

ANNUAL FINANCIAL STATEMENTS

for

MHLONTLO LOCAL MUNICIPALITY

for the year ended 30 June: **2012**

Province: Eastern Cape

AFS rounding: R'000 (i.e. to the nearest R100,000)

Contact Information:

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MHLONTLO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011

General information

Members of the Executive Council

Mayor	Hon. T Sabisa
Speaker	N. Mtwazi
Head - Economic Development	Z. Songca
Head - Technical and Infrastructure	X. Mpatane
Head - Corporate Services	CM Khondlo
Head - Budget and Treasurer	M.G Jara
Head - Community services	N. Dywili
Head - SPU	N. Konza
Head - Planning & Development	R.M Giyose
Head - Disaster	E. Pula
Head - Sport	N. Magodla
Chief Whip	X.D Nkompela
Ordinary councillors	M. Ncothwana S.N Matanzima L.L Mkhondweni N.Qhezu X.B Ngoma L. Hlabiso V. Mnyanda N. Gcaba Y.H Guqa Z. Ngoni B. Mqovula NE Sigwili Z.W. Nondaka A.M Dawedi X. Mswelanto S. Sogxakanxa M. Soyekwa L.H. Ludidi J.M. Jikijela M. Mfamela M.S. Mathe N. Nondlela N.N Gomo N.C Ncalo N.V. Masangwana S.T Msongelwa M.C Socikwa S. N Songca S.N Salaze N. R Matomane N. P Mkontwana N. T. Ngquke M. Macingwane M. Mabono S.S Mbangata N.R Ngewu Y. Yaso Z. Nondaka N. Mdwayi

Municipal Manager

YN NDIMA

Chief Financial Officer

N Ponco

Grading of Local Authority

Low Capacity Municipality

Auditors

Auditor-General

Bankers

First National Bank

Registered Office: 96 Church Street,
QUMBU
5180

Physical address: 96 Church Street,
QUMBU
5180

Postal address: PO Box 31
QUMBU
5180

Telephone number: 047 553 7000

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**MHLONTLO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**
for the year ended 30 June 2011

General information (continued)

Registered Office:

96 Church Street, QUMBU, 5180

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MHLONTLO LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 47, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

YN NDIMA
Municipal Manager

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. Presentation of Annual Financial Statements

These 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.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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 (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) 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, replace part of, or service it. 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1.1 PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.1 PROPERTY, PLANT AND EQUIPMENT (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such 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 increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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.

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 municipality 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.

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.1 PROPERTY, PLANT AND EQUIPMENT (continued)

1.2 LEASES

Municipality as lessee

Operating leases are those leases that do not meet the definition of the Finance lease (substantially all risks and rewards associated with ownership of an asset are transferred to the municipality.)

Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the cash flows in the lease agreement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreements, the municipality has early adopted IAS 17 (AC 105).

1.3

Trade and other receivables

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.

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.2 FINANCIAL INSTRUMENTS (continued)

Trade and other payables

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

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 recorded at fair value.

Bank overdraft and borrowings

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

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.3 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 municipality 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.3 INVENTORIES (continued)

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

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

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

1.4 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

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

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

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

Useful life is either:

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

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

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.5 ACCUMULATED SURPLUS

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

1.6 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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.

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 municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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 deficits.

If an 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 municipality

**MHLONTLO LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2012**

1.6 PROVISIONS AND CONTINGENCIES (continued)

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

After their initial recognition contingent liabilities recognised in business 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.7 REVENUE FROM EXCHANGE TRANSACTIONS

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payment is received.

Revenue from public contributions and donations is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

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 municipality;
- 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.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.8 TURNOVER

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.9 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 BORROWING COSTS

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

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

1.11 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.12 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 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.

1.14 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.

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):

Irregular expenditure that was incurred and identified during the current financial year 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.

1.14 IRREGULAR EXPENDITURE (continued)

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.

1.15 USE OF ESTIMATES

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.16 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

**MHLONTLO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2012**

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ABBREVIATIONS

COID	Compensation for Occupational Injuries & Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
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)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

MHLONTLO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2012

	Note	2012 R	2011 R
ASSETS			
Current Assets			
		26 450 465	32 042 568
Cash & Cash equivalents	7	14 070 563	6 653 605
Receivables from exchange transactions	3	21 297	1 234 306
Receivables from non-exchange transactions	4 & 6	1 641 432	8 481 656
Prepayments	5.2	182 459	-
VAT Receivable	5.1	10 534 715	15 673 001
Non - current assets			
		113 852 634	92 060 848
Infrastructure, Plant and Equipment	2.1	75 442 732	53 529 412
Land and Building	2.1	16 566 478	16 953 137
Intangible Assets	2.2	442 323	177 199
Investment Property	2.1	21 401 100	21 401 100
TOTAL ASSETS		140 303 099	124 103 416
LIABILITIES			
Current Liabilities			
		9 093 590	19 831 631
Payables from exchange transactions	10.1	2 165 788	6 995 396
Payables from non exchange transactions	10.2	672 340	2 527 957
Provisions	9	4 364 293	1 328 837
Unspent conditional grants and receipts	8	1 890 770	8 979 441
Deferred Income	33	400	-
Non- current liabilities			
		-	-
Provisions		-	-
Payables from exchange transactions		-	-
Total Liabilities		9 093 590	19 831 631
Net Assets		131 209 509	104 271 785
NET ASSETS			
		131 209 509	104 271 785
Accumulated Surpluses			
Reserves			
Total net assets		131 209 509	104 271 785

