

Tsolwana

LOCAL MUNICIPALITY



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2012

TSOLWANA LOCAL MUNICIPALITY

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TSOLWANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Tsolwana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Tsolwana Municipality includes the following areas:

Tarkastad
Ntabathemba
Hofmeyer

COUNCILLORS

Ward 1	M Mangcotywa
Ward 2	T Baleng
Proportional	V Dyasi
Ward 3	N Ngcefe
Proportional	G Hlomendlini
Ward 4	N Nqabisa
Proportional	M Bennett
Ward 5	I van heerden
Proportional (Mayor)	K Nqiqhi
Proportional	C Boast

MUNICIPAL MANAGER

S Dayi

CHIEF FINANCIAL OFFICER

S du Toit

REGISTERED OFFICE

Murray Street
Tarkastad

AUDITORS

Office of the Auditor General (Eastern Cape)

PRINCIPLE BANKERS

First National Bank, Tarkastad

ATTORNEYS

Smith Thabata

TSOLWANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act

TSOLWANA LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 63 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
NET ASSETS AND LIABILITIES			
Net Assets		91 282 835	96 899 938
Accumulated Surplus		91 282 835	96 899 938
Non-Current Liabilities		3 584 702	2 957 063
Long-term Liabilities	2	61 646	128 278
Employee Benefits	3	3 523 055	2 828 785
Non-Current Provisions	0	-	-
Current Liabilities		14 898 877	11 660 840
Consumer Deposits	4	97 736	93 240
Current Employee Benefits	5	1 348 618	1 193 120
Payables from Exchange Transactions	6	4 423 611	1 383 414
Unspent Conditional Government Grants and Receipts	7	6 110 237	6 853 004
Taxes	8	2 852 042	1 932 731
Cash and Cash Equivalents	16	-	155 124
Current Portion of Long-term Liabilities	2	66 632	50 207
Total Net Assets and Liabilities		109 766 414	111 517 841
ASSETS			
Non-Current Assets		91 179 817	87 165 909
Property, Plant and Equipment	9	63 660 684	59 304 535
Investment Property	10	27 421 755	27 713 184
Intangible Assets	11	97 379	148 190
Current Assets		18 586 596	24 351 932
Inventory	12	619 866	539 845
Receivables from Exchange Transactions	13	5 263 797	11 255 258
Receivables from Non-exchange Transactions	14	520 979	478 037
Unpaid Conditional Government Grants and Receipts	7	1 717 830	-
Lease Asset	15	1 172	1 172
Taxes	8	2 017 982	1 644 476
Cash and Cash Equivalents	16	8 444 970	10 433 144
Total Assets		109 766 413	111 517 841

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions		38 405 939	38 383 095
Taxation Revenue		1 359 506	1 123 557
Property Rates	17	1 359 506	1 123 557
Transfer Revenue		37 041 180	37 253 797
Government Grants and Subsidies - Capital	18	10 874 750	7 333 055
Government Grants and Subsidies - Operating	18	26 146 430	29 920 742
Public Contributions and Donations		20 000	-
Other Revenue		5 253	5 741
Fines		5 253	5 741
Revenue from Exchange Transactions		14 421 143	13 994 115
Service Charges	19	5 432 545	3 889 170
Water Services Authority Contribution	20	6 303 734	8 573 365
Rental of Facilities and Equipment		58 344	85 167
Agency Services		830 935	255 081
Interest Earned - external investments		377 562	566 958
Interest Earned - outstanding debtors		1 223 802	387 951
Gain on disposal of Property, Plant and Equipment		19 035	28 070
Other Income	21	175 186	208 353
Total Revenue		52 827 082	52 377 210
EXPENDITURE			
Employee Related Costs	22	17 033 320	14 234 771
Remuneration of Councillors	23	2 191 645	1 999 330
Debt Impairment	24	7 521 300	2 065 668
Depreciation and Amortisation	25	5 856 292	5 474 153
Actuarial losses	3	303 559	185 258
Repairs and Maintenance	26	3 356 700	2 990 070
Finance Charges	27	95 008	30 528
Bulk Purchases	28	6 389 211	5 370 608
Grants and Subsidies	29	880	3 231
Operating Grant Expenditure	30	4 669 300	10 597 313
General Expenses	31	11 026 965	9 398 593
Total Expenditure		58 444 180	52 349 522
NET SURPLUS FOR THE YEAR		(5 617 098)	27 687

TSOLWANA LOCAL MUNICIPALITY

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

	Accumulated Surplus R
Balance at 1 JULY 2010	96 985 750
Prior year error restatement - Refer to note 32.04	(113 497)
Rounding	(1)
Restated Balance at 1 JULY 2010	96 872 251
Net Surplus for the year	27 687
Balance at 30 JUNE 2011	96 899 938
Net Surplus for the year	(5 617 098)
Rounding	(5)
Balance at 30 JUNE 2012	91 282 835

TSOLWANA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 R	Restated 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		10 406 347	11 464 640
Government		37 187 790	38 094 334
Interest		1 601 364	954 909
Payments			
Suppliers and employees		(41 484 229)	(45 133 597)
Finance charges		(95 008)	(30 528)
Net Cash from Operating Activities	33	7 616 263	5 349 758
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(9 870 200)	(9 207 150)
Net Cash from Investing Activities		(9 870 200)	(9 207 150)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Long-term Liabilities		(50 207)	(36 678)
Increase in Consumer Deposits		4 496	6 485
Rounding		4	-
Net Cash from Financing Activities		(45 707)	(30 193)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2 299 644)	(3 887 585)
Cash and Cash Equivalents at the beginning of the year		10 278 020	14 165 605
Cash and Cash Equivalents at the end of the year	34	7 978 376	10 278 020

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
2 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	-	-
Capitalised Lease Liability - At amortised cost	128 278	178 485
	128 278	178 485
Less: Current Portion transferred to Current Liabilities	(66 632)	(50 207)
Annuity Loans - At amortised cost	66 632	50 207
Capitalised Lease Liability - At amortised cost	66 632	50 207
Total Long-term Liabilities - At amortised cost using the effective interest rate method	61 646	128 278

Capital lease liabilities at amortised cost is calculated at prime interest rate, with maturity dates of 31/12/2014 and 31/01/2014.

The obligations under finance leases are scheduled below:

Minimum lease payments

Amounts payable under finance leases:

Payable within one year	81 145	73 768
Payable within two to five years	67 225	148 370
Payable after five years	-	-
	148 370	222 138
Less: Future finance obligations	(20 092)	(43 653)
Present value of lease obligations	128 278	178 485

Leases are secured by Property, Plant and Equipment - Note 9

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Lease Term	Maturity Date
Fintech	Photo copy machine - 001-844535-1-15	Prime	5yrs	31/12/2014
Fintech	Photo copy machine - 001795340-1-15	Prime	5yrs	31/01/2014
Fintech	Photo copy machine - 001795340-2-15	Prime	5yrs	31/01/2014

3 EMPLOYEE BENEFITS

Post Retirement Medical Obligation - refer to note 3.1
Long Service Awards - refer to note 3.2

Total Non-current Employee Benefit Liabilities	3 523 055	2 828 785
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Post Retirement Medical Obligation

Balance 1 July	2 698 186	2 229 443
Contribution for the year	429 907	270 082
Expenditure for the year	(87 502)	-
Actuarial Loss	300 053	198 661
Total post retirement benefits 30 June	3 340 644	2 698 186
Less: Transfer of Current Portion - Note 5	(94 944)	(87 504)
Balance 30 June	3 245 700	2 610 682

Long Service Awards

	2012 R	2011 R
Balance 1 July	243 263	201 273
Contribution for the year	70 272	62 572
Expenditure for the year	(25 160)	(7 179)
Actuarial Loss	3 506	(13 403)
Total long service 30 June	291 881	243 263
Less: Transfer of Current Portion - Note 5	(14 526)	(25 160)
Balance 30 June	277 355	218 103

TSOLWANA LOCAL MUNICIPALITY

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

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	2 941 449	2 430 716
Contribution for the year	500 179	332 654
Expenditure for the year	(112 662)	(7 179)
Actuarial Gain	303 559	185 258
Total employee benefits 30 June	3 632 525	2 941 449
Less: Transfer of Current Portion - Note 5	(109 470)	(112 664)
Balance 30 June	3 523 055	2 828 785

3.1 Post Retirement Medical Obligation

	2012 Employees	2011 Employees
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	24	23
In-service (employee) non-members	63	67
Continuation members (e.g. Retirees, widows, orphans)	3	3
Total Members	90	93

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

Bonitas;
Samwumed
LA Health

Key actuarial assumptions used:

	2012 %	2011 %
i) Rate of interest		
Discount rate	8.01%	8.66%
Health Care Cost Inflation Rate	7.07%	7.33%
Net Effective Discount Rate	0.88%	1.24%

ii) Mortality rates

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

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rate of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 340 644	2 698 186
Total Liability	3 340 644	2 698 186

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

	2010 R	2009 R	2008 R
Total Liability	2 229 443	1 011 116	995 752

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 698 186	2 229 443
Total contribution	342 405	270 082
Current service cost	199 826	68 082
Interest Cost	230 081	202 000
Benefits Paid	(87 502)	-
Actuarial (Gains)/Losses	300 053	198 661
Present value of fund obligation at the end of the year	3 340 644	2 698 186
Less: Transfer of Current Portion - Note 5	(94 944)	(87 504)
Balance 30 June	3 245 700	2 610 682

The liability is unfunded.

