
Snyman van Deventer E		1,535	-	1,535
Titi LM		2,474	8,998	11,472
Van der Merwe R		712	-	712
Van der Westhuizen PM		371	-	371
Ward BC		2,031	9,741	11,772
		<b>51,980</b>	<b>257,179</b>	<b>309,159</b>

It was impractical to disclose the amounts outstanding for more than 90 days at any given point in time. Information was only available for amounts outstanding for more than 90 days at year end.

### Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council.

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

For the financial year there were instances where goods and services were procured and deviated from the normal supply management policy.

The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Incident	2012	Number of deviations	2011	Number of deviations
Emergency	51,297,258	41	79,542	4
Sole supplier	1,458,706	102	93,746	5
Urgent	16,714,060	11	2,699,051	13
	<b>69,470,024</b>	<b>154</b>	<b>2,872,339</b>	<b>22</b>

### 61. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

### 62. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

### 63. Non-compliance with MFMA

During the current financial year the following non-compliance issues were identified:

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011

### 63. Non-compliance with MFMA (continued)

#### *Supply chain management regulations 12(1)(c), 17(1)(a) - (c)*

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his/her delegate.

#### *Supply chain management regulations 36(1)*

Goods and services with a transaction value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his/her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

#### *Municipal Finance Management Act section 2(1)(f)*

Contracts were awarded without justification to bidders who did not score the highest points.

#### *Municipal Finance Management Act section 116(2)(b)*

The performance of all contractors were not monitored on a monthly basis.

#### *Municipal Finance Management Act section 116(3)(a)*

Contracts were amended or extended without tabling the reasons to the council and/or notifying the public.

### 64. Transfer of functions between entities not under common control

The Motheo District Municipality was acquired by the Mangaung Local Municipality on 1 July 2011 to become the new Mangaung Metro Municipality. The transfer was a 100% transfer of all functions, but some assets and applicable accounts payable and accounts receivable was transferred to other Municipalities. The transfer date was on 1 July 2011 and 100% of the voting rights was vested within the new Mangaung Metro Municipality..

The acquisition was done at R nil and there were no contingent consideration arrangements and indemnification assets noted.

According to the Provincial Gazette nr. 7 - 21 April 2011 the assets, rights, liabilities and obligations (excluding investments, cash and cash balances) in so far as they were, immediately before the effective date, predominantly deployed in respect of, or related to, the performance by the disestablished entity and the Mangaung local municipality (FS172) of a function or functions in a specific area, will be transferred in terms of a determination by the MEC for local government as published by notice in the Provincial Gazette to the metropolitan municipality, the Xhariep District Municipality (DC16), the Thabo Mofutsanyane District Municipality (DC19), the Naledi Local Municipality (FS171) and the Mantsopa Local Municipality (FS173) after consultation with the TFC established in terms of paragraph 15 which, on the effective date, have responsibility for the performance of the said function or functions in the said area. Refer to the Transfer to other Municipalities Column below for the items transferred to the listed Municipalities above.

No extract from the Statement of Financial Performance was deemed necessary as the transfer was done on the first day of the year and there were no transfers in stages.

Extract from the Statement of Financial Position to illustrate the transfer of functions.

#### **ASSETS**

<b>Non-current assets</b>	<b>9,892,085</b>	<b>(1,335,268)</b>	<b>152,932</b>	<b>8,709,749</b>	***
Property, plant and equipment	2,742,085	(1,335,268)	152,932	1,559,749	***
Investment Property	7,150,000	-	-	7,150,000	***
	-	-	-	-	
<b>Current assets</b>	<b>82,055,360</b>	<b>(20,310)</b>		<b>82,035,050</b>	***
Consumer receivables from exchange transactions	-	-	-	-	***
Other receivables from exchange transactions	1,803,290	(20,310)	-	1,782,980	
Current portion of non-current receivables	-	-	-	-	
Vat Receivable	1,752,392	-	-	1,752,392	
Cash and cash equivalents	78,499,678	-	-	78,499,678	
<b>Total assets</b>	<b>91,947,444</b>	<b>(1,355,578)</b>	<b>152,932</b>	<b>90,744,798</b>	
	-	-	-	-	

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2012

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2012	2011	2012	2011
<b>64. Transfer of functions between entities not under common control (continued)</b>				
<b>NET ASSETS AND LIABILITIES</b>	-	-	-	-
<b>Net assets</b>	<b>81,861,284</b>	<b>(1,109,219)</b>	<b>(6,455,239)</b>	<b>74,296,826</b> ***
Accumulated surplus/(deficit)	81,861,284	(1,109,219)	(6,455,239)	74,296,826 ***
<b>LIABILITIES</b>	-	-	-	-
<b>Non-current liabilities</b>	<b>254,630</b>	-	-	<b>254,630</b> ***
Non-current borrowings	-	-	-	- ***
Finance lease liability	-	-	-	-
Operating lease liability	254,630	-	-	254,630 ***
<b>Current liabilities</b>	<b>9,831,530</b>	<b>(246,359)</b>	<b>6,608,171</b>	<b>16,193,342</b> ***
Payables from exchange transactions	8,084,855	(246,359)	-	7,838,496
Payables from non-exchange transactions	18,595	-	-	18,595
Unspent conditional grants and receipts	1,362,971	-	-	1,362,971
Current portion of non-current borrowings	-	-	-	-
Finance lease liability	15,042	-	-	15,042
Operating lease liability	350,067	-	-	350,067
Liabilities - Pending claims - Unfair dismissals	-	-	6,608,171	6,608,171 ***
<b>Total net assets and liabilities</b>	<b>91,947,444</b>	<b>(1,355,578)</b>	<b>152,932</b>	<b>90,744,799</b>

\*\*\*The transfer date fair value of the total consideration transferred and the transfer date fair value of each major class of consideration.

For all the acquired receivables it was noted that the transaction during 2011 was at arms-length and thus at the fair value. There were no contractual amounts receivable at year end of 30 June 2011.