MHLONTLO LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2012

	Note	2012 R
REVENUE		
Property rates	12	6 918 588
Service charges - refuse	13	552 132
Fines		81 150
Licences and permits		1 784 342
Government grants and subsidies	14	127 244 739
Commissions received		102 122
Rental of facilities		35 319
Recoveries		-
Gains on Sale of an Asset		42 222
Other income	15	1 730 866
Interest Accrued & Received	20	1 939 677
Total Revenue		<u>140 431 156</u>
EXPENDITURE		
Personnel	17	35 165 213
Remuneration of Councillors	18	12 007 652
Finance costs	21	36 721
Debtors Allowance/Impairment Loss	19	16 970 561
Depreciation & Amortisation	2	12 400 692
Repairs and maintenance		2 508 539
Contracted services	23	1 189 533
Grants and subsidies paid	24	7 452 720
General expenses	16	34 346 680
Total expenditure		<u>122 078 311</u>
SURPLUS / (DEFICIT) FOR THE YEAR		<u>18 352 845</u>

2011
R

3 129 137
550 719
91 850
1 678 156
129 594 475
48 664
47 664
6 831 440
-
1 222 911
897 178

144 092 194

31 485 780
9 601 760
29 916
-
8 442 616
1 834 258
1 127 657
37 748 125
20 312 480

110 582 592

33 509 602

MHLONTLO LOCAL MUNICIPALITY
STATEMENT OF CHANGES TO NET ASSETS
for the year ended June 2012

	Capitalisation Replacement Reserve	Housing Development Fund	(Accumulated Deficit) / Accumulated Surplus	Total
<u>2011</u>				
Opening balance as previously reported			27 327 135	27 327 135
GRAP 17 Adjustment			43 435 048	43 435 048
Balance at 01 July 2010 as restated		-	70 762 183	70 762 183
Changes in net assets		-		
Surplus / (Deficit) for the year	-	-	33 509 602	33 509 602
Balance at 30 June 2011	-	-	104 271 785	104 271 785
<u>2012</u>				
Opening balance as previously reported			104 271 785	104 271 785
GRAP 17 Adjustment			8 584 879	8 584 879
Balance at 01 July 2011 as restated	-	-	112 856 664	112 856 664
Changes in net assets	-	-		
Surplus / (Deficit) for the year	-	-	18 352 845	18 352 845
Balance at 30 June 2012	-	-	131 209 509	131 209 509

MHLONTLO LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
CASH FLOW STATEMENT

	Note	2012	2011
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Sale of goods and services		6 227 999	3 057 200
Interest earned		1 157 557	897 178
Grants		120 640 949	109 993 700
Other receipt		3 040 165	1 863 390
PAYMENTS			
Employee costs		-47 172 865	-41 087 540
Suppliers		-44 089 640	-55 597 642
Interest paid		-36 721	-29 916
Net cash flows from operating activities		39 767 444	19 096 370
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	3	(33 644 928)	(13 154 484)
Proceeds from sale of fixed assets		1 294 442	-
Proceeds from sale of investments		-	-
Purchase of investments		-	-
Net cash flows from investing activities		(32 350 486)	(13 154 484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from finance lease liability		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		7 416 958	5 941 886
Net cash and cash equivalents at beginning of period		6 653 605	711 719
Net cash and cash equivalents at end of period		14 070 563	6 653 605

MHLONTLO LOCAL MUNICIPALITY
Notes to Annual Financial Statements (Cont)
for the year ended 30 June 2012

2 PROPERTY PLANT AND EQUIPMENT
2011/2012 YEAR

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Investment Property	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	5 750 036	11 203 102	42 028 659	5 814 984	-	7 068 968	21 401 100	93 266 848
Cost/Revaluation	5 750 036	17 086 134	89 396 047	9 879 350	-	8 687 380	21 401 100	152 200 046
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(5 883 032)	(47 367 389)	(4 064 366)	-	(1 618 412)	-	(58 933 198)
Acquisitions	-	354 396	22 831 523	-	-	10 459 009	-	33 644 928
Capital under Construction	-	-	37 646	-	-	-	-	37 646
Depreciation	-	(741 055)	-8 342 831.11	(406 903)	-	(2 996 708)	-	(12 487 497)
Carrying value of disposals	-	-	-	-	-	(1 183 000)	-	(1 183 000)
Cost/Revaluation	-	-	-	-	-	(1 183 000)	-	(1 183 000)
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposal*	-	-	-	-	-	-	-	-
as at 30 June 2012	5 750 036	10 816 443	56 554 996	5 408 081	-	13 479 656	21 401 100	113 410 311
Cost/Revaluation	5 750 036	17 440 530	112 265 216	9 879 350	-	17 963 389	21 401 100	184 699 621
Accumulated depreciation and impairment losses	-	(6 624 087)	(55 710 220)	(4 471 269)	-	(4 615 119)	-	(71 420 696)

2010/2011 YEAR

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Investment Property	Total
	R	R	R	R	R	R	R	R
as at July 2010	5 750 036	11 222 764	27 374 715	6 221 887	-	3 459 473	21 401 100	75 929 975
Cost/Revaluation	5 750 036	16 888 931	67 729 415	9 879 350	-	4 695 754	21 401 100	126 344 586
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(5 166 167)	(40 354 700)	(3 657 463)	-	(1 236 281)	-	(50 414 611)
Acquisitions	-	197 203	10 041 656	-	-	2 785 625	-	13 024 484
Capital under Construction	-	-	11 624 977	-	-	-	-	11 624 977
Depreciation	-	(716 865)	(7 012 689)	(406 903)	-	(382 131)	-	(8 518 588)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at June 2011	5 750 036	11 203 102	42 028 659	5 814 984	-	5 862 968	21 401 100	92 060 848
Cost/Revaluation	5 750 036	17 086 134	89 396 048	9 879 350	-	7 481 380	21 401 100	150 994 046
Accumulated depreciation and impairment losses	-	(5 883 032)	(47 367 389)	(4 064 366)	-	(1 618 412)	-	(58 933 198)