TSOLWANA LOCAL MUNICIPALITY

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

Sensitivity Analysis on the Accrued Liability

Year ending 30 June 2012	Change	In service members liability (Rm)	Continuation members liability (Rm)	Total (Rm)	Change (%)
Health Care Inflation	1%	2.678	1.226	3.904	17%
Health Care Inflation	-1%	1.847	1.040	2.887	-14%
Post-retirement mortality	-1yr	2.288	1.179	3.467	4%
Average retirement age	-1yr	2.384	1.128	3.512	5%
Withdrawal Rate	-50%	2.452	1.128	3.580	7%

Sensitivity Analysis on the Interest- and Current-service Costs

Year ending 30 June 2012	Change	Current Service Cost (R)	Interest Cost Change (R)	Total (R)	Change %
Health Care Inflation	1%	250 200	267 400	517 600	20%
Health Care Inflation	-1%	161 200	199 800	361 000	-16%
Post-retirement mortality	-1yr	206 300	238 700	445 000	4%
Average retirement age	-1yr	202 300	244 300	446 600	4%
Withdrawal Rate	-50%	240 600	245 100	485 700	13%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 87 employees, but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

i) Rate of interest

	2012 %	2011 %
Discount rate	6.16%	7.93%
General Salary Inflation (long-term)	5.97%	6.32%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.18%	1.52%

The amounts recognised in the Statement of Financial Position are as follows:

	2012 R	2011 R
Present value of fund obligations	291 881	243 263
Total Liability	291 881	243 263

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

	2010 R	2009 R	2008 R
Total Liability	201 273	167 136	151 739

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	243 263	201 273
Total contribution	45 112	55 393
Current service cost	51 954	47 436
Interest Cost	18 318	15 136
Benefits Paid	(25 160)	(7 179)
Actuarial (Gain)/Losses	3 506	(13 403)
Present value of fund obligation at the end of the year	291 881	243 263
Less: Transfer of Current Portion - Note 5	(14 526)	(25 160)
Balance 30 June	277 355	218 103

The liability is unfunded.

Sensitivity Analysis on the Unfunded Accrued Liability

Year ending 30 June 2012	Current Liability (Rm)	Change	Change %
General Salary Inflation	0.308	1%	5%
General Salary Inflation	0.277	-1%	-5%
Average retirement inflation	0.275	-2yrs	-6%
Average retirement inflation	0.313	+2yrs	7%
Withdrawal rates	0.348	-50%	19%

Sensitivity Analysis on the Current-service and Interest Costs

Year ending 30 June 2012	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
General Salary Inflation	1%	54 684	19 305	73 989	5%
General Salary Inflation	-1%	49 463	17 404	66 867	-5%
Average retirement age	-2yrs	49 753	17 414	67 167	-4%
Average retirement age	+2yrs	54 170	19 498	73 668	5%
Withdrawal Rate	-50%	64 456	21 835	86 291	23%

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

3.3 Retirement Funds

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

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

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

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.1% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance	156 490	-
	<u>156 490</u>	<u>-</u>

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2010 - 100.3%).

Contributions paid recognised in the Statement of Financial Performance	593 848	591 846
	<u>593 848</u>	<u>591 846</u>

DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance		
SALA Pension Fund	1 326 848	-
	<u>1 326 848</u>	<u>-</u>

4 CONSUMER DEPOSITS

Water and Electricity	97 736	93 240
Total Consumer Deposits	<u>97 736</u>	<u>93 240</u>

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

TSOLWANA LOCAL MUNICIPALITY

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

5

CURRENT EMPLOYEE BENEFITS

Bonuses Accrued	508 571	563 397
Provision for Staff Leave	730 578	517 060
Current Portion of Non-Current Employee Benefits	109 470	112 664
Current Portion of Post Retirement Medical Obligation - Note 3	94 944	87 504
Current Portion of Long-Service Provisions - Note 3	14 526	25 160
Total Current Employee Benefits	1 348 618	1 193 120

2012	2011
R	R

Bonuses Accrued and Performance bonuses of Section 57 Managers

Balance at beginning of year	563 397	346 279
Contribution for the year	851 957	880 349
Expenditure incurred	(906 783)	(663 231)
Balance at end of year	508 571	563 397

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance.

Provision for Staff Leave

Balance at beginning of year	517 060	416 980
Contribution for the year	265 052	163 734
Expenditure incurred	(51 534)	(63 654)
Balance at end of year	730 578	517 060

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

Other Provisions

Balance at beginning of year	-	157 748
Contribution to current portion	-	-
Expenditure incurred	-	(157 748)
Balance at end of year	-	-

Other provisions are non-recurring provisions which consists out of the following at year end:

TASK Job Evaluation Provision

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
6 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	3 394 634	239 371
Sundry Creditors	20 850	8 076
Water Service Authority payable	587 909	587 909
Retentions	84 719	182 745
Payments received in advance	106 081	237 140
Unknown Receipts	229 418	128 173
E-Natis Creditors	-	-
Total Payables from Exchange Transactions	4 423 611	1 383 414

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

All payables are unsecured.

The Municipalities did not default on any of their payments.

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	6 110 237	6 853 004
Total National Government Grants	3 930 057	4 415 780
Total Provincial Government Grants	1 433 995	1 606 037
Total District Municipality Grants	187 685	117 685
Total Other Grant Providers	558 500	713 502
Less: Unpaid Grants	(1 717 830)	-
National Government Grants	-	-
Provincial Government Grants	(1 717 830)	-
District Municipality Grants	-	-
Other Grant Providers	-	-
Total Conditional Grants and Receipts	4 392 407	6 853 004

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

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. The unspent portion on the DME grant was deducted from the Equitable share allocation. Refer to the Correction of error note for more detail. The rollover was not approved although we have spend it in the previous year.

8 TAXES

8.1 VAT Payable

VAT Payable	1 248 134	609 026
VAT output in suspense	1 603 908	1 323 705
Balance previously reported		1 273 226
Correction of error - Refer to note 32.01		50 479
Total Taxes (payable)/Receivable	2 852 042	1 932 731

VAT is payable/receivable on the cash basis.

8.2 VAT Receivable

VAT input in suspense	2 017 982	1 644 476
Total Taxes (payable)/Receivable	2 017 982	1 644 476

8.3 Net VAT Receivable/(Payable)

	(834 060)	(288 255)
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VAT is payable/receivable on the cash basis.

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
10 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	27 713 184	28 268 613
Cost	28 878 900	29 142 900
Accumulated Depreciation	(1 165 716)	(874 287)
Acquisitions	-	-
Depreciation	(291 429)	(291 429)
Assets transfer to Assets held for Sale under inventory	-	(264 000)
Net Carrying amount at 30 June	27 421 755	27 713 184
Cost	28 878 900	28 878 900
Accumulated Depreciation	(1 457 145)	(1 165 716)
Revenue derived from the rental of investment property	7 500	7 500

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

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

	2012 R	2011 R
11 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	148 190	201 376
Cost	212 745	212 745
Accumulated Amortisation	(64 555)	(11 369)
Acquisitions	5 700	-
Amortisation	(56 511)	(53 186)
Disposals	-	-
Net Carrying amount at 30 June	97 379	148 190
Cost	218 445	212 745
Accumulated Amortisation	(121 066)	(64 555)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

	2012 R	2011 R
12 INVENTORY		
Stationary - At cost	268 336	52 219
Land held for sale	264 000	264 000
Other - At deemed cost	11 478	223 626
Other Water department inventory	76 052	-
Total Inventory	619 866	539 845
The value of treated water inventory at year-end was measured at:	8 232	-
This has been measured at a cost of R0.80 per kl for treated water.		
Inventory recognised as an expense during the year	85 642	34 288

No inventory assets were pledged as security for liabilities.