There was a contingent liability assumed during the transfer of functions of R 6,608,171 for pending claims due to possible unfair dismissals of employees.

There was no transfer of function in which the acquirer holds less than 100 percent of the equity interests in the acquiree at the transfer date.

There was no transfer of functions achieved in stages.

**Mangaung Metropolitan Municipality  
Appendix A**

**Schedule of external loans as at 30 June 2010**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2011</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2012</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Loan Stock</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Mangaung Metropolitan Municipality  
Appendix A**

**Schedule of external loans as at 30 June 2010**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2011</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2012</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
		-	-	-	-	-	-
<b>Bonds</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-



**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	1,065,803,416	-	1,529,019,467	-	-	-	2,594,822,883	463,412,866	1,529,019,467	-	(196,815)	-	1,992,235,518	4,587,058,401
	<b>1,065,803,416</b>	<b>-</b>	<b>1,529,019,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,594,822,883</b>	<b>463,412,866</b>	<b>1,529,019,467</b>	<b>-</b>	<b>(196,815)</b>	<b>-</b>	<b>1,992,235,518</b>	<b>4,587,058,401</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	1,065,803,416	-	1,529,019,467	-	-	-	2,594,822,883	463,412,866	1,529,019,467	-	(196,815)	-	1,992,235,518	4,587,058,401
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1,065,803,416</b>	<b>-</b>	<b>1,529,019,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,594,822,883</b>	<b>463,412,866</b>	<b>1,529,019,467</b>	<b>-</b>	<b>(196,815)</b>	<b>-</b>	<b>1,992,235,518</b>	<b>4,587,058,401</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	88,888,407	-	-	-	88,888,407	-	88,888,407	-	-	-	88,888,407	177,776,814
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>88,888,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,888,407</b>	<b>-</b>	<b>88,888,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,888,407</b>	<b>177,776,814</b>
<b>Intangible assets</b>														
Computers - software & programming	9,352,544	11,291,233	18,461,879	14,923	-	-	39,120,579	(1,868,746)	18,461,879	-	-	-	16,593,133	55,713,712
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>9,352,544</b>	<b>11,291,233</b>	<b>18,461,879</b>	<b>14,923</b>	<b>-</b>	<b>-</b>	<b>39,120,579</b>	<b>(1,868,746)</b>	<b>18,461,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,593,133</b>	<b>55,713,712</b>
<b>Investment properties</b>														
Investment property	-	-	1,344,208,800	-	-	-	1,344,208,800	-	1,344,208,800	-	-	-	1,344,208,800	2,688,417,600
	<b>-</b>	<b>-</b>	<b>1,344,208,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,344,208,800</b>	<b>-</b>	<b>1,344,208,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,344,208,800</b>	<b>2,688,417,600</b>
<b>Total</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	1,065,803,416	-	1,529,019,467	-	-	-	2,594,822,883	463,412,866	1,529,019,467	-	(196,815)	-	1,992,235,518	4,587,058,401
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	88,888,407	-	-	-	88,888,407	-	88,888,407	-	-	-	88,888,407	177,776,814
Intangible assets	9,352,544	11,291,233	18,461,879	14,923	-	-	39,120,579	(1,868,746)	18,461,879	-	-	-	16,593,133	55,713,712
Investment properties	-	-	1,344,208,800	-	-	-	1,344,208,800	-	1,344,208,800	-	-	-	1,344,208,800	2,688,417,600
	<b>1,075,155,960</b>	<b>11,291,233</b>	<b>2,980,578,553</b>	<b>14,923</b>	<b>-</b>	<b>-</b>	<b>4,067,040,669</b>	<b>461,544,120</b>	<b>2,980,578,553</b>	<b>-</b>	<b>(196,815)</b>	<b>-</b>	<b>3,441,925,858</b>	<b>7,508,966,527</b>

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	4,705,797,750	40,067,373	3,499,461,579	-	-	-	8,245,326,702	1,102,188,517	3,499,461,579	-	(141,558,777)	-	2,255,714,285	0,501,040,987
	<b>4,705,797,750</b>	<b>40,067,373</b>	<b>3,499,461,579</b>	-	-	-	<b>8,245,326,702</b>	<b>1,102,188,517</b>	<b>3,499,461,579</b>	-	<b>(141,558,777)</b>	-	<b>2,255,714,285</b>	<b>0,501,040,987</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Mangaung Metropolitan Municipality**  
**Mangaung Metropolitan Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	4,705,797,750	40,067,373	3,499,461,579	-	-	-	8,245,326,702	1,102,188,517	3,499,461,579	-	(141,558,777)	-	2,255,714,285	0,501,040,987
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>4,705,797,750</b>	<b>40,067,373</b>	<b>3,499,461,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,245,326,702</b>	<b>1,102,188,517</b>	<b>3,499,461,579</b>	<b>-</b>	<b>(141,558,777)</b>	<b>-</b>	<b>2,255,714,285</b>	<b>0,501,040,987</b>
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	85,870,632	-	-	-	85,870,632	-	85,870,632	-	-	-	85,870,632	171,741,264
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>85,870,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,870,632</b>	<b>-</b>	<b>85,870,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,870,632</b>	<b>171,741,264</b>
<b>Intangible assets</b>														
Computers - software & programming	5,926,434	4,131,661	8,189,349	-	-	-	18,247,444	(1,868,746)	8,189,349	-	-	-	6,320,603	24,568,047
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>5,926,434</b>	<b>4,131,661</b>	<b>8,189,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,247,444</b>	<b>(1,868,746)</b>	<b>8,189,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,320,603</b>	<b>24,568,047</b>
<b>Investment properties</b>														
Investment property	-	-	1,245,581,711	-	-	-	1,245,581,711	-	1,245,581,711	-	-	-	1,245,581,711	2,491,163,422
	<b>-</b>	<b>-</b>	<b>1,245,581,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,245,581,711</b>	<b>-</b>	<b>1,245,581,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,245,581,711</b>	<b>2,491,163,422</b>
<b>Total</b>														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	4,705,797,750	40,067,373	3,499,461,579	-	-	-	8,245,326,702	1,102,188,517	3,499,461,579	-	(141,558,777)	-	2,255,714,285	0,501,040,987
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	85,870,632	-	-	-	85,870,632	-	85,870,632	-	-	-	85,870,632	171,741,264
Intangible assets	5,926,434	4,131,661	8,189,349	-	-	-	18,247,444	(1,868,746)	8,189,349	-	-	-	6,320,603	24,568,047
Investment properties	-	-	1,245,581,711	-	-	-	1,245,581,711	-	1,245,581,711	-	-	-	1,245,581,711	2,491,163,422
	<b>4,711,724,184</b>	<b>44,199,034</b>	<b>4,839,103,271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,595,026,489</b>	<b>1,104,057,263</b>	<b>4,839,103,271</b>	<b>-</b>	<b>(141,558,777)</b>	<b>-</b>	<b>3,593,487,231</b>	<b>3,188,513,720</b>