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
2.2 INTANGIBLE ASSETS		
Opening Balance	177 199	130 416
Current year - Addition	-	130 000
Accumulated Depreciation		-7 245
Depreciation	-86 805	-75 972
Revalued Amounts	351 930	-
Closing Balance	<u>442 323</u>	<u>177 199</u>
Intangible Assets are stated at their replacement values/fair value		
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Accrued interest income	21 297	1 234 306
	<u>21 297</u>	<u>1 234 306</u>
<p>These balances relate to interest revenue from grant call accounts that were not transferred to the main account as at 30 June 2012. MFMA Circular 48 issued on 2 March 2009, states that all interest generated on conditional grants must be utilised by the municipalities unconditionally. It is with this view, that we have accrued for the interest portions to be transferred to the main account, as the grants investment accounts are overstated at year end.</p>		
4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Payroll debtors	1 187 342	-
Debtors suspense	53 996	53 996
Debtor Allowance/Impairment Loss	-53 996	-
	<u>1 187 342</u>	<u>53 996</u>
The payroll debtors that were unknown in the prior year, were written off by the council.		
The debtors suspense have been impaired as this account remains dormant in the current year and will be taken to council for write off in 2012/13 financial year.		
5.1 VAT RECEIVABLE		
VAT	10 534 715	15 673 001
	<u>10 534 715</u>	<u>15 673 001</u>
<p>The vat receivable balance includes the monies due from SARS for the vat periods 2011 and 2012. The portion of the amounts receivable have been received from SARS in the 2012-12 financial year.</p> <p>An amount of R11 558 508 has been received in the current year and there for recoverability of the amount disclosed is not remote</p>		
5.2 PREPAYMENT		
Amounts paid to Councillors & Mayor above upper Limits	182 459	-
	<u>182 459</u>	<u>-</u>
this relates to monies paid Mayor & Councillors which were paid above upper limits as result the municipality has started deducting from their salaries		

'ear .

MHLONTLO LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 30 June 2012

	2012 R	2011 R
6.1 CONSUMER DEBTORS		
	<u>Gross</u>	<u>Allowance</u>
	<u>balance</u>	<u>bad debts</u>
		<u>Net</u>
		<u>balances</u>
As at 30 June 2012		
Service debtors		
Rates	9 064 573	(8 870 280)
Refuse	2 981 116	(2 813 365)
Old balances	<u>5 324 965</u>	<u>(5 232 920)</u>
	<u>17 370 655</u>	<u>-16 916 565</u>
		<u>454 090</u>
As at 30 June 2011		
Service debtors		
Rates	6 849 956	-1 910 355
Refuse	2 518 326	-844 502
Old balances	<u>5 491 930</u>	<u>-3 677 695</u>
	<u>14 860 212</u>	<u>(6 432 552)</u>
		<u>8 427 660</u>
<u>Rates: Ageing</u>		
Current	0	113 266
0 - 30 days	(20 037)	178 707
31 - 60 days	139 770	114 539
61 - 90 days	139 079	108 042
91 - +120 days	<u>8 805 761</u>	<u>6 335 402</u>
Total	<u>9 064 573</u>	<u>6 849 956</u>
<u>Refuse: Ageing</u>		
Current	60 373	41 258
0 - 30 days	51 810	40 862
31 - 60 days	51 733	40 771
61 - 90 days	62 523	42 514
91 - +120 days	<u>2 754 677</u>	<u>2 352 921</u>
Total	<u>2 981 116</u>	<u>2 518 326</u>
<u>Old balances : Ageing</u>		
Current	95 529	-
0 - 30 days	22 600	-
31 - 60 days	22 427	-
61 - 90 days	22 427	-
91 -120 days	22 344	-
121 - 150 days	5 257 767	5 491 930
+ 150 days	-	-
Total	<u>5 324 965</u>	<u>5 491 930</u>
<i>Allowance for bad debts</i>	<i>-16 916 565</i>	<i>(6 432 552)</i>

MHLONTLO LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 30 June 2012

		2012	2011
		R	R
7	CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:			
	Cash on hand	50	103
	Main Account Bank balances	801 411	159 407
	Short-term deposits	13 269 101	6 494 095
		<u>14 070 563</u>	<u>6 653 605</u>

The municipality 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
FNB - Main account - 62023382526	801 361	158 754	-	801 361	159 357	-2 080 436
FNB - Equitable 1 Day call deposit - 62027945809	8 643 877	61 986	43 830	8 643 877	61 986	43 830
FNB Equitable share 32 day call deposit - 74027945606	-	-	94 812	-	-	94 812
FNB - MIG call deposit - 62170844221	386 892	137 950	410 189	386 892	-5 209	308 180
FNB - Gqunu Lots call deposit - 62020395390	763 565	813 468	1 110 240	763 565	764 285	1 076 777
FNB - IDP call deposit - 62075570137	1 000	4 786	60 216	1 000	-1 835	58 582
FNB - INEP call deposit - 74231136926	448 919	3 297 980	-	448 919	2 423 334	-575 676
FNB - LED call deposit - 62075571713	860 222	2 729 867	760 560	860 432	2 652 787	736 552
FNB - MSIG call deposit - 62080641416	10 000	20 000	-	10 000	10 000	-
FNB - FMG call deposit - 62280641244	709 056	211 166	-	709 056	194 115	-
FNB - Revolving call deposit - 61399068117	1 087 773	37 972	37 572	1 087 773	36 995	36 995
FNB - Bulk housing combined call deposit -62280645345	357 637	402 081	-	357 637	357 637	-
FNB - Qumbu Pilot Housing call deposit - 61399074049	-	-	787 421	-	-	756 912
FNB - 30 Pilot Housing call deposit - 62075563968	-	-	36 839	-	-	36 839
FNB - MSP call deposit - 62075568067	-	-	33 839	-	-	33 839
FNB - Retrenchment call deposit - 61399064438	-	-	2 151	-	-	2 151
FNB - Qumbu Housing call deposit - 62006660511	-	-	64 186	-	-	64 186
Total	<u>14 070 302</u>	<u>7 876 010</u>	<u>3 441 855</u>	<u>14 070 512</u>	<u>6 653 452</u>	<u>593 543</u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
MIG	50 880	-
Gqunu lots	1 111 943	1 111 943
Qumbu Pilot Housing	62 525	62 525
LED	175 591	4 070 639
Qumbu Bulk Housing	-	-
IDP	-	-
30 Tsolo pilot housing	-	-
MSP	-	-
Retrenchment	-	-
FMG	47	448 949
INEP electrification	489 782	3 285 385
	1 890 770	8 979 441
Movement during the year		
Balance at the beginning of the year	8 979 441	7 260 420
Additions during the year	-	52 821 992
Income recognition during the year	-7 088 671	-51 102 971
	1 890 770	8 979 441