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
13 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	3 488 370	2 780 910
Water	2 089 559	-
Refuse	2 838 779	2 408 948
Sewerage	4 423 685	-
Other	926 648	932 263
CHDM Service Authority	3 907 749	10 821 188
Total Receivables from Exchange Transactions	17 674 790	16 943 310
Less: Allowance for Doubtful Debts	(12 410 993)	(5 688 051)
Total Net Receivables from Exchange Transactions	5 263 797	11 255 258

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	5 688 051	4 318 518
Contribution to provision	6 722 942	1 528 141
Debt Impairment written off against provision	-	(158 608)
Balance at end of year	12 410 993	5 688 051

Electricity	2 965 474	2 396 361
Water	1 865 716	-
Refuse	2 814 360	2 386 991
Sewerage	3 865 296	-
Other	900 148	904 699

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

Service Receivables	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Electricity	3 488 370	(2 965 474)	522 896
Water	2 089 559	(1 865 716)	223 844
Refuse	2 838 779	(2 814 360)	24 418
Sewerage	4 423 685	(3 865 296)	558 390
Other	926 648	(900 148)	26 500
CHDM Service Authority	3 907 749	-	3 907 749
Total	17 674 790	(12 410 993)	5 263 797
2011			
Electricity	2 780 910	(2 396 361)	384 549
Water	-	-	-
Refuse	2 408 948	(2 386 991)	21 957
Sewerage	-	-	-
Other	932 263	(904 699)	27 564
CHDM Service Authority	10 821 188	-	10 821 188
Total	16 943 310	(5 688 051)	11 255 258

	2012 R	2011 R
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	297 595	239 142
31 to 60 days	150 470	163 417
61 to 90 days	137 957	92 103
91 and more	2 902 348	2 286 248
Total	3 488 370	2 780 910
(Water): Ageing		
Current (0 - 30 days)	75 579	-
31 to 60 days	55 448	-
61 to 90 days	54 676	-
91 and more	1 903 857	-
Total	2 089 560	-

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

(Refuse): Ageing

Current (0 - 30 days)	59 404	51 396
31 to 60 days	49 315	43 934
61 to 90 days	46 837	42 675
91 and more	2 682 929	2 270 944
Total	2 838 485	2 408 949

(Sewerage): Ageing

Current (0 - 30 days)	93 144	-
31 to 60 days	78 291	-
61 to 90 days	75 382	-
91 and more	4 177 163	-
Total	4 423 980	-

(Other): Ageing

Current (0 - 30 days)	2 741	2 714
31 to 60 days	2 730	2 719
61 to 90 days	2 730	2 719
91 and more	916 274	924 112
Total	924 475	932 263

14 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2012 R	2011 R
Rates	3 655 957	2 885 785
Other Receivables	342 780	271 651
Fuel Deposits	5 000	5 000
Employee related debtors	58 074	4 178
Contractor penalties	187 532	187 532
Fruitless and Wasteful expenditure recoverable	72 729	57 109
Other	19 445	17 832
Total Receivables from Exchange Transactions	3 998 737	3 157 436
Less: Allowance for Doubtful Debts	(3 477 757)	(2 679 399)
Total Net Receivables from Non-Exchange Transactions	520 979	478 037

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	2 679 399	2 289 052
Contribution to provision/(reversal of provision) - note 24	798 358	537 527
Debt Impairment written off against provision	-	(147 180)
Balance at end of year	3 477 757	2 679 399
Rates	3 477 757	2 679 399

Concentrations of credit risk with respect to Receivables from non-exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables.

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2012			
Rates	3 655 957	(3 477 757)	178 199
Other Receivables	342 780	-	342 780
Total	3 998 737	(3 477 757)	520 979
2011			
Rates	2 885 785	(2 679 399)	206 386
Other Receivables	271 651	-	271 651
Total	3 157 436	(2 679 399)	478 037

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
Ageing of Receivables from Non-Exchange Transactions		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	29 965	29 825
31 to 60 days	78 867	60 987
61 to 90 days	118 129	55 454
91 and more	3 428 997	2 739 519
Total	3 655 957	2 885 785
<u>(Other Receivables): Ageing</u>		
Current (0 - 30 days)	-	-
31 to 60 days	-	-
61 to 90 days	-	-
91 and more	342 780	-
Total	342 780	-
15 OPERATING LEASE ARRANGEMENTS		
16.1 The Municipality as Lessor		
Balance on 1 July	1 172	1 172
Movement during the year	-	-
Balance on 30 June	1 172	1 172
		Minimum lease payments
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	7 500	5 091
1yr to 5 yrs	-	-
More than 5 years	-	-
Total operating lease Arrangement	7 500	5 091
16 CASH AND CASH EQUIVALENTS		
<u>Assets</u>		
Call Investment Deposits	5 631 219	8 982 414
Capital Bank Account	973 063	961 791
Housing bank account	1 374 004	488 849
Primary Bank accounts	466 594	-
Cash Floats	90	90
Total Cash and Cash Equivalents - Assets	8 444 970	10 433 144
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
Call Investments Deposits to an amount of R6 114 925 are held to fund the Unspent Conditional Grants (2011: R4 230 714).		
The Municipality has the following bank accounts:		
<u>Liabilities</u>		
Primary Bank accounts	-	(155 124)
Total Cash and Cash Equivalents - Assets	-	(155 124)
<u>Current Accounts</u>		
First National Bank - Acc no 53852257262	466 594	(155 124)
First National Bank - Acc no 62023697157	973 063	961 791
First National Bank - Acc no 53850009219	1 374 004	488 849
	2 813 661	1 295 516
<u>First National Bank - Acc no 53852257262</u>		
Cash book balance at beginning of year	(155 124)	(155 678)
Cash book balance at end of year	466 594	(155 124)
Bank statement balance at beginning of year	888 513	396 464
Bank statement balance at end of year		888 513
<u>First National Bank - Acc no 62023697157</u>		
Cash book balance at beginning of year	961 791	947 773
Cash book balance at end of year	973 063	961 791
Bank statement balance at beginning of year	1 496 970	1 326 211
Bank statement balance at end of year	973 899	1 496 970
<u>First National Bank - Acc no 53850009219</u>		
Cash book balance at beginning of year	488 849	278 383
Cash book balance at end of year	1 374 004	488 849
Bank statement balance at beginning of year	488 849	386 002
Bank statement balance at end of year	1 323 147	488 849
	2012 R	2011 R
<u>Call Investment Deposits</u>		

TSOLWANA LOCAL MUNICIPALITY

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

Call investment deposits consist out of the following accounts:

FNB	- Acc no 61385739962	Consultant provisional fund	-	3 227
FNB	- Acc no 62000235938	Rightsizing fund	-	82 729
FNB	- Acc no 62067415127	employee leave reserve	135 423	132 339
FNB	- Acc no 62023992855	Transitional Grant	-	39 323
FNB	- Acc no 62033770547	General operational fund	-	3 208
FNB	- Acc no 62055138921	HR Related projects	-	203 659
FNB	- Acc no 62018962292	Water maintenance fund	-	630 804
FNB	- Acc no 62046892180	Tsolwana Equitable share	-	11 509
FNB	- Acc no 62046892239	Tsolwana Municipality - Hofmeyr equitable share	-	7 186
FNB	- Acc no 62046892320	Disaster fund	-	1 692
FNB	- Acc no 62033358814	Hofmeyr unidentified fund	-	4 409
FNB	- Acc no 62024583199	Tsolwana Sewer fund	-	212 305
FNB	- Acc no 61385739623	Revolving fund	741 307	674 593
FNB	- Acc no 62046892297	Tsolwana - Ntabathemba equitable share	-	32 349
FNB	- Acc no 61385739649	IGG Subsidy fund	-	136 428
FNB	- Acc no 62048905600	MSP fund	-	400 016
FNB	- Acc no 62050961286	Spacial development fund	-	7 035
FNB	- Acc no 62050960759	Luxolweni planning fund	-	150 023
FNB	- Acc no 62059515349	Valuation fund	-	156 743
FNB	- Acc no 61385738039	Development plan fund	-	19 390
FNB	- Acc no 60385017162	Deposit account	-	37 823
FNB	- Acc no 62072824488	Municipal Finance Management fund	-	335 700
FNB	- Acc no 62067412678	Working Capital fund	-	1 301 314
FNB	- Acc no 62010465236	Dawn Park town fund	-	5 659
FNB	- Acc no 61385739681	Water and Electricity fund	-	111 987
FNB	- Acc no 62033770810	Implementation free basic	-	13 246
FNB	- Acc no 62035462994	IMPOV fund	-	656 610
FNB	- Acc no 62179911295	Mapping fund	-	63 141
FNB	- Acc no 62179913829	Tourism sector plan	-	2 554
FNB	- Acc no 62019475096	671 Housing fund CMIP	-	1 620
FNB	- Acc no 62030669537	671 Housing Establishment fund	-	2 366
FNB	- Acc no 62061007219	Thornhill Housing fund CMIP	-	143 573
FNB	- Acc no 62066741747	1400 Housing Establishment fund	-	1 448
FNB	- Acc no 62025637705	671 Admin Housing Fund	-	119 679
FNB	- Acc no 62066741929	1400 Housing Infrastructure fund	-	8 519
FNB	- Acc no 62000659104	Tarkastad Housing Site fund	-	47 259
FNB	- Acc no 62061334977	1004 Top Structure CMIP	-	1 804
FNB	- Acc no 62022263058	Housing Development fund	-	47 091
FNB	- Acc no 62082751184	Hofmeyr 1000 Housing Top Structure fund	-	239 504
FNB	- Acc no 62082749808	Hofmeyr 1000 Housing Infrastructure fund	-	224 135
FNB	- Acc no 62127618059	Thornhill Housing Fund	-	14 185
FNB	- Acc no 62127622539	671 Housing Top Structure fund	-	99 982
FNB	- Acc no 62127621408	1000 Housing top Structure fund	-	56 860
FNB	- Acc no 62127624296	1000 Hofmeyr housing structure fund	-	86 553
FNB	- Acc no 62196097995	MIG fund	4 343 860	2 198 957
FNB	- Acc no 62240939100	DME Fund	410 629	251 878
			5 631 219	8 982 414

17 PROPERTY RATES

Actual

Rateable Land and Buildings	2 380 639	1 093 797
Less: Rebates	(1 021 133)	29 760
Total Assessment Rates	1 359 506	1 123 557

Valuations - 1 July 2010

Residential	106 922 500
Residential - other	21 558 500
RDP Houses	4 185 500
Industrial	22 329 500
Government Property	20 100 500
Public Benefit	10 122 000
Agricultural	1 053 487 260
Municipal Owned Property	6 718 000
Rateable Land and Buildings	1 245 423 760

Rebates on Income - Basic Rate:

Residential	0.54c/R
Commercial/Business Properties	1.08c/R
Public Service Infrastructure	0
Public Benefit Organisations	0.14c/R
Industrial Properties	1.08c/R
Agricultural Properties used for Agricultural Purposes	0.13c/R
Agricultural Properties used for commercial/Industrial	0.27c/R
Agricultural Properties used for Eco- Tourism, Conservation Trading or Hunting of Game	0.27c/R
Agricultural Properties not used for any purpose/purpose unknown to Municipality	0.54c/R
State Owned Property	0.13c/R
Municipal Owned Property	0
Vacant Properties	1.08c/R

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 2% on outstanding monthly rates.

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

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
18 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	21 877 998	19 878 276
Equitable Share	21 877 998	19 030 869
Other Grants	-	847 407
Conditional Grants	13 425 579	17 375 521
Municipal Infrastructure Grant (MIG)	7 615 366	7 434 413
Municipal Systems Improvement Grant (MSIG)	798 382	855 131
Financial Management Grant (FMG)	1 250 000	3 000 000
Housing	777 074	5 553 542
DME	1 865 997	-
Other	974 914	-
Chris Hanani District Municipality	143 847	532 434
Total Government Grants and Subsidies	35 303 578	37 253 797
Government Grants and Subsidies - Capital	10 874 749.56	7 333 055
Government Grants and Subsidies - Operating	26 146 430.25	29 920 742
	37 021 180	37 253 797
The Municipality does not expect any significant changes to the level of grants.		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share		
Budget & Treasury	2 789 034	4 749 251
Community & Social Services	3 556 672	2 183 249
Electricity	3 597 055	2 816 883
Executive & Council	4 232 112	3 199 178
Corporate Services	3 677 965	3 187 634
Housing	-	-
Planning & Development	-	-
Road Transport	595 714	222 108
Sport & Recreation	481 730	579 179
Waste Management	2 947 716	2 093 388
Water	-	-
	21 877 998	19 030 869
18.1 Equitable Share		
Opening balance	-	-
Grants received	21 877 998	19 030 869
Conditions met - operating	(21 877 998)	(19 030 869)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
18.2 Municipal Infrastructure Grant (MIG)		
Opening balance	1 780 419	1 207 831
Grants received	9 631 000	8 007 000
Conditions met - capital	(7 291 151)	(7 034 473)
Conditions met - operating	(324 215)	(399 940)
Conditions still to be met / (unpaid grants for conditions already met)	4 120 268	1 780 419
MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones		
18.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	8 382	113 513
Grants received	790 000	750 000
Conditions met - capital	-	-
Conditions met - operating	(798 382)	(855 131)
Conditions still to be met / (unpaid grants for conditions already met)	0	8 382
MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act.		
18.4 Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 250 000	3 000 000
Conditions met - capital	-	-
Conditions met - operating	(1 250 000)	(3 000 000)
Conditions still to be met	-	-
FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
18.5 Housing Grants		
Opening balance	1 606 037	1 444 367
Grants received	605 032	5 715 213
Conditions met - capital	-	-
Conditions met - operating	(777 074)	(5 553 542)
Conditions still to be met	1 433 995	1 606 037
Housing grants was utilised for the devolpment of ervens and the erction of top structure		
18.6 DME Grant		
Opening balance	2 626 979	2 513 481
Correction on opening balance due to expenditure incurred in previous year not funded from this grant		113 497
Grants received	2 000 000	-
Conditions met - capital	(1 865 997)	(2 508 793)
Correction on expenditure since these expenditure were not funded from the grant		2 508 793
Monies paid back to Departement of Energy	(2 626 978)	-
Conditions met - operating	-	-
Conditions still to be met / (unpaid grants for conditions already met)	134 004	2 626 979
The National Electrification Grant was used for renewal of old electricity network.		
18.6 Chris Hani Local Municipality Grant		
Opening balance	117 685	109 274
Grants received	213 847	540 846
Conditions met - capital	-	(298 582)
Conditions met - operating	(143 847)	(233 852)
Conditions still to be met	187 685	117 685
Various grants were received from CHDM.		
18.7 Department of Roads		
Opening balance	-	-
Grants received	-	-
Conditions met - capital	(1 717 830)	-
Conditions met - operating	-	-
Conditions still to be met	(1 717 830)	-
Various grants were received from CHDM.		
18.8 Other Grants		
Opening balance	713 502	510 502
Grants received	819 912	1 050 407
Conditions met - capital	-	-
Conditions met - operating	(974 914)	(847 407)
Conditions still to be met	558 500	713 502
Various grants were received from other spheres of government.		
18.9 Total Grants		
Opening balance	6 853 004	5 898 969
Grants received	37 187 790	38 094 334
Conditions met - capital	(10 874 978)	(9 841 848)
Conditions met - operating	(26 146 430)	(29 920 742)
Conditions still to be met/(Grant expenditure to be recovered)	7 019 385	4 230 714
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts		6 853 004
Unpaid Conditional Government Grants and Receipts		-
		6 853 004
19 SERVICE CHARGES		
Electricity	4 669 597	3 969 013
Income previously reported		4 019 492
Refer Correction of error - Note 32.02		(50 479)
Water	237 463	-
Refuse Removal	1 341 651	1 205 822
Sewerage and Sanitation	1 786 683	-
	8 035 394	5 174 835
Less: Rebates	(2 602 849)	(1 285 665)
Total Service Charges	5 432 545	3 889 170
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
20 WATER SERVICES AUTHORITY CONTRIBUTION		
Chris Hani District Municipality - Water and Sewerage functions	6 303 734	8 573 365
An agreement was entered into, with effect from 1 July 2010, with the Chris Hani District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality. Prior to that date the Municipality acted as an agent for the Chris Hani District Municipality.		