**Mangaung Metropolitan Municipality  
Appendix C**

**Segmental analysis of property, plant and equipment as at 30 June 2010**  
**Cost/Revaluation** **Accumulated Depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>932,940</b>	-	<b>(5,326,671)</b>	-	-	-	<b>(4,393,731)</b>	<b>(17,215)</b>	<b>(5,326,671)</b>	-	-	-	<b>(5,343,886)</b>	<b>(9,737,617)</b>

**Mangaung Metropolitan Municipality**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
-	-	-	Executive & Council/Mayor and Council	-	-	-
-	-	-	Executive Director	6,034,317	268,627,264	(262,592,947)
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
-	-	-	Comm. & Social/Libraries and archives	7,729,211	179,426,429	(171,697,218)
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	-	-
-	-	-	Sport and Recreation	-	-	-
143,910	311,745	(167,835)	Environmental Protection/Pollution Control	-	328,074	(328,074)
-	-	-	Waste Water Management/Sewerage	-	-	-
-	-	-	Road Transport/Roads	-	-	-
-	-	-	Water/Water Distribution	-	-	-
-	-	-	Electricity /Electricity Distribution	-	-	-
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-		

**Mangaung Metropolitan Municipality**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>143,910</b>	<b>311,745</b>	<b>(167,835)</b>	<b>Total</b>	<b>13,763,528</b>	<b>448,381,767</b>	<b>(434,618,239)</b>

**Mangaung Metropolitan Municipality  
Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June  
2010**

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	,255,391,495	-	,255,391,495	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	295,849,877	-	295,849,877	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	463,255,703	-	463,255,703	-	
Service charges	621,237,647	-	621,237,647	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	3,368,071	-	3,368,071	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	106,106,516	-	106,106,516	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	109,327,894	-	109,327,894	-	
Public contributions and donations	-	-	-	-	
Fines	2,884,999	-	2,884,999	-	
Licences and permits	350,660	-	350,660	-	
Government grants & subsidies	,229,128,797	-	,229,128,797	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	8,011,422	-	8,011,422	-	
Fees earned	298,004	-	298,004	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	8,392,395	-	8,392,395	-	
Other income	48,854,915	-	48,854,915	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	386,535,310	-	386,535,310	-	

**Mangaung Metropolitan Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	<b>,538,993,705</b>	<b>-</b>	<b>,538,993,705</b>	<b>-</b>
<b>Expenses</b>				
Personnel	(860,487,669)	-	(860,487,669)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(150,645,533)	-	(150,645,533)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(439,877,866)	-	(439,877,866)	-
Impairment	-	-	-	-
Amortisation	(328,074)	-	(328,074)	-
Impairments	1,073,762	-	1,073,762	-
Reversal of impairments	-	-	-	-
Finance costs	(341,123,846)	-	(341,123,846)	-
Debt impairment	(440,626,459)	-	(440,626,459)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(177,942,530)	-	(177,942,530)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	,236,265,461	-	,236,265,461	-
Contracted Services	(129,702,666)	-	(129,702,666)	-
Grants and subsidies paid	(98,149,164)	-	(98,149,164)	-
Cost of housing sold	-	-	-	-
General Expenses	(400,545,007)	-	(400,545,007)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	<b>,274,620,513)</b>	<b>-</b>	<b>,274,620,513)</b>	<b>-</b>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	97,608,235	-	97,608,235	-
Fair value adjustments	(9,969,000)	-	(9,969,000)	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-

**Mangaung Metropolitan Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	<b>Current year 2010 Act. Bal.</b>	<b>Current year 2010 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Gain or loss on disposal of non-current assets held for sale or disposal groups	1,693,465	-	1,693,465	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	<b>89,332,700</b>	<b>-</b>	<b>89,332,700</b>	<b>-</b>
Net surplus/ (deficit) for the year	<b>353,705,892</b>	<b>-</b>	<b>353,705,892</b>	<b>-</b>



Mangaung Metropolitan Municipality  
 Appendix F  
 Disclosures of Grants and Subsidies in terms of Section 123 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 your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
???????????		10	-	-	-	-	10	-	-	-	-	10	-	-	-	-	N/A	Yes	NONE
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		10	-	-	-	-	10	-	-	-	-	10	-	-	-	-			

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

Mangaung Metropolitan Municipality  
 Appendix F  
 Disclosures of Grants and Subsidies in terms of Section 123 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 your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
???????????		10	-	-	-	-	10	-	-	-	-	10	-	-	-	-	N/A	Yes	NONE
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		10	-	-	-	-	10	-	-	-	-	10	-	-	-	-			