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

9 PROVISIONS		
The provision amount includes the following:		
Provision for Leave	1 353 891	840 410
Provision for Land Fill Site	609 461	-
Provision for Bonus	687 831	488 427
Retentions	1 713 110	-
	4 364 293	1 328 837



**MHLONTLO LM
LEAD SCHEDULE
UNSPENT CONDITIONAL GRANTS**

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

ACC NUMBER DESCRIPTION

	2012 R	2011 R
62938357000 MIG	50 880	-
629141620000 Gqunu lots	1 111 943	1 111 943
629141641500 Qumbu Pilot Housing	62 525	62 525
629383572000 LED	175 591	4 070 639
629383571000 FMG	47.35	448 949
629383572500 INEP electrification	489 782	3 285 385

1 890 770	8 979 441
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**MHLONTLO LM
LEAD SCHEDULE
PROVISIONS**

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

ACC NUMBER DESCRIPTION

629343182500 Provision for Leave
629342543100 Provision for Land Fill Site
629342542600 Provision for Bonus
629342543200 Retentions

2012	2011
R	R
1 353 891	840 410
609 461	-
687 831	488 427
1 713 110	-
<u>4 364 293</u>	<u>1 328 837</u>



**MHLONTLO LM
LEAD SCHEDULE
PAYABLES**

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

ACC NUMBER DESCRIPTION

**2012
R**

**2011
R**

PAYABLE FROM EXCHANGE TRANSATIONS

629382901200 Trade payables	1 080 847	4 978 597
629142901500 Creditors accruals	1 084 941	2 016 799
	<u>2 165 788</u>	<u>6 995 396</u>

PAYABLE FROM NON EXCHANGE TRANSATIONS

629383041200 Payments received in advanced - Consumer & Ruff	661 696	589 211
Payroll creditors	-	1 938 091
629383100900 Sundry suppliers	655	655
	<u>662 351</u>	<u>2 527 957</u>



MHLONTLO LM
LEAD SCHEDULE
OTHER INCOME

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

ACC NUMBER DESCRIPTION

	2012 R	2011 R
111118310025 Donations recieved	-	-42 826
12120561499 Indemnity deposit fee	-2 200	-477
121202812977 Overdeposit/banking	-25 209	-37 579
121208212664 Refund	-	-40 434
121208412880 Sundries	-20	-110 749
121208412881 VALUATION COPY	-275	-125
121208412887 clearance certificate	-325	-524
121209212940 Car Loan Repayments	-	0
121236212345 Wood Sales	-480	-700
121236612450 Advertising Bill Boards	-	0
121238412450 Advertising Bill Boards	-32 821	-37 124
131316212241 Plan Fees	-10 057	-21 220
151536212085 Cemetery Fee - Burials	-2 101	-3 456
171707812590 Licence Fees - Motor Vehicles	-513 327	-100 859
171736212248 Pound Fees	-402 776	-337 448
171736212249 Pound Sales	-622 575	-460 640
212116212311 Tender Fees	-118 700	-4 500
222206212311 Tender Fees	-	-24 250
	-1 730 866	-1 222 911



MHLONTLO LM
LEAD SCHEDULE
GOVERNMENT GRANTS & SUNSIDIES

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

	2012	2011
	R	R
GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	87 213 000	67 972 102
Elections	-	1 800 000
Caba Cultural Village	-	458 486
ELECTRIFICATION PROGRAM	3 795 603	34 714 615
HR MANAGEMENT & DEVELOPMENT	-	-
Malakhiwe Bakery Project	216 533	450 000
MSIG Grant	790 000	750 000
OR Tambo contribution	-	-
Planning & survey grant	-	-
Training - LGSETA	274 416	129 493
Sinakho Coffin Manufacturers Project	374 428	359 930
EPWP - Casual workers	961 000	291 000
IDP	-	504 010
Municipal Finance Managent Grant	1 898 902	751 051
MIG Grant	28 338 000	19 584 092
Housing project	654 212	929 135
Grant Prov - LED & Assistance	2 728 646	867 327
Municipal Suppport Programme - Various	-	33 234
Total government grants and subsidies	127 244 740	129 594 475



**MHLONTLO LM
LEAD SCHEDULE
VAT RECEIVABLES**

	Name	Date
Prep. By	BC	12-Sep-12
Rev. By	NP	

ACC NUMBER DESCRIPTION

629383181400 VAT Payable (Debtors)
629383181600 VAT Provisional (Debtors)
629828082600 vat refund
629828481300 VAT Claimable (Creditors)
629828481500 VAT Provisional (Creditors)

2012	2011
R	R
-756 554	-92 703
-128 334	-80 862
-18 317 147	-6 758 640
29 624 760	22 069 799
111 990	535 407
<u>10 534 715</u>	<u>15 673 001</u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012	2011
	R	R
10.1 PAYABLE FROM EXCHANGE TRANSATIONS		
Trade payables	1 080 847	4 978 597
Creditors accruals	1 084 941	2 016 799
	<u>2 165 788</u>	<u>6 995 396</u>
10.2 PAYABLE FROM NON EXCHANGE TRANSATIONS		
Payments received in advanced - Consumer & Rufuse	671 685	589 211
Payroll creditors	-	1 938 091
Sundry suppliers	655	655
	<u>672 340</u>	<u>2 527 957</u>
Payments received in advance are negative debtors which have been reclassified as liability		
11 REVENUE		
Property rates	6 918 588	3 129 137
Service charges	552 132	550 719
Fines	81 150	91 850
Licences & permits	1 784 342	1 678 156
Government grants & subsidies	127 244 739	129 591 475
	<u>136 580 950</u>	<u>135 041 337</u>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	552 132	574 437
Licences and permits	1 784 342	1 771 302
	<u>2 336 473</u>	<u>2 345 739</u>
The amount included in revenue arising from non-exchanges of goods or services are as follows:		
<i>Taxation revenue</i>		
Property rates	6 918 588	3 129 137
Fines	81 150	91 850
<i>Transfer revenue</i>		
Grants	127 244 739	129 591 475
	<u>134 244 476</u>	<u>132 812 462</u>