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

	2012 R	2011 R
21 OTHER INCOME		
LGSETA Claims Received	-	4 319
Pound Fees	4 042	7 350
Cemetery Fees	9 485	4 090
Work for consumers	4 619	-
Sundry Income	157 040	192 594
Total Other Income	175 186	208 353

22 EMPLOYEE RELATED COSTS		
Bonus	851 957	880 349
Bargaining Council Levy	4 727	4 166
Contribution to Current Employee Benefits - Staff Leave	265 052	163 734
Contribution to Employee Benefits - Long Service Awards	60 852	62 572
Housing subsidy	8 520	7 200
Medical Aid Contributions	297 336	335 649
Overtime	418 091	380 389
Pension Fund Contributions	1 843 205	1 633 019
Post Employment Health Contribution	342 405	270 082
Salaries and Wages	12 366 596	9 985 811
Travel, motor car, telephone, assistance and other allowances	484 268	432 179
UIF Contributions	90 311	79 621
Total Employee Related Costs	17 033 320	14 234 771

KEY MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	518 510	463 415
Car and other allowances	173 803	173 803
Performance Bonuses	93 367	76 166
Contributions to UIF, Medical and Pension Funds	120 897	114 994
Total	906 578	828 378

Remuneration of the Manager Technical Services

Annual Remuneration	107 460	429 840
Car and other allowances	12 000	57 600
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	19 024	76 097
Total	138 484	563 536

The position was vacant with Manager Corporate Service responsible for Technical department for the whole financial year. The previous manager was suspended and his contract expired 30 September 2012. The position was filled subsequent to year end.

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
Remuneration of the Manager Corporate Service		
Annual Remuneration	504 162	474 181
Car and other allowances	57 600	57 600
Performance Bonuses	64 237	33 236
Contributions to UIF, Medical and Pension Funds	85 283	78 728
Total	711 283	643 745
Remuneration of the Chief Financial Officer		
Annual Remuneration	470 641	488 938
Car and other allowances	43 000	51 600
Performance Bonuses	65 259	55 393
Contributions to UIF, Medical and Pension Funds	62 849	69 972
Total	641 748	665 903
<p>The contract of the CFO expired on 30 April 2012. An Acting Manager was appointed for the remaining period of the financial year. The position has been filled subsequent to year end.</p>		
Remuneration of the Manager Community and Social Services		
Annual Remuneration	504 169	474 181
Car and other allowances	57 600	57 600
Performance Bonuses	63 216	44 314
Contributions to UIF, Medical and Pension Funds	85 276	78 729
Total	710 261	654 824
23	REMUNERATION OF COUNCILLORS	
Councillors allowance	1 384 864	1 239 208
Travel and other allowances	642 355	581 312
Pension Fund Contributions	150 914	165 320
Other	13 512	13 490
Total Councillors' Remuneration	2 191 645	1 999 330
In-kind Benefits		
<p>The Mayor is full time employed and all the other council members are part-time. The Mayor are provided with secretarial support, council vehicle and an office at the cost of Council.</p>		
24	DEBT IMPAIRMENT	
Receivables from Exchange Transactions - Note 13	6 722 942	1 528 141
Receivables from Non-exchange Transactions - Note 14	798 358	537 527
Total Debt Impairment	7 521 300	2 065 668
25	DEPRECIATION AND AMORTISATION	
Property, Plant and Equipment	5 508 352	5 129 538
Investment Property	291 429	291 429
Intangible Assets	56 511	53 186
Total Depreciation and Amortisation	5 856 292	5 474 153
26	REPAIRS AND MAINTENANCE	
Infrastructure	2 299 563	2 230 887
Land and Buildings	352 176	118 745
Other Assets	704 961	640 438
Total Repairs and Maintenance	3 356 700	2 990 070
27	FINANCE CHARGES	
Long-term Liabilities	-	-
Finance leases	95 008	30 528
Total Finance Charges	95 008	30 528

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
28 BULK PURCHASES		
Electricity	6 272 949	5 370 608
Water	116 262	-
Total Bulk Purchases	6 389 211	5 370 608
29 GRANTS AND SUBSIDIES		
Pauper funerals	880	3 231
Total Grants and Subsidies	880	3 231
30 OPERATING GRANT EXPENDITURE		
Budget & Treasury	1 167 332	3 006 130
Executive & Council	389 382	404 366
Corporate Services	871 572	926 291
Planning & Development	2 241 014	6 260 526
Total Grant Expenditure	4 669 300	10 597 313
31 GENERAL EXPENSES		
Insurance	475 221	482 843
Legal Cost	379 961	43 031
Professional Fees	612 586	219 359
Books, Magazines and Publications	34 426	15 348
Cleaning materials	31 046	5 153
Other	430 223	395 754
Entertainment	324 547	221 058
Membership Fees	626 326	104 598
Printing and stationery	157 135	293 046
Skills development levy	134 187	118 976
Travel and subsistence	762 690	793 599
Telephone	280 297	245 875
Training	769 890	181 849
Fuel Cost	1 202 892	1 010 783
Mayor's fund and Imbizo	299 531	242 430
Project Expenditure - Own Funds	-	413 490
Audit Fees	3 111 699	2 706 720
Bank Charges	190 777	159 265
Rentals	108 341	86 049
Advertisement	256 649	74 951
Postage	29 280	26 071
Safety clothes	94 192	89 847
Town Planning	180 130	231 515
Interest on DBSA loan on behalf of Chris Hani District Municipality	60 551	76 616
Assets on behalf of Chris Hani District Municipality	214 287	177 927
Drought relief	-	784 742
Water purification and chemicals	14 071	32 845
Vehicle and Equipment hire	117 745	90 697
Customer care	128 285	74 156
Total General Expenses	11 026 965	9 398 593

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

Included in Lease Rentals is an operating lease with Chris Hani District Municipality. Effective 1 July 2011 an agreement was entered with Chris Hani District Municipality whereby the water and sanitation assets are rented from the District Municipality for a nominal sum of R1 per year. The contract is renewable annually. In terms of the agreement all assets to water and sanitation are capitalised in the records of the water services authority being Chris Hani District Municipality. In terms of the trading activity, due to the fact that the Tsolwana Municipality accrue for all income and expenditure, all accounts receivable will also accrue to the water service provider, being Tsolwana Municipality. An operating subsidy is also accrued for annually from the District Municipality based on the lease agreement concluded.

	2011 R
32 CORRECTION OF ERROR IN TERMS OF GRAP 3	
32.01 Taxes	
In the prior year an error was identified on the credit balances of Electricity debtors. It was corrected in the previous financial year however the VAT was not taken into account. We have corrected the incorrect treatment of the VAT against electricity revenue in the prior year.	
Taxes	1 882 252
Refer to Taxes - note 8.1	50 479
	1 932 731
32.02 Statement of Financial Performance	
Restated - Service Charges	3 969 013
As previously reported	4 019 492
Refer to Electricity - note 19	(50 479)
In the prior year an error was identified on the credit balances of Electricity debtors. It was corrected in the previous financial year however the VAT was not taken into account. We have corrected the incorrect treatment of the VAT against electricity revenue in the prior year.	
Restated - Government Grants and subsidies - Capital	7 333 055
As previously reported	9 841 848
Refer to Electricity - note	(2 508 793)

TSOLWANA LOCAL MUNICIPALITY

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

Monies received from DME for electrical project was deducted from Equitable share during the year due to the fact that not all required approvals were obtained for roll overs. The expenditure incurred on the project is therefore now funded from own monies and the monies were "paid" back to Department of Minerals and Energy.

TSOLWANA LOCAL MUNICIPALITY

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

32.03 Unspent Conditional Grants

Monies received from DME for electrical project was deducted from Equitable share during the year due to the fact that not all required approvals were obtained for roll overs. The expenditure incurred on the project is therefore now funded from own monies and the monies were "paid" back to Department of Minerals and Energy.

DME - Grant	2 626 979
As previously reported	2 513 481
Correction on opening balance of 2010/2011 due to expenditure incurred in prior period no longer funded from DME - Refer to note 18.6	113 497
	2 626 979

32.04 Accumulated Surplus - 1 July 2010

Monies recognised as income in prior periods based on grant expenditure incurred paid back to the Department and therefore it does not qualify as Government Grants and Subsidies.