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

Mangaung Metropolitan Municipality Consolidated  
Appendix A

SCHEDULE OF EXTERNAL LOANS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Loan Number	Redeemable Date	Balance at 30 June 2012 Rand	Received during the period Rand	Redeemed/written off during the period Rand	Balance at 30 June 2012 Rand	Carrying value of PPE Rand	Other costs in accordance with MFMA Rand
<b>Development Bank of South Africa</b>								
	DBSA @ 12.62%	103433/01	31 March 2026	-	10 997 888	136 234	10 861 654	10 098 000
	DBSA @ 6.75%	103433/02	31 March 2026	11 829 774	31 619 332	687 882	42 761 224	80 439 672
	DBSA Bloemfontein @ 10%	8001/104	31 December 2015	10 394 423	-	1 930 018	8 464 405	10 454 264
	DBSA Thaba Nchu @ 14%	1864/202	30 September 2011	122 958	-	122 958	-	817 910
				<b>22 347 155</b>	<b>42 617 220</b>	<b>2 877 092</b>	<b>62 087 283</b>	<b>101 809 846</b>
								-
<b>Total External Loans</b>								
	Development Bank of South Africa			22 347 155	42 617 220	2 877 092	62 087 283	101 809 846
				<b>22 347 155</b>	<b>42 617 220</b>	<b>2 877 092</b>	<b>62 087 283</b>	<b>101 809 846</b>