629383181400	VAT Payable (Debtors)	
629383181600	VAT Provisional (Debtors)	
629828082600	vat refund	
629828481300	VAT Claimable (Creditors)	R 29 624 760.37
629828481500	VAT Provisional (Creditors)	R 111 989.71

R -756 553.67

R -128 334.22

R -18 317 147.43

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
12 PROPERTY RATES		
<u>Rates received</u>		
Rates	6 918 588	3 129 137
Total assessment rates	<u>6 918 588</u>	<u>3 129 137</u>

Valuations on land and buildings are performed every four years.
The last valuation came into effect on 01 July 2007.
Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

	Rate 2012	Rate 2011		
Residential properties	0.006	0.006	1 206 203	1 257 374
Government properties	0.0254	0.024	5 254 640	1 490 016
Business properties	0.012	0.012	1 590 166	1 040 357
Less: Income forgone			-1 132 421	-658 610
			<u>6 918 588</u>	<u>3 129 137</u>

13 SERVICE CHARGES		
Business	123 700	111 161
Household	386 474	406 767
Government	41 958	32 791
Refuse removal	<u>552 132</u>	<u>550 719</u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
14 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	87 213 000	67 972 102
Elections	-	1 800 000
Caba Cultural Village	-	458 486
ELECTRIFICATION PROGRAM	3 795 603	34 714 615
HR MANAGEMENT & DEVELOPMENT	-	-
Malakhiwe Bakery Project	216 533	450 000
MSIG Grant	790 000	750 000
OR Tambo contribution	-	-
Planning & survey grant	-	0
Training - LGSETA	274 416	129 493
Sinakho Coffin Manufacturers Project	374 428	359 930
EPWP - Casual workers	961 000	291 000
IDP	-	504 010
Municipal Finance Managent Grant	1 898 902	751 051
MIG Grant	28 338 000	19 584 092
Housing project	654 212	929 135
Grant Prov - LED & Assistance	2 728 646	867 327
Municipal Support Programme - Various	-	33 234
Total government grants and subsidies	<u>127 244 739</u>	<u>129 594 475</u>

14.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 7 825,45 (2011: R 6 737), which is funded from the grant.

14.2 MIG Grant

Balance unspent at the beginning of the year	-	4 022 092
Current year receipts	28 338 000	15 562 000
Conditions met - transferred to revenue	28 287 120	(19 584 092)
	<u>50 880</u>	<u>-</u>

This grant is only for expenses towards the construction of roads. All conditions have been met and the over expenditure has been financed through Equitable share which will be paid back in 2011/2012

14.3 Gqunu Lots

Balance unspent at the beginning of the year	1 111 943	1 419 173
Current year receipts	-	-
Conditions met - transferred to revenue	-	(307 230)
Conditions still to be met - remain liabilities (see note 8).	<u>1 111 943</u>	<u>1 111 943</u>

This is a grant that is actually for community projects, all its expenditure depends on their activities which are also in phases and only the tractor that has been bought in this financial year. There also commitments towards this vote for the purchase of the plot.

14.4 Qumbu Pilot Housing

Balance unspent at the beginning of the year	422 455	1 249 306
Current year receipts	-	99 284
Conditions met - transferred to revenue	(359 930)	(926 135)
Conditions still to be met - remain liabilities (see note 8).	<u>62 525</u>	<u>422 455</u>

The project started in December and some other projects could not continue due to price increases within the suppliers. Qumbu and disaster houses are spent in this grant.

14.5 LED

Balance unspent at the beginning of the year	3 334 088	-
Current year receipts	116 677	4 413 000
Conditions met - transferred to revenue	(3 275 174)	(1 078 912)
Conditions still to be met - remain liabilities (see note 8).	<u>175 591</u>	<u>3 334 088</u>

Some projects were started at the end of the financial year since the funding was received late and in trenches. On the Tsitsa project it has got phases that are followed and only one phase has started although funds were

already received the other phases will commence after the finalisation of this phase.

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
14 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
14.6 IDP		
Balance unspent at the beginning of the year	-	58 582
Current year receipts	-	445 428
Conditions met - transferred to revenue	<u> </u>	<u>(504 010)</u>
	<u> </u>	<u> </u>
	-	-
All the conditions have been met and all funds have been spent.		
14.7 MSP		
Balance unspent at the beginning of the year	-	33 234
Current year receipts	-	-
Conditions met - transferred to revenue	<u> </u>	<u>(33 234)</u>
	<u> </u>	<u> </u>
	-	-
14.8 Retrenchment		
Balance unspent at the beginning of the year	-	2 128
Current year receipts	-	-
Conditions met - transferred to revenue	<u> </u>	<u>(2 128)</u>
	<u> </u>	<u> </u>
	-	-

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
14 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
14.09 FMG		
Balance unspent at the beginning of the year	448 949	-
Current year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	<u>(1 898 902)</u>	<u>(751 051)</u>
Conditions still to be met - remain liabilities (see note 8).	<u><u>47</u></u>	<u><u>448 949</u></u>

The funds unspent in this grant already committed for AFS system as well as financial system which were paid in July. The financial system is paid at the beginning of the financial year.

14.10 MSIG		
Balance unspent at the beginning of the year	-	-
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	<u>(790 000)</u>	<u>(750 000)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

All the conditions have been met and all funds have been spent, overspending has been financed through equitable share.