96 985 748
(113 497)
96 872 251

33 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

	2012 R	2011 R
Surplus for the year	(5 617 098)	27 687
Adjustments for:		
(Gain)/Loss on disposal of property, plant and equipment	(19 035)	(28 070)
Depreciation and Amortisation	5 856 292	5 474 153
Contribution from/to employee benefits - non-current	500 179	332 654
Contribution from/to employee benefits - non-current - expenditure incurred	(112 662)	(7 179)
Contribution from/to employee benefits - non-current - actuarial gains	303 559	185 258
Contribution to employee benefits – current	1 117 009	1 044 083
Contribution to employee benefits – current - expenditure incurred	(958 317)	(884 633)
Contribution to provisions – current	-	-
Contribution to provisions – current - expenditure incurred	-	-
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt	7 521 300	2 065 668
Bad debts written off	-	(305 787)
Grants Received	37 187 790	38 094 334
Grant Expenditure	(37 021 408)	(37 253 797)
Operating Surplus/(Deficit) before changes in working capital	8 757 609	8 744 371
Changes in working capital	(1 141 346)	(3 394 613)
Increase/(Decrease) in Payables from Exchange Transactions	3 040 198	83 676
Increase/(Decrease) in Taxes	(373 506)	(152 172)
(Increase)/Decrease in Inventory	(80 021)	(589 167)
(Increase)/Decrease in Receivables from exchange transactions	(2 886 715)	(2 349 918)
(Increase)/Decrease in Receivables from non-exchange transactions	(841 301)	(387 033)
Cash generated/(absorbed) by operations	7 616 263	5 349 758

34 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 16	5 631 219	8 982 414
Cash Floats - Note 16	90	90
Bank - Note 16	2 347 067	1 295 516
Total cash and cash equivalents	7 978 376	10 278 020

35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 34	7 978 376	10 278 020
Less:	(6 110 237)	(6 853 004)
Unspent Committed Conditional Grants - Note 7	(6 110 237)	(6 853 004)
Net cash resources available for internal distribution	1 868 139	3 425 016

36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	128 278	178 485
Used to finance property, plant and equipment - at cost	(128 278)	(178 485)
Cash invested for repayment of long-term liabilities	-	-

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
38.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	5 873 374	3 395 598
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	9 475 624	5 873 374
Approved by Council or condoned	(5 873 374)	(3 395 598)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	9 475 624	5 873 374

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes mainly due to insufficient budgeting for Depreciation and provision for bad debts	None

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	602 428	1 166 822
Fruitless and wasteful expenditure current year	1 447 852	613 527
Condoned or written off by Council	(602 428)	(1 171 164)
Transfer to receivables for recovery - not condoned	-	(6 757)
Fruitless and wasteful expenditure awaiting condonement	1 447 852	602 428

Incident	Disciplinary steps/criminal proceedings
Electricity loss > than 15%	None
Expenditure incurred on services never received	Municipality is busy with investigation
Salaries paid to suspended employees	None

38.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	287 876	11 682 176
Irregular expenditure current year	59 430	287 876
Condonement supported by council	(287 876)	(11 682 176)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	59 430	287 876

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy procurement less than R30 000	None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

38.4 Material Losses

Electricity distribution losses

Kwh purchased	7 603 804	8 766 413
Less: Kwh sold	(3 688 407)	(4 705 969)
Kwh losses	3 915 397	4 060 444
% Losses	51.49%	46.32%
Average cost per Kwh unit	0.3300	0.2685
Losses in Rand Value	1 292 081	1 090 300
Units lost considered fruitless expenditure	1 098 269	854 907
Losses are mainly due to age of the network and theft.		

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT AC

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

Council subscriptions	619 500	100 000
Amount paid - current year	(219 500)	(100 000)
Balance unpaid (included in creditors)	400 000	-

39.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	9 487	13 124
Current year audit fees	2 514 775	3 097 000
Amount paid - current year	(2 524 262)	(3 100 637)
Balance unpaid (included in creditors)	-	9 487

39.3 VAT - [MFMA 125 (1)(b)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

39.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	-	5 637
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TSOLWANA LOCAL MUNICIPALITY

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

Current year payroll deductions and Council Contributions	1 813 510	1 930 072
Amount paid - current year	<u>(1 813 510)</u>	<u>(1 935 709)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

39.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	3 517 562	3 388 105
Amount paid - current year	<u>(3 517 562)</u>	<u>(3 388 105)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

39.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

	Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days as at 30 June:		
I van Heerden	43 602	12 563
Total Councillor Arrear Consumer Accounts as on 30 June	<u>43 602</u>	<u>12 563</u>

No Councillor had arrear accounts for more than 90 days during the financial year except for those listed above.

39.7 Other non-compliance (MFMA 125 (2))

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

40 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	1 607 752	918 083
Infrastructure	334 805	748 187
Community	1 272 947	169 896
Total	<u>1 607 752</u>	<u>918 083</u>

This expenditure will be financed from:

Government Grants	1 607 752	918 083
	<u>1 607 752</u>	<u>918 083</u>

2012	2011
R	R

41 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2010 - 0.5%) Increase in interest rates
0.5% (2010 - 0.5%) Decrease in interest rates

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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

TSOLWANA LOCAL MUNICIPALITY

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

All rates and services are payable within 30 days from invoice date. Refer to note 13 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

	2012 %	2012 R	2011 %	2011 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	30.19%	148 234	100.00%	176 561
Other	69.81%	342 780	0.00%	-
	<u>100%</u>	<u>491 014</u>	<u>100%</u>	<u>176 561</u>
<u>Exchange Receivables</u>				
Electricity	26.18%	225 301	85.40%	145 407
Water	17.23%	148 265	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	54.09%	465 540	0.00%	-
Other	2.51%	21 586	14.60%	24 850
	<u>100%</u>	<u>860 693</u>	<u>100%</u>	<u>170 257</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 13 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 2% where applicable.

	2012 %	2012 R	2011 %	2011 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Non-Exchange Receivables</u>				
Rates	100%	3 477 757	100%	2 679 399
<u>Exchange Receivables</u>				
Electricity	23.89%	2 965 474	42%	2 396 361
Water	15.03%	1 865 716	0%	-
Refuse	22.68%	2 814 360	42%	2 386 991
Sewerage	31.14%	3 865 296	0%	-
Other	7.25%	900 148	16%	904 699
	<u>100.00%</u>	<u>12 410 993</u>	<u>100%</u>	<u>5 688 051</u>

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (**First National Bank**). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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

Receivables are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	17 674 790	16 943 310
Receivables from Non-Exchange Transactions	3 998 737	3 157 436
Cash and Cash Equivalents	8 444 970	10 433 144
Unpaid conditional grants and subsidies	1 717 830	-
	<u>31 836 327</u>	<u>30 533 889</u>

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2012				
Long Term liabilities - Annuity Loans	172 103	270 065	-	442 168
Capital repayments	126 609	203 731	-	330 340
Interest	45 494	66 334	-	111 828
Long Term liabilities - Finance Lease Liability	82 080	-	-	82 080
Capital repayments	78 483	-	-	78 483
Interest	3 597	-	-	3 597
Payables from Exchange Transactions	4 423 611	-	-	4 423 611
Unspent conditional government grants and receipts	4 392 407	-	-	4 392 407
	<u>8 988 122</u>	<u>270 065</u>	<u>-</u>	<u>9 258 187</u>
2011				

TSOLWANA LOCAL MUNICIPALITY

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

Long Term liabilities - Annuity Loans	90 023	270 065	-	360 088
Capital repayments	48 126	203 731	-	251 857
Interest	41 897	66 334	-	108 231
Long Term liabilities - Finance Lease Liability	82 080	-	-	82 080
Capital repayments	78 483	-	-	78 483
Interest	3 597	-	-	3 597
Payables from Exchange Transactions	1 383 414	-	-	1 383 414
Unspent conditional government grants and receipts	6 853 004	-	-	6 853 004
	<u>8 326 440</u>	<u>270 065</u>	<u>-</u>	<u>8 596 505</u>

TSOLWANA LOCAL MUNICIPALITY

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

	2012 R	2011 R
42 FINANCIAL INSTRUMENTS		
In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:		
42.1 Financial Assets		
Financial Instruments at Amortised Cost		
Receivables from Exchange Transactions	5 263 797	11 255 258
Receivables from Non-exchange Transactions	520 979	478 037
Unpaid Conditional Government Grants and Receipts	1 717 830	-
Cash and Cash Equivalents	8 444 970	10 433 144
Total carrying amount of financial assets	15 947 576	22 166 439
42.2 Financial Liability		
Financial Instruments at Amortised Cost		
Long-term Liabilities	61 646	128 278
Payables from Exchange Transactions	4 423 611	1 383 414
Unspent Conditional Grants and Receipts	6 110 237	6 853 004
Current Portion of Long-term Liabilities	66 632	50 207
Total carrying amount of financial liabilities	10 662 127	8 414 902

43 EVENTS AFTER THE REPORTING DATE
The Municipality has no events after reporting date during the financial year ended 2010/2011.