Schedule of external loans as at 30 June 2011

	Loan Number	Redeemable Date	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 PPE Rand	Other costs in accordance with MFMA Rand
<b>Development Bank of South Africa</b>								
	DBSA @ 14%	103433/01	30 September 2011	345 290	-	222 332	122 958	907 989
	DBSA @ 10%	103433/02	31 December 2015	12 148 352	-	1 753 928	10 394 424	11 615 849
	DBSA @ 6.75%	8001/104	31 March 2026	-	11 829 774	-	11 829 774	11 220 000
				<b>12 493 642</b>	<b>11 829 774</b>	<b>1 976 260</b>	<b>22 347 156</b>	<b>23 743 838</b>
								-
<b>Total External Loans</b>								
	Development Bank of South Africa			12 493 642	11 829 774	1 976 260	22 347 156	23 743 838
				<b>12 493 642</b>	<b>11 829 774</b>	<b>1 976 260</b>	<b>22 347 156</b>	<b>23 743 838</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Opening Balance Rand	Additions Rand	Disposals Rand	Cost			Closing Balance Rand	Accumulated Depreciation				Carrying Value Rand	
				Transfers Rand	WIP Transfer Out Rand	Revaluations Rand		Opening Balance Rand	Depreciation Rand	Disposals Rand	Closing Balance Rand		
<b>Land and Buildings</b>													
Land	886 389 945		-3 000				886 386 945					-	886 386 945
Buildings	480 309 543	110 286 566		7 150 000			597 746 109	-4 466 132	-3 911 561			-8 377 693	589 368 416
	<b>1 366 699 488</b>	<b>110 286 566</b>	<b>-3 000</b>	<b>7 150 000</b>			<b>1 484 133 054</b>	<b>-4 466 132</b>	<b>-3 911 561</b>			<b>-8 377 693</b>	<b>1 475 755 361</b>
<b>Infrastructure</b>													
Bridges	50 008 567						50 008 567	-2 935 093	-777 632			-3 712 725	46 295 842
Environmental facilities	2 649 044	482 395					3 131 439	-409 438	-144 503			-553 941	2 577 498
Fresh Produce Market	53 350 749						53 350 749	-16 330 778	-4 328 646			-20 659 424	32 691 325
Landfill Sites	450 000		1 331 240				1 781 240	-	-			-	1 781 240
Pedestrian Malls	381 575 358						381 575 358	-38 157 536	-12 719 179			-50 876 715	330 698 643
Parks and Cemeteries	87 033 735	5 307 112	-				92 340 847	-17 040 231	-4 836 171			-21 876 402	70 464 445
Rail Road Siding	23 337 859						23 337 859	-3 757 185	-939 296			-4 696 481	18 641 378
Roads	2 911 037 275	123 336 134	-				3 034 373 409	-542 114 506	-146 607 961			-688 722 467	2 345 650 942
Mangaung CCTV	38 718 208	13 048 678					51 766 886	-7 541 397	-4 913 943			-12 455 340	39 311 546
Sportsgrounds & Stadiums	204 209 524	19 254 925	-				223 464 449	-40 721 344	-10 400 328			-51 121 672	172 342 777
Water Mains & Purification	2 068 693 424	70 275 413					2 138 968 837	-198 670 368	-49 703 079			-248 373 447	1 890 595 390
Water and Sanitation	643 759 159	113 495 769	-				757 254 928	-144 260 585	-46 324 246			-190 584 831	566 670 097
White City Infrastructure	-	329 989	-				329 989	-	-			-	329 989
Zoo	47 240 586	-					47 240 586	-7 043 680	-2 061 125			-9 104 805	38 135 781
	<b>6 512 063 488</b>	<b>345 530 415</b>	<b>1 331 240</b>				<b>6 858 925 143</b>	<b>-1 018 982 141</b>	<b>-283 756 109</b>			<b>-1 302 738 250</b>	<b>5 556 186 893</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Opening Balance Rand	Additions Rand	Disposals Rand	Cost			Closing Balance Rand	Accumulated Depreciation				Carrying Value Rand
				Transfers Rand	WIP Transfer Out Rand	Revaluations Rand		Opening Balance Rand	Depreciation Rand	Disposals Rand	Closing Balance Rand	
<b>Heritage Assets</b>												
Biological	5 493 070	446 805	-942 975	-	-	489 545	5 486 445	-	-	-	-	5 486 445
Fire Arms	14 271	-	-	-	-	-	14 271	-	-	-	-	14 271
Buildings	75 541 666	-	-	-	-	3 024 400	78 566 066	-	-	-	-	78 566 066
Naval Hill	4 821 624	-	-	-	-	-	4 821 624	-	-	-	-	4 821 624
	<b>85 870 631</b>	<b>446 805</b>	<b>-942 975</b>	<b>-</b>	<b>-</b>	<b>3 513 945</b>	<b>88 888 406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88 888 406</b>
<b>Other Assets</b>												
General Vehicles	178 722 263	6 320 163	-	-	-	-	185 042 426	-35 388 125	-6 367 328	-	-41 755 453	143 286 973
Furniture and Office Equipment	19 012 569	10 699 035	-	1 422 547	-	-	31 134 151	-2 509 377	-2 966 844	-	-5 476 221	25 657 930
Fire Arms	781 081	2 400	-	-	-	-	783 481	-107 728	-36 380	-	-144 108	639 373
Tools, Plant and Equipment	2 602 079 667	119 249 645	-	-	-	-	2 721 329 312	-1 504 756	-140 170 399	-	-141 675 155	2 579 654 157
	<b>2 800 595 580</b>	<b>136 271 243</b>	<b>-</b>	<b>1 422 547</b>	<b>-</b>	<b>-</b>	<b>2 938 289 370</b>	<b>-39 509 986</b>	<b>-149 540 951</b>	<b>-</b>	<b>-189 050 937</b>	<b>2 749 238 433</b>
<b>Finance Leases</b>												
Leased Assets	9 187 526	5 204 451	-339 871	122 279	-	-	14 174 385	-6 356 949	-2 341 374	339 871	-8 358 452	5 815 933
	<b>9 187 526</b>	<b>5 204 451</b>	<b>-339 871</b>	<b>122 279</b>	<b>-</b>	<b>-</b>	<b>14 174 385</b>	<b>-6 356 949</b>	<b>-2 341 374</b>	<b>339 871</b>	<b>-8 358 452</b>	<b>5 815 933</b>
<b>Intangible Assets</b>												
Computers - software & programming	10 058 095	10 585 682	-14 923	14 923	-	-	20 643 777	-1 868 746	-328 074	14 923	-2 181 897	18 461 880
	<b>10 058 095</b>	<b>10 585 682</b>	<b>-14 923</b>	<b>14 923</b>	<b>-</b>	<b>-</b>	<b>20 643 777</b>	<b>-1 868 746</b>	<b>-328 074</b>	<b>14 923</b>	<b>-2 181 897</b>	<b>18 461 880</b>
<b>Investment Properties</b>												
Investment Properties	1 245 581 711	1 018 854	-	-	-	97 608 235	1 344 208 800	-	-	-	-	1 344 208 800
	<b>1 245 581 711</b>	<b>1 018 854</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97 608 235</b>	<b>1 344 208 800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 344 208 800</b>
<b>Total Property Plant and Equipment</b>												
Land and Buildings	1 366 699 488	110 286 566	-3 000	7 150 000	-	-	1 484 133 054	-4 466 132	-3 911 561	-	-8 377 693	1 475 755 361
Infrastructure	6 512 063 488	345 530 415	1 331 240	-	-	-	6 858 925 143	-1 018 982 141	-283 756 109	-	-1 302 738 250	5 556 186 893
Heritage Assets	85 870 631	446 805	-942 975	-	-	3 513 945	88 888 406	-	-	-	-	88 888 406
Other Assets	2 800 595 580	136 271 243	-	1 422 547	-	-	2 938 289 370	-39 509 986	-149 540 951	-	-189 050 937	2 749 238 433
Leased Assets	9 187 526	5 204 451	-339 871	122 279	-	-	14 174 385	-6 356 949	-2 341 374	339 871	-8 358 452	5 815 933
Intangible Assets	10 058 095	10 585 682	-14 923	14 923	-	-	20 643 777	-1 868 746	-328 074	14 923	-2 181 897	18 461 880
Investment Properties	1 245 581 711	1 018 854	-	-	-	97 608 235	1 344 208 800	-	-	-	-	1 344 208 800
	<b>12 030 056 519</b>	<b>609 344 016</b>	<b>30 471</b>	<b>8 709 749</b>	<b>-</b>	<b>101 122 180</b>	<b>12 749 262 935</b>	<b>-1 071 183 954</b>	<b>-439 878 069</b>	<b>354 794</b>	<b>-1 510 707 229</b>	<b>11 238 555 706</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Opening Balance Rand	Additions Rand	Under Construction Rand	Cost			Closing Balance Rand	Accumulated Depreciation			Carrying Value Rand	
				Transfers Rand	WIP Transfer Out Rand	Revaluations Rand		Opening Balance Rand	Depreciation Rand	Write-offs Rand		Closing Balance Rand
<b>Land and Buildings</b>												
Land	886 389 945	-	-	-	-	-	886 389 945	-	-	-	-	886 389 945
Buildings	307 282 031	175 313 106	-	-	-	-	482 595 137	-2 977 421	-3 774 305	-	-6 751 726	475 843 411
	<b>1 193 671 976</b>	<b>175 313 106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 368 985 082</b>	<b>-2 977 421</b>	<b>-3 774 305</b>	<b>-</b>	<b>-6 751 726</b>	<b>1 362 233 356</b>
<b>Infrastructure</b>												
Bridges	50 008 567	-	-	-	-	-	50 008 567	-2 157 461	-777 632	-	-2 935 093	47 073 474
Environmental facilities	2 649 044	-	-	-	-	-	2 649 044	-264 935	-144 503	-	-409 438	2 239 606