14.11 INEP Electrification		
Balance unspent at the beginning of the year	3 285 385	-
Current year receipts	1 000 000	38 000 000
Conditions met - transferred to revenue	<u>-3 795 603</u>	<u>(34 714 615)</u>
Conditions still to be met - remain liabilities (see note 8).	<u><u>489 782</u></u>	<u><u>3 285 385</u></u>

There were delays on the project due to availability of transformers as well late connections by Eskom.

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MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012	2011
	R	R
15 OTHER INCOME		
ADVERTISING BILL BOARDS	32 821	37 124
DONATIONS RECEIVED	-	42 826
PLAN FEES	10 057	21 220
OVERDEPOSIT/BANKING	25 209	37 579
SUNDRY INCOME	20	110 749
INDEMNITY DEPOSIT FEE	2 200	477
CLEARANCE CERTIFICATE	600	649
INSURANCE CLAIMS RECEIVED	-	40 434
CEMETERY FEE - BURIALS	2 101	3 456
LICENCE FEES - MOTOR VEH RCERT	513 327	100 859
POUND FEES	402 776	337 448
POUND SALES	622 575	460 640
TENDER FEES	118 700	28 750
SALE OF WOOD	480	700
	<u>1 730 866</u>	<u>1 222 911</u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
16 GENERAL EXPENSES		
ACCOUNTING FEES	1 503 667	371 438
ADVERTISING FEES	323 248	148 722
AUDITORS REMUNERATION	1 955 125	2 332 064
BANK CHARGES	251 962	139 790
CLEANING	619 078	217 226
CONSULTING AND PROFESSIONAL FEES	3 604 641	3 973 201
CONSUMABLES	194 966	399 443
ENTERTAINMENT	229 103	247 711
ANIMAL FEED	47 628	39 775
HIRE	447 406	80 430
INSURANCE - GENERAL	1 341 292	511 961
COMMUNITY DEVELOPMENT AND TRAINING	207 234	314 279
CONFERENCES AND SEMINARS	385 226	43 052
LEVIES	283 953	255 086
MEDICAL EXPENSES	37 388	76 638
MOTOR VEHICLE EXPENSES	167 311	98 084
FUEL & OIL	2 039 013	739 597
POSTAGE AND COURIER	2 809	2 369
PRINTING AND STATIONERY	1 089 030	504 426
PROMOTIONS	838 738	40 402
PROTECTIVE CLOTHING	236 564	109 339
CRIME PREVENTION	122 752	65 007
DISASTER COSTS	116 068	642 873
SUBSCRIPTIONS AND MEMBERSHIP FEES	1 094 318	20 882
TELEPHONE AND FAX	2 999 393	2 119 037
TRAINING	1 661 521	1 005 299
ASSETS EXPENSED	1 093 695	-3 343 743
ELECTRICITY PURCHASE	750 852	833 453
SPECIAL PROJECTS	5 893 894	6 183 698
SURVEY & PLANNING	283 815	14 035
HR MANAGEMENT & DEVELOPMENT	-	107 342
PUBLIC PARTICIPATION	564 936	873 368
WARD COMMITTEE STIPEND	1 826 943	1 065 300
UNDERDEPOSIT BANKING	23 951	48 896
POUND CLAIMS	48 479	30 720
IDP EXPENSES	550 427	-
OTHER EXPENSES	387 310	1 280
LEAVE CONTRIBUTIONS	513 481	-
REHABILITATION COSTS	609 461	-
	34 346 680	20 312 480

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
17 EMPLOYEE RELATED COSTS		
Basic	17 606 770	11 842 236
Bonus	1 062 801	951 538
Medical aid - company contributions	2 338 181	2 459 914
UIF	193 370	166 675
SDL	283 953	234 618
Other payroll levies	5 691	5 738
Leave pay provision charge	-	-
Post-employment benefits - Pension-Defined contribution plan	2 497 646	2 630 976
Travel, motor car, accommodation, subsistence and other allowances	2 556 815	4 563 490
Overtime payments	819 975	444 705
WCA	1 724	-
Provision for Bonus	199 404	150 261
Casual Workers	172 346	-
Acting allowances	599 053	723 316
Housing benefits and allowances	1 333 751	1 452 546
Other allowances	626 841	988 097
Long term & leaves	17 028	80 269
Nightshift pay	5 319	160 341
Traditional Leaders Stipend	14 509	-
Total employee related costs	30 335 176	26 854 720
 Remuneration of the Municipal Manager		
Annual remuneration	569 202	700 128
Car allowance	142 301	72 000
Contribution to UIF, Medical and Pension Funds	143 400	-
Subsistence	-	28 800
Public Office Allowance	-	25 162
Cell Phone	26 568	-
	881 471	826 090
 Remuneration of the Chief Finance Officer		
Annual remuneration	475 795	528 515
Car allowance	118 949	132 129
Contribution to UIF, Medical and Pension Funds	129 574	40 350
Housing	33 576	30 000
Subsistence	-	30000
Cell Phone	33 600	-
	791 494	760 994
 Remuneration of the Strategic Manager		
Annual remuneration	549 656	528 515
Car allowance	132128.88	132 129
Contribution to UIF, Medical and Pension Funds	37333.2	40 350
Housing	30000	30 000
Subsistence	43049.88	30 000
	792 168	760 994
 Remuneration of the Community Services Manager		
Annual remuneration	475 795	528 515
Car allowance	118 949	132 129
Contribution to UIF, Medical and Pension Funds	129 574	40 350
Housing	33 576	30 000
Subsistence	-	30 000
Cellphone	33 600	-
	791 494	760 994
 Remuneration of the Manager - Corporate Services		
Annual remuneration	475 795	528 515
Car allowance	118 949	132 129
Contribution to UIF, Medical and Pension Funds	129 574	40 350
Housing	33 576	30 000
Subsistence	-	30 000
Cellphone	33 600	-
	781 069	760 994
 Remuneration of the Technical Manager		
Annual remuneration	549 656	528 515
Car allowance	132 141	132 129
Contribution to UIF, Medical and Pension Funds	44 400	40 350
Housing	30 000	30 000
Subsistence	36 144	30 000
	792 341	760 994
 TOTAL SALARIES	35 165 213	31 485 780