44 IN-KIND DONATIONS AND ASSISTANCE
The Municipality did not receive any in-kind donations or assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS
Council has not entered into any private public partnerships during the financial year.

46 CONTINGENT LIABILITY
Council do have the following contingent liabilities at the end of the financial year 2010/2011:

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from

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

47.1 Related Party Loans
Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.

47.2 Compensation of key management personnel
The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

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

Financial Indicators
The Municipalities cash reserves decreased tremendously during the past financial year.

The debtors increased with more than the annual increase in tariffs which resulting in a tremendous increase in the provision for bad debts and is an indication that cash due to us might not be collected.

Other Indicators
Possible outflow of resources due the contingent liability disclosed in note 46

The new contract between the municipality and the district municipality stipulates that any losses incurred as from 1 July 2011 will be for the account of Tsolwana Municipality which might have a negative impact.

TSOLWANA LOCAL MUNICIPALITY

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

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	
Land and Buildings	4 836 598	-	-	4 836 598	505	490	-	995	4 835 604
Land	4 787 600			4 787 600	-	-	-	-	4 787 600
Buildings	48 998			48 998	505	490	-	995	48 004
Infrastructure	47 184 851	6 662 565	-	53 847 417	17 382 145	4 811 937	-	22 194 082	31 653 334
Electricity	15 249 354	3 218 743		18 468 097	1 248 388	343 528	-	1 591 916	16 876 182
Roads, Pavements, Bridges & Storm Water	31 935 498	3 443 822		35 379 319	16 133 757	4 468 410	-	20 602 167	14 777 153
Lease Assets	244 204	-	-	244 204	107 799	48 841	-	156 640	87 564
Office Equipment	244 204			244 204	107 799	48 841	-	156 640	87 564
Community Assets	23 482 442	2 874 752	-	26 357 194	754 018	278 582	-	1 032 600	25 324 594
Cemeteries	230 612			230 612	60 203	34 990	-	95 192	135 419
Civic Building	-			-	-	-	-	-	-
Community Halls	16 070 500	1 304 558		17 375 058	588 855	191 934	-	780 789	16 594 268
Markets	-			-	-	-	-	-	-
Parks & Gardens	-			-	-	-	-	-	-
Public Conveniences & Bathhouses	-			-	-	-	-	-	-
Recreational Grounds	7 181 330	1 570 194		8 751 524	104 960	51 658	-	156 618	8 594 906
Town Library	-			-	-	-	-	-	-
Transport Facilities	-			-	-	-	-	-	-
Other Assets	2 933 638	327 183	-	3 260 821	1 132 732	368 502	-	1 501 234	1 759 587
Furniture & Fittings	56 645			56 645	24 337	6 642	-	30 979	25 666
Motor Vehicles	665 475	167 120		832 595	112 502	70 291	-	182 793	649 803
Office Equipment	420 342	74 701		495 043	180 097	52 751	-	232 848	262 195
Computer Equipment	475 574	85 362		560 936	121 958	62 343	-	184 301	376 635
Plant and Machinery	1 315 601			1 315 601	693 838	176 475	-	870 313	445 289
	78 681 734	9 864 500.14	-	88 546 234	19 377 198	5 508 352	-	24 885 550	63 660 684

The leased property, plant and equipment and the buildings are secured as set out in note 2.

TSOLWANA LOCAL MUNICIPALITY

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

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings	4 836 598	-	-	4 836 598	15	490	-	505	4 836 094
Land	4 787 600	-	-	4 787 600	-	-	-	-	4 787 600
Buildings	48 998	-	-	48 998	15	490	-	505	48 494
Infrastructure	42 903 801	4 281 050	-	47 184 851	12 905 924	4 476 221	-	17 382 145	29 802 706
Electricity	13 137 648	2 111 705	-	15 249 354	928 827	319 561	-	1 248 388	14 000 966
Roads, Pavements, Bridges & Storm Water	29 766 153	2 169 345	-	31 935 498	11 977 097	4 156 660	-	16 133 757	15 801 741
Lease Assets	244 204	-	-	244 204	58 958	48 841	-	107 799	136 405
Office Equipment	244 204	-	-	244 204	58 958	48 841	-	107 799	136 405
Community Assets	19 348 598	4 133 844	-	23 482 442	516 715	237 302	-	754 018	22 728 424
Cemeteries	230 612	-	-	230 612	25 213	34 990	-	60 203	170 409
Civic Building	-	-	-	-	-	-	-	-	-
Community Halls	16 070 500	-	-	16 070 500	412 783	176 072	-	588 855	15 481 645
Markets	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-
Public Conveniences & Bathhouses	-	-	-	-	-	-	-	-	-
Recreational Grounds	3 047 486	4 133 844	-	7 181 330	78 720	26 240	-	104 960	7 076 370
Town Library	-	-	-	-	-	-	-	-	-
Transport Facilities	-	-	-	-	-	-	-	-	-
Other Assets	2 141 382	792 256	-	2 933 638	766 048	366 684	-	1 132 732	1 800 906
Furniture & Fittings	56 645	-	-	56 645	17 694	6 642	-	24 337	32 308
Motor Vehicles	250 899	414 576	-	665 475	43 140	69 362	-	112 502	552 973
Office Equipment	284 622	135 720	-	420 342	127 761	52 336	-	180 097	240 245
Computer Equipment	367 861	107 713	-	475 574	60 090	61 868	-	121 958	353 615
Plant and Machinery	1 181 354	134 248	-	1 315 601	517 363	176 475	-	693 838	621 764
	69 474 584	9 207 150	-	78 681 734	14 247 661	5 129 538	-	19 377 198	59 304 535

37 BUDGET COMPARISONS

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

37.1 Operational

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	1 359 506	1 142 139	217 367	19.03%	Immaterial
Government Grants and Subsidies - Capital	10 874 750	11 149 050	(274 300)	-2.46%	
Government Grants and Subsidies - Operating	26 146 430	26 161 057	(14 627)	-0.06%	Immaterial
Public Contributions and Donations	20 000	20 000	-	0.00%	Donation was received from Mubesko Africa to build a park in Zola Township
Actuarial Gains	-	-	-	0.00%	i
Fines	5 253	6 200	(947)	-15.27%	Immaterial
Service Charges	5 432 545	4 760 931	671 614	14.11%	Service charges are more due to insufficient budgeting on Water and Sanitation revenue
Water Services Authority Contribution	6 303 734	8 964 843	(2 661 109)	-29.68%	Budget amended by Chris Hani District Municipality
Agency services	830 935	752 900	78 035	10.36%	Immaterial
Rental of Facilities and Equipment	58 344	70 000	(11 656)	-16.65%	Immaterial
Interest Earned - external investments	377 562	295 275	82 287	27.87%	Cash on hand decreased extensive and therefore lessor interest was earned
Interest Earned - outstanding debtors	1 223 802	902 183	321 619	35.65%	Budget was insufficient due to incorrect rates used in the past.
Gain on disposal of Property, Plant and Equipment	19 035	40 000	(20 965)	-52.41%	All properties were not sold as anticipated
Other Income	175 186	41 367	133 819	323.49%	Increased due to unknown receipts during 2010-2011 not been claimed and now recognised as revenue
	52 827 082	54 305 945	(1 478 863)	-2.72%	
Expenditure by Nature					
Employee Related Costs	17 033 320	16 108 069	925 251	5.74%	Immaterial
Remuneration of Councillors	2 191 645	2 201 592	(9 947)	-0.45%	Immaterial
Debt Impairment	7 521 300	550 000	6 971 300	1267.51%	We provided for Water and Sanitation debtors for the first time and the budget was insufficient
Depreciation and Amortisation	5 856 292	3 486 000	2 370 292	67.99%	Due to only the second year of fully GRAP compliance it is still a challenge to correctly budget for Depreciator
Actuarial losses	303 559	-	303 559	0.00%	
Repairs and Maintenance	3 356 700	3 146 734	209 966	6.67%	Immaterial
Finance Charges	95 008	153 410	(58 402)	-38.07%	Lease is coming to an end and we didn't enter into any new lease agreements
Bulk Purchases	6 389 211	7 629 069	(1 239 858)	-16.25%	Savings on electricity. Less Grants and subsidies were paid out. It is important to note that this subsidy does not include indigent subsidies since
Grants and Subsidies	880	12 000	(11 120)	-92.67%	they are included with the Service charges
Operating Grant Expenditure	4 669 300	5 069 750	(400 450)	-7.90%	Immaterial
Gain or loss on disposal of Property, Plant and Equipment	-	-	-	0.00%	Immaterial
General Expenses	11 026 965	10 895 823	131 142	1.20%	Immaterial
	58 444 180	49 252 447	9 191 733	18.66%	
Net surplus for the year	111 271 262	103 558 392	7 712 870	7.45%	