Mangaung Metropolitan Municipality Consolidated  
Appendix B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Cost						Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposals	Transfers	WIP Transfer Out	Revaluations	Opening Balance	Depreciation	Disposals	Closing Balance		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Fresh Produce Market	53 350 749	-	-	-	-	-	53 350 749	-12 002 132	-4 328 646	-	-16 330 778	37 019 971
Landfill Sites	-	450 000	-	-	-	-	450 000	-	-	-	-	450 000
Pedestrian Malls	381 575 358	-	-	-	-	-	381 575 358	-25 438 357	-12 719 179	-	-38 157 536	343 417 822
Parks and Cemeteries	85 400 564	1 633 172	-	-	-	-	87 033 736	-12 328 028	-4 712 203	-	-17 040 231	69 993 505
Rail Road Siding	23 337 859	-	-	-	-	-	23 337 859	-2 817 889	-939 296	-	-3 757 185	19 580 674
Roads	2 656 468 123	254 569 151	-	-	-	-	2 911 037 274	-399 603 648	-142 510 859	-	-542 114 507	2 368 922 767
Mangaung CCTV	35 937 342	2 780 866	-	-	-	-	38 718 208	-4 077 307	-3 464 090	-	-7 541 397	31 176 811
Sportsgrounds & Stadiums	202 737 203	1 472 321	-	-	-	-	204 209 524	-30 535 674	-10 185 669	-	-40 721 343	163 488 181
Water Mains & Purification	2 064 645 577	4 047 847	-	-	-	-	2 068 693 424	-148 967 290	-49 703 079	-	-198 670 369	1 870 023 055
Water and Sanitation	579 310 368	64 448 791	-	-	-	-	643 759 159	-99 132 658	-45 127 928	-	-144 260 586	499 498 573
White City Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Zoo	46 764 993	475 593	-	-	-	-	47 240 586	-5 014 261	-2 029 419	-	-7 043 680	40 196 906
	<b>6 182 185 747</b>	<b>329 877 741</b>	-	-	-	-	<b>6 512 063 488</b>	<b>-742 339 640</b>	<b>-276 642 503</b>	-	<b>-1 018 982 143</b>	<b>5 493 081 345</b>
<b>Heritage Assets</b>												
Biological	5 127 766	1 115 046	-949 536	199 794	-	-	5 493 070	-	-	-	-	5 493 070
Fire Arms	14 271	-	-	-	-	-	14 271	-	-	-	-	14 271
Buildings	75 541 666	-	-	-	-	-	75 541 666	-	-	-	-	75 541 666
Naval Hill	4 821 624	-	-	-	-	-	4 821 624	-	-	-	-	4 821 624
	<b>85 505 327</b>	<b>1 115 046</b>	<b>-949 536</b>	<b>199 794</b>	-	-	<b>85 870 631</b>	-	-	-	-	<b>85 870 631</b>
<b>Other Assets</b>												
General Vehicles	188 194 963	1 831 480	-10 698 854	-	-	-	179 327 589	-33 402 633	-6 721 362	4 130 545	-35 993 450	143 334 139
Furniture and Office Equipment	18 094 030	2 163 179	-	-	-	-	20 257 209	-1 498 790	-2 255 223	-	-3 754 013	16 503 196
Fire Arms	781 081	-	-	-	-	-	781 081	-71 481	-36 247	-	-107 728	673 353
Tools, Plant and Equipment	2 703 805 473	41 044 333	-2 656 250	-	-	-	2 742 193 556	-1 105 520	-140 513 126	-	-141 618 646	2 600 574 910
	<b>2 910 875 547</b>	<b>45 038 992</b>	<b>-13 355 104</b>	-	-	-	<b>2 942 559 435</b>	<b>-36 078 424</b>	<b>-149 525 958</b>	<b>4 130 545</b>	<b>-181 473 837</b>	<b>2 761 085 598</b>
<b>Finance Leases</b>												
Leased Assets	7 497 535	2 360 374	-470 129	-	-	-	9 387 780	-5 346 614	-1 639 932	429 343	-6 557 203	2 830 577
	<b>7 497 535</b>	<b>2 360 374</b>	<b>-470 129</b>	-	-	-	<b>9 387 780</b>	<b>-5 346 614</b>	<b>-1 639 932</b>	<b>429 343</b>	<b>-6 557 203</b>	<b>2 830 577</b>
<b>Intangible Assets</b>												
Computers - software & programming	9 352 544	705 551	-	-	-	-	10 058 095	-1 556 995	-311 751	-	-1 868 746	8 189 349
	<b>9 352 544</b>	<b>705 551</b>	-	-	-	-	<b>10 058 095</b>	<b>-1 556 995</b>	<b>-311 751</b>	-	<b>-1 868 746</b>	<b>8 189 349</b>
<b>Investment Properties</b>												
Investment Properties	1 164 405 879	3 064 265	-	78 111 568	-	-	1 245 581 712	-	-	-	-	1 245 581 712
	<b>1 164 405 879</b>	<b>3 064 265</b>	-	<b>78 111 568</b>	-	-	<b>1 245 581 712</b>	-	-	-	-	<b>1 245 581 712</b>
<b>Total Property Plant and Equipment</b>												
Land and Buildings	1 193 671 976	175 313 106	-	-	-	-	1 368 985 082	-2 977 421	-3 774 305	-	-6 751 726	1 362 233 356
Infrastructure	6 182 185 747	329 877 741	-	-	-	-	6 512 063 488	-742 339 640	-276 642 503	-	-1 018 982 143	5 493 081 345
Heritage Assets	85 505 327	1 115 046	-949 536	199 794	-	-	85 870 631	-	-	-	-	85 870 631
Other Assets	2 910 875 547	45 038 992	-13 355 104	-	-	-	2 942 559 435	-36 078 424	-149 525 958	4 130 545	-181 473 837	2 761 085 598
Leased Assets	7 497 535	2 360 374	-470 129	-	-	-	9 387 780	-5 346 614	-1 639 932	429 343	-6 557 203	2 830 577
Intangible Assets	9 352 544	705 551	-	-	-	-	10 058 095	-1 556 995	-311 751	-	-1 868 746	8 189 349
Investment Properties	1 164 405 879	3 064 265	-	78 111 568	-	-	1 245 581 712	-	-	-	-	1 245 581 712
	<b>11 553 494 555</b>	<b>557 475 075</b>	<b>-14 774 769</b>	<b>78 311 362</b>	-	-	<b>12 174 506 223</b>	<b>-788 299 094</b>	<b>-431 894 449</b>	<b>4 559 888</b>	<b>-1 215 633 655</b>	<b>10 958 872 568</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Statutory Name	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying Amount