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
18 REMUNERATION OF COUNCILLORS		
Mayor	1 146 074	995 292
Councillors	10 861 578	8 606 468
Total councillors' remuneration	<u>12 007 652</u>	<u>9 601 760</u>
19 DEBT IMPAIRMENT		
Consumer Debtors	16 916 565	-
Debtors Suspense	53 996	-
	<u>16 970 561</u>	<u>-</u>
<p>The reduction in debt impairment is due to a debtors reconciliation exercise that led to a reduction in overall debtors balances, municipal properties billings were reversed, government accounts were corrected. This led to a recovery of previous years overprovisions.</p>		
20 INVESTMENT REVENUE		
<i>Interest revenue</i>		
Interest from investments	1 173 991	871 286
Interest charged on trade and other receivables	765 686	25 892
	<u>1 939 677</u>	<u>897 178</u>
<p>The amount included in investment revenue arising from non-exchange transactions to R 1 939 677.</p>		
21 FINANCE COSTS		
Interest	36 721	29 916
See note 29,2 from further discloser	<u>36 721</u>	<u>29 916</u>
22 AUDITORS' REMUNERATION		
Fees	1 955 125	2 332 064
	<u>1 955 125</u>	<u>2 332 064</u>
23 CONTRACTED SERVICES		
Security services	1 189 533	1 127 657
	<u>1 189 533</u>	<u>1 127 657</u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012	2011
	R	R
24 GRANTS AND SUBSIDIES PAID		
<i>Other subsidies</i>		
Electrification program	3 271 340	30 448 914
EPWP Program	976 874	381 901
MSIG - Training ward committees	789 972	341 988
Indigent subsidy	1 772 474	5 105 402
Management Support Program	-	-
FMG Interns	44 650	404 771
Lots - farms	-	269 500
Housing projects	597 410	265 550
IDP expense	530 099	530 099
	<u>7 452 720</u>	<u>37 748 125</u>
25 NON CASH ITEM IN SURPLUS		
Surplus for the year	18 352 845	26 283 116
Non Cash items:		
Debt impairment	16 970 561	5 640 451
Depreciation	12 400 692	8 442 616
Movements in provisions	(3 035 456)	6 831 440
	<u> </u>	<u> </u>

MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012 R	2011 R
26 COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
> Access road construction	6 048 537	6 393 871
> Vehicles	989 100	2 476 474
> General contracts	23 611 777	6 743 279
	<u>30 649 415</u>	<u>15 613 624</u>

This committed expenditure relates to capital and operational expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	685 774	685 774
- in second to fifth year inclusive	1 371 548	1 371 548
	<u>2 057 322</u>	<u>2 057 322</u>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

27 CONTINGENCIES

Mzimela Air Conditioning Cc Vs Mhlontlo Municipality (case no 103/2010)

This is a Civil claim against the Municipality for failure to pay for work done amount involved is R45 156.54.

Legal Opinion: The Municipality is likely to pay- Contigent liability

OTHER CASES

TDH Tsolo Junction (PTY) LTD Vs Mhlontlo Municipality (case no: 463/2011)

This is a civil claim for damages against the Municipality in the Eastern Cape High Court Mthatha for an amount R48

Legal Opinion: Case will drag for a long time but, The municipality is unlikely to pay- No contigent liability.

Mzimkhulu Jeremiah Jikijela Vs The Honourable Speaker Mhlontlo Municipality (case 1451/2012)

This matter started in July 2012, Mr Jikijela launched an urgent application against the Municipality seeking an order from his resignation from office.

This case is still pending, the applicant has since appealed against the judgment we obtained, which is in favor of the

The application for leave to appeal has benn granted to the full bench, this matter is likely to be finalized next year.

We have submitted our statement of the account but payment has not been forthcoming, which is still outstanding.

Legal Opinion: Case will drag for a long time but, The municipality is unlikely to pay- Contigent liability.

28 PRIOR PERIOD ERRORS

Statement of Financial Performance

Bad debts impairment - -

Cash flow statement

Cash flow from operating activities
Accumulated surplus 2 080 597

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MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012

	2012	2011
	R	R
29.1 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	4 753 034	
Unauthorised expenditure current year	-	4 753 034
Approved by Council or condoned	-4 753 034	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>4 753 034</u>
	<u>-</u>	<u>4 753 034</u>
<p>This was due to variation orders, which was due to change in scope of work, as well as under budgeting of provision, as well as legal expenses</p>		
29.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	83 154	-
Fruitless and wasteful expenditure current year	36 721	83 154
Condoned or written off by Council	(83 154)	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>36 721</u>	<u>83 154</u>
	<u>36 721</u>	<u>83 154</u>
<p>These costs were due to interest on late payment of suppliers</p>		
29.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	12 295 158	809 017
Fruitless and wasteful expenditure current year	1 295 365	18 536 421
Condoned or written off by Council	-13 132 823	-7 050 280
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>457 700</u>	<u>12 295 158</u>
	<u>457 700</u>	<u>12 295 158</u>
30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government		
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current	-	-
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
31 Audit fees		
Opening balance	-	-
Current year audit fee	1 955 125	2 332 064
Amount paid - current year	-1 955 125	-2 332 064
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**MHLONTLO LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2012**

32 ARREAR DEBT FOR COUNCILLORS

	R	
Arrear Rates & Services Owed by Councillors		
Councillor T Msongelwa	2 170	-
Councillor XB Ngoma	18 423	-
Councillor Z Songca	1 136	-
Councillor A Dawedi	4 443	-
	<u>26 172</u>	<u>-</u>

Arrear Rates and Services charges owned by councillors outstanding for than 90 days
Subsequent to year end, an amount of R730 was paid by following

Councillor T Msongelwa	R30
Councillor Xb Ngoma	R700

**33 DEFERRED INCOME
UNKNOWN DEPOSITS**

	R	R
	<u>400</u>	<u>-</u>
	<u>400</u>	<u>-</u>

MUNICIPALITY IS EMBARKING ON WAYS TO IDENTIFY SOURCE OF REVENUE
REVENUE WILL BE RECONSED WHEN SOURCE IS KNOWN

34 GOING CONCERN

The municipality has had a good history of making profit in the past financial years. There is also no evidence that the municipality will be put under administration, as no there is an indication of discontinuance of National Treasury in giving equitable share to Mhlontlo Municipality.