37.2 Expenditure by Vote

	2012 Actual (R)	2012 Budget (R)	2012 Variance (R)	2012 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Executive & Council	9 177 494	7 304 765	1 872 729	25.64%	Due to insufficient budgeting on depreciation
Budget & Treasury	8 742 829	7 821 630	921 199	11.78%	100% of over expenditure is due to insufficient budget on debt impairment on Rates.
Corporate Services	4 803 623	4 609 993	193 630	4.20%	Immaterial
Community & Social Services	6 207 898	6 355 438	(147 540)	-2.32%	Immaterial
Sport & Recreation	653 263	619 247	34 016	5.49%	Immaterial
Waste Management	4 694 611	3 465 359	1 229 252	35.47%	36% of over expenditure is due to insufficient budget on debt impairment on Refuse removal and we over expenditure was incurred
Road Transport	716 614	852 964	(136 350)	-15.99%	General expenditure was less than initially anticipated.
Electricity	8 846 612	8 542 855	303 757	3.56%	Immaterial
Water	7 560 094	6 764 488	795 606	11.76%	100% of overexpenditure is due to insufficient budget on debt impairment since it was Tsolwana's first time providing for bad debt
Waste Water Management	7 041 145	2 915 708	4 125 437	141.49%	91% of the overexpenditure is due to insufficient budget on debt impairment since it was Tsolwana's first time providing for bad debt
	58 444 181	49 252 447	9 191 734	18.66%	

APPENDIX A - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance	Correction	Restated	Contributions	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2010	of error	balance	during the year	Expenditure	Expenditure	30 JUNE 2011	30 JUNE 2011	30 JUNE 2011
	R	R	R	R	Transferred	Transferred	R	(Creditor)	(Debtor)
					to Revenue	to Revenue			
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share	-	-	-	19 030 869	19 030 869	-	-	-	-
Local Government Financial Management Grant	-	-	-	3 000 000	3 000 000	-	-	-	-
Integrated National Electrification Programme (Eskom) Grant	2 513 481	113 497	2 626 979	-	-	-	2 626 979	2 626 979	-
- DME Projects	2 513 481	113 497	2 626 979	-	-	-	2 626 979	2 626 979	-
Municipal Infrastructure Grant	1 207 831	-	1 207 831	8 007 000	399 940	7 034 473	1 780 419	1 780 419	-
Municipal Systems Improvement Grant	113 513	-	113 513	750 000	855 131	-	8 382	8 382	-
Total National Government Grants	3 834 826	113 497	3 948 323	30 787 869	23 285 940	7 034 473	4 415 780	4 415 780	-
Provincial Government Grants									
Project Library	-	-	-	399 207	399 207	-	-	-	-
Other Housing monies	1 001 653	-	1 001 653	-	-	-	1 001 653	1 001 653	-
1400 Thornhill Housing	21 263	-	21 263	1 157 550	1 115 550	-	63 264	63 264	-
671 Tarkastad Housing	116 813	-	116 813	133 004	120 371	-	129 446	129 446	-
1000 Tarkastad Housing	127 537	-	127 537	3 228 162	3 079 447	-	276 252	276 252	-
1000 Hofmeyer Housing	177 100	-	177 100	1 196 497	1 238 175	-	135 422	135 422	-
Total Provincial Government Grants	1 444 367	-	1 444 367	6 114 420	5 952 749	-	1 606 037	1 606 037	-
District Municipality Grants									
Rehabilitation of internal roads	109 274	-	109 274	298 582	-	298 582	109 274	109 274	-
Indigent funding	-	-	-	-	-	-	-	-	-
Tendergate Goat Project	-	-	-	242 264	233 852	-	8 411	8 411	-
Total District Municipality Grants	109 274	-	109 274	540 846	233 852	298 582	117 685	117 685	-
Other Grant Providers									
HIV assistance	-	-	-	-	-	-	-	-	-
Other	(0)	-	(0)	-	-	-	(0)	-	(0)
HR Related projects	173 590	-	173 590	-	-	-	173 590	173 590	-
Valuations	146 987	-	146 987	-	-	-	146 987	146 987	-
Mapping project	55 145	-	55 145	-	-	-	55 145	55 145	-
Schaapkraal project	112 697	-	112 697	-	-	-	112 697	112 697	-
LED project: Vlekpoort	22 083	-	22 083	-	-	-	22 083	22 083	-
LED project: Other	-	-	-	53 000	-	-	53 000	53 000	-
Voting station	-	-	-	150 000	-	-	150 000	150 000	-
EPWP grant	-	-	-	448 200	448 200	-	-	-	-
Total Other Grant Providers	510 502	-	510 502	651 200	448 200	-	713 502	713 502	-
Total	5 898 969	113 497	6 012 466	38 094 334	29 920 742	7 333 055	6 853 004	6 853 004	-

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

Grant Description	Balance	Correction	Restated	Contributions	Paid back to	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2011	of error	balance	during the year	Original source	Expenditure	Expenditure	30 JUNE 2012	30 JUNE 2012	30 JUNE 2012
	R	R	R	R		during the year	during the year	R	(Creditor)	(Debtor)
						Transferred	Transferred			
						to Revenue	to Revenue			
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS										
National Government Grants										
Equitable Share	-		-	21 877 998		21 877 998		-	-	-
Local Government Financial Management Grant	-		-	1 250 000		1 250 000		-	-	-
Integrated National Electrification Programme (Eskom) Grant	2 626 979		2 626 979	2 000 000	2 626 978	-	1 865 997	134 004	134 004	-
- DME Projects	2 626 979	-	2 626 979	2 000 000	2 626 978	0	1 865 997	134 004	134 004	-
Municipal Infrastructure Grant	1 780 419		1 780 419	9 631 000		324 215	7 291 151	3 796 053	3 796 053	-
Municipal Systems Improvement Grant	8 382		8 382	790 000		798 382		0	0	-
Total National Government Grants	4 415 780	-	4 415 780	35 548 998		24 250 595	9 157 148	3 930 057	3 930 057	-
Provincial Government Grants										
Project Library	-		-	369 207		369 207		-	-	-
Department of Raods - Internal roads	-		-	-		-	1 717 830	(1 717 830)	-	(1 717 830)
Other Housing monies	1 001 653		1 001 653			172 042		829 611	829 611	-
DPLG & Housing				605 032		605 032		-	-	-
1400 Thornhill Housing	63 264		63 264					63 264	63 264	-
671 Tarkastad Housing	129 446		129 446					129 446	129 446	-
1000 Tarkastad Housing	276 252		276 252					276 252	276 252	-
1000 Hofmeyer Housing	135 422		135 422					135 422	135 422	-
Total Provincial Government Grants	1 606 037	-	1 606 037	974 239		1 146 281	1 717 830	(283 835)	-	(283 835)
District Municipality Grants										
Rehabilitation of internal roads	109 274		109 274					109 274	109 274	-
Other	-		-	94 247		24 247		70 000	-	-
Tendergate Goat Project	8 411		8 411	119 600		119 600		8 411	8 411	-
Total District Municipality Grants	117 685	-	117 685	213 847		143 847	-	187 685	187 685	-
Other Grant Providers										
HIV assistance	-		-					-	-	-
Vuna award	(0)		(0)	40 000				40 000	40 000	-
SETA				100 321		100 321	-	-	-	-
HR Related projects	173 590		173 590			173 590		-	-	-
Valuations	146 987		146 987					146 987	146 987	-
Mapping project	55 145		55 145					55 145	55 145	-
Schaapkraal project	112 697		112 697					112 697	112 697	-
LED project: Vlekpoort	22 083		22 083			22 082.50		-	-	-
LED project: Other	53 000		53 000	67 175				120 175	120 175	-
Voting station	150 000		150 000	-		66 505		83 495	83 495	-
EPWP grant	-		-	243 209		243 209		-	-	-
Total Other Grant Providers	713 502	-	713 502	450 705		605 707	-	558 500	558 500	-
Total	6 853 004	-	6 853 004	37 187 790		26 146 430	10 874 978	4 392 407	4 392 407	-