Office of the City Manager	10 897 095	12 467 105	1 544 826	-339 871	24 569 155	-6 727 893	339 871	-2 184 267	-8 572 289	15 996 866
Corporate Services	1 228 567 170	20 814 681	78 126 491	-14 923	1 327 493 419	-41 384 751	14 923	-10 691 823	-52 061 651	1 275 431 768
Finance	9 942 757	55 332	-	-	9 998 089	-1 755 436	-	-655 925	-2 411 361	7 586 728
Community and Social Development	190 952 299	20 010 588	489 545	-942 975	210 509 457	-32 894 715	-	-12 553 182	-45 447 897	165 061 560
Economic Development and Planning	1 601 155 747	111 018 044	29 671 066	-3 000	1 741 841 857	-4 798 154	-	-1 718 229	-6 516 383	1 735 325 474
Engineering Services	3 549 188 422	126 419 067	-	-	3 675 607 489	-623 872 839	-	-167 142 708	-791 015 547	2 884 591 942
Housing	224 375	364 066	-	-	588 441	-39 613	-	-14 300	-53 913	534 528
Fresh Produce Market	53 984 326	23 850	-	-	54 008 176	-16 477 784	-	-4 364 099	-20 841 883	33 166 293
Water	2 712 992 929	183 794 125	-	-	2 896 787 054	-343 232 862	-	-96 077 041	-439 309 903	2 457 477 151
Electricity	2 825 172 738	135 709 033	-	-	2 960 881 771	-153 021 880	-	-144 476 495	-297 498 375	2 663 383 396
	<b>12 183 077 858</b>	<b>610 675 891</b>		<b>-1 300 769</b>	<b>12 902 284 908</b>	<b>-1 224 205 927</b>	<b>354 794</b>	<b>-439 878 069</b>	<b>-1 663 729 202</b>	<b>11 238 555 706</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
557 729 633	-	557 729 633	Property Rates	638 346 749	-	638 346 749
22 352 232	170 803 670	(148 451 438)	Office of the City Manager	28 760	93 035 634	(93 006 874)
4 673 933	73 527 772	(68 853 839)	Corporate Services	6 034 317	279 279 535	(273 245 218)
32 358 496	200 071 509	(167 713 013)	Finance	32 091 390	77 154 260	(45 062 870)
20 482 634	221 212 633	(200 729 999)	Community and Social Development	7 729 211	180 205 020	(172 475 809)
12 426 611	51 734 829	(39 308 218)	Economic Development and Planning	9 341 286	57 517 308	(48 176 022)
16 804 280	14 024 725	2 779 555	Fresh Produce Market	17 279 723	12 941 708	4 338 015
334 567 351	426 574 773	(92 007 422)	Infrastructural Services	346 475 587	104 637 995	241 837 592
541 421 338	363 985 505	177 435 833	Water	605 845 895	351 536 788	254 309 107
656 414 886	370 175 927	286 238 959	Miscellaneous Services	925 597 459	709 577 140	216 020 319
4 740 257	25 733 101	(20 992 844)	Housing	95 242 822	15 518 674	79 724 148
-	-	-	Regional Operations	9 260 960	628 317 266	(619 056 306)
935 168 919	1 069 332 656	(134 163 737)	Electricity	1 379 603 233	1 301 561 973	78 041 260
<b>3 139 140 570</b>	<b>2 987 177 100</b>	<b>151 963 470</b>	<b>Total</b>	<b>4 072 877 391</b>	<b>3 811 283 301</b>	<b>183 552 830</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix E(1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
<b>Revenue</b>				
Property rates	463 255 703	445 408 848	17 846 855	4
Service charges	615 996 782	614 311 875	1 684 907	0
Rental of facilities and equipment	106 106 515	23 673 060	82 433 455	348
Income for agency services	-	20 373 738	(20 373 738)	(100)
Public contributions and donations	-	23 180 983	(23 180 983)	(100)
Fines	2 883 969	4 359 009	(1 475 040)	(34)
Licenses and permits	350 660	568 707	(218 047)	(38)
Government grants and subsidies	1 211 974 408	1 478 254 954	(266 280 546)	(18)
Seconded Personnel	-	131 412 456	(131 412 456)	(100)
Regional Operations	9 260 959	14 780 553	(5 519 594)	(37)
Other income	43 065 003	154 746 436	(111 681 433)	(72)
Interest earned	92 387 219	165 524 338	(73 137 119)	(44)
Electricity	1 527 596 173	1 601 647 954	(74 051 781)	(5)
	<b>4 072 877 391</b>	<b>4 678 242 911</b>	<b>(605 365 520)</b>	<b>(13)</b>
<b>Expenditure</b>				
Office of the City Manager	93 035 634	111 656 481	(18 620 847)	(17)
Corporate Services	169 951 641	233 781 172	(63 829 531)	(27)
Finance	10 157 271	73 096 784	(62 939 513)	(86)
Community and Social Development	180 205 020	223 029 192	(42 824 172)	(19)
Economic Development and Planning	57 617 308	87 322 755	(29 705 447)	(34)
Infrastructural Services	87 002 995	75 803 474	11 199 521	15
Miscellaneous Services	709 577 140	642 291 296	67 285 844	10
Housing	15 518 674	19 440 750	(3 922 076)	(20)
Fresh Produce Market	12 941 708	12 764 413	177 295	1
Water	351 536 788	349 913 457	1 623 331	0
Regional Operations	628 317 266	474 285 809	154 031 457	32
Electricity	1 495 421 856	1 447 102 831	48 319 025	3
	<b>3 811 283 301</b>	<b>3 750 488 414</b>	<b>60 794 887</b>	<b>2</b>
Actuarial gain/(loss) on defined benefit obligation	(9 969 000)		(9 969 000)	-
Gain of losses on disposal of non current assets held for sale or disposal group	1 693 465		1 693 465	-
Gain on revaluation of Investment Property	97 608 235			-
Gain on non-current assets		37 797	(37 797)	-
<b>Net surplus/(deficit) for the year</b>	<b>350 926 790</b>	<b>927 792 294</b>	<b>(576 865 504)</b>	<b>(65)</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix E(2)

ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR

	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance
	R	R	R	%
Office of the City Manager	3 557 131	4 034 628	477 497	12%
Corporate Services	20 566 481	36 044 967	15 478 486	43%
Finance	3 930 064	8 400 000	4 469 936	53%
Community and Social Development	19 658 973	23 903 851	4 244 878	18%
Economic Development and Planning	35 159 150	47 227 925	12 068 775	26%
Infrastructural Services	287 153 603	373 962 612	86 809 009	23%
Housing	329 989	611 359	281 370	46%
Fresh Produce Market	1 569 106	2 320 000	750 894	32%
Water	79 831 484	83 097 963	3 266 479	4%
Electricity	135 708 398	115 118 214	-20 590 184	-18%
<b>TOTAL</b>	<b>587 464 379</b>	<b>694 721 519</b>	<b>107 257 140</b>	<b>-37.80</b>

Mangaung Metropolitan Municipality Consolidated  
Appendix F

DISCLOSURE 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				Delayed/withheld	Reasons	Compliance with conditions	Reasons for non Compliance	Reason for delay/ withholding of funds	Compliance with Conditions	Reasons for non Compliance
		Sep 11	Dec 11	Mar 12	Jun 12	Sep 11	Dec 11	Mar 12	Jun 12							
Equitable Share	National Government	225 463 000	182 139 000	-	136 604 000	145 407 040	158 374 540	130 228 790	145 406 790	No	N/A	Yes	N/A	N/A	Yes	N/A
Public Transport Infra & System Grant	National Government	5 000 000	5 000 000	5 000 000	-	12 147 636	2 808 097	1 149 117	3 425 678	Yes	N/A	Yes	N/A	N/A	Yes	N/A
Mig Grant -Infrastructural Services	National Government	-	-	-	-	19 005 277	20 198 516	4 320 221	19 164 997	No	N/A	Yes	N/A	N/A	Yes	N/A
Mig Grant Capacity Building	National Government	-	-	-	40 000	-	-	-	-	No	N/A	Yes	N/A	N/A	Yes	N/A
Financial Management Grant	National Government	1 450 000	-	-	472 777	350 342	252 113	140 312	719 856	No	N/A	Yes	N/A	N/A	Yes	N/A
Municipal System Improvement Grant	National Government	-	-	-	831 151	-	-	-	-	No	N/A	Yes	N/A	N/A	Yes	N/A
National Electrification Program Grant	National Government	9 219 000	6 146 000	12 635 000	-	-	-	28 000 000	-	No	N/A	Yes	N/A	N/A	Yes	N/A
Housing Accreditation Subsidy	Provincial Government	3 635 000	-	-	-	-	120	5 035	544 300	No	N/A	Yes	N/A	N/A	Yes	N/A
2010 Stadia Provincial Grant	Provincial Government	-	-	-	-	1 018 854	-	49 000	136 100	No	N/A	Yes	N/A	N/A	Yes	N/A
Lotto Funds Upgrading Stadiums										No	N/A	Yes	N/A	N/A	Yes	N/A
Local Government & Housing Grant White City	Provincial Government	-	-	-	-	-	-	-	42 308	No	N/A	Yes	N/A	N/A	Yes	N/A
Motheo Contr- Enviromental Health	District Municipality	-	-	-	-	-	-	133 674	733 551	No	N/A	Yes	N/A	N/A	Yes	N/A
Motheo Contr- Tourism	District Municipality	-	-	-	-	-	-	-	10 750	No	N/A	Yes	N/A	N/A	Yes	N/A
Motheo Contr- Upgrading Roads	District Municipality	-	-	-	-	-	621 147	617 574	20 532	No	N/A	Yes	N/A	N/A	Yes	N/A
Electricity Demand Site Management Grant	National Government	-	3 000 000	2 000 000	-	-	-	-	-	No	N/A	Yes	N/A	N/A	Yes	N/A
Provincial Grant -Urban Renewal	Provincial Government	-	-	-	-	-	-	-	-	No	N/A	Yes	N/A	N/A	Yes	N/A
Provincial Grant CCTV For BFN CBD Stadium Navil Hill	Provincial Government	10 000 000	-	-	-	2 381 448	-	2 760 422	3 130 913	No	N/A	Yes	N/A	N/A	Yes	N/A
Provincial Grant Upgrading Roads in Batho	Provincial Government	-	-	-	-	6 562 794	4 633 449	4 471 950	5 067 105	No	N/A	Yes	N/A	N/A	Yes	N/A
COGTA Capital Grant Fire Suppression Simulator	Provincial Government	-	-	-	-	-	-	-	82 817	No	N/A	Yes	N/A	N/A	Yes	N/A
Provincial Grant Township Establishment Caleb Motshabi	Provincial Government	-	-	-	-	-	-	-	11 275	No	N/A	Yes	N/A	N/A	Yes	N/A
Urban Settlement Development Grant	National Government	137 332 000	137 332 000	137 331 000	-	48 973 506	44 519 329	52 770 632	165 123 892	No	N/A	Yes	N/A	N/A	Yes	N/A
Fuel Levy	National Government	58 657 000	58 657 000	58 658 000	-	17 597 200	52 791 600	52 791 600	52 791 600	No	N/A	Yes	N/A	N/A	Yes	N/A
		<b>450 756 000</b>	<b>392 274 000</b>	<b>215 624 000</b>	<b>137 947 928</b>	<b>253 444 097</b>	<b>284 198 910</b>	<b>277 438 327</b>	<b>396 412 462</b>							