35 EVENTS AFTER THE REPORTING DATE

All events were tested and there were no adjustable events after balance sheet date

36 RELATED PARTY DISCLOSE

The related parties are councillors and section 57 managers

MHLONTLO LOCAL MUNICIPALITY



APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 June 2011

	Cost / Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Disposal	Closing Balance	Opening Balance	Additions	Disposals	
Land and Buildings									
Land	0	-	-	-	0	-	-	-	0
Land and buildings	327 777	-	-	-	327 777	-	-	-	327 777
	327 777	-	-	-	327 777	-	-	-	327 777
Infrastructure									
Street Lights	-	-	-	-	0	-	-	-	0
Infrastructure Assets	1	-	-	-	1	-	-	-	1
Access Roads	25 345 066	27 500 416	-	-	52 845 482	-	-	-	52 845 482
	25 345 067	27 500 416	-	-	52 845 483	-	-	-	52 845 483
Community assets	1	-	-	-	1	-	-	-	1
Investment Property	3	-	-	-	3	-	-	-	3
	4	-	-	-	4	-	-	-	4
Other assets									
Community Assets	106 660	330 635	-	-	437 295	-	-	-	437 295
Garage(Tsolo)	377 828	-	-	-	377 828	-	-	-	377 828
Office Equipment	297 193	106 195	-	-	403 388	-	-	-	403 388
IT Equipments	42 809	12 698	-	-	55 507	-	-	-	55 507
Bins & Containers	-	42 826	-	-	42 826	-	-	-	42 826
Furniture and fittings	-	-	-	-	0	-	-	-	0
Plant and equipment	-	-	-	-	0	-	-	-	0
Motor vehicles	0	2 136 500	-	-	2 136 500	-	-	-	2 136 500
Tools and equipment	-	-	-	-	0	-	-	-	0
Office and traffic equipment	-	-	-	-	0	-	-	-	0
Computer Software	0	375 337	-	-	375 337	-	-	-	375 337
	824 490	3 004 191	-	0	3 828 681	-	-	-	3 828 681
	26 497 338	30 504 607	0	0	57 001 945	-	-	-	57 001 945

CLUSTER	COST OPENING BALANCE 30/06/2010	ADDITIONS 10/11	WIP 10/11	COST CLOSING BALANCE (1)	ADDITIONS 11/12	WIP 11/12	COST CLOSING BALANCE (2)	ACCUMULATE D DEPR 30/06/2010	DEPR 10/11	DEPR 11/12	ACCUMULATED DEPR CLOSING BALANCE	CARRYING VALUE 30/06/2012
BINS & CONTAINERS Total	9 750.00	42 825.66	0.00	52 575.66	0.00	0.00	52 575.66	2 925.00	665.94	2 628.78	6 219.72	46 355.94
BUILDINGS Total	16 888 930.69	197 202.90	0.00	17 086 133.59	354 396.08	0.00	17 440 529.67	5 166 166.86	716 864.97	741 055.45	6 624 087.28	10 816 442.39
CEMETERIES Total	94 696.32	0.00	0.00	94 696.32	0.00	0.00	94 696.32	57 566.69	3 787.85	3 787.85	65 142.39	29 553.93
CIVIC BUILDINGS Total	5 056 000.00	0.00	0.00	5 056 000.00	0.00	0.00	5 056 000.00	1 807 050.00	202 240.00	202 240.00	2 211 530.00	2 844 470.00
INVESTMENT PROPERTY	21 401 100.00	0.00	0.00	21 401 100.00	0.00	0.00	21 401 100.00	0.00	0.00	0.00	0.00	21 401 100.00
LAND Total	5 750 035.73	0.00	0.00	5 750 035.73	0.00	0.00	5 750 035.73	0.00	0.00	0.00	0.00	5 750 035.73
LIBRARIES Total	750 000.00	0.00	0.00	750 000.00	0.00	0.00	750 000.00	412 500.00	30 000.00	30 000.00	472 500.00	277 500.00
OTHER ASSETS Total	1 118 437.88	342 078.20	0.00	1 460 516.08	0.00	0.00	1 460 516.08	394 048.58	134 633.29	133 071.65	661 753.52	798 762.56
RECREATION GROUNDS T	3 538 805.45	0.00	0.00	3 538 805.45	0.00	0.00	3 538 805.45	1 248 391.64	141 552.22	141 552.22	1 531 496.08	2 007 309.37
ROADS Total	66 973 451.29	9 179 262.59	10 829 070.94	86 981 784.82	18 542 505.01	37 646.00	105 561 935.83	40 020 056.43	6 964 120.63	8 261 998.88	55 246 175.94	50 315 759.89
STADIUMS Total	439 848.22	0.00	0.00	439 848.22	0.00	0.00	439 848.22	131 954.46	29 323.22	29 323.22	190 600.90	249 247.32
STORM WATER Total	755 964.02	862 392.98	795 905.71	2 414 262.71	4 289 017.55	0.00	6 703 280.26	334 643.46	48 567.99	80 832.23	464 043.68	6 239 236.58
Grand Total	122 777 019.60	10 623 762.33	11 624 976.65	145 025 758.58	23 185 918.64	37 646.00	168 249 323.22	49 575 303.12	8 271 756.11	9 626 490.28	67 473 549.51	100 775 773.71

MHLONTLO LOCAL MUNICIPALITY
APPENDIX C
ACTUAL VERSUS BUDGET (Income & Expenditure)

Revenue	2011 Budget	2011 Actual	2011 Variance	2011 Variance %	Explanation of significant variations.
Property Rates	4 966 900.00	6 918 587.65	1 951 687.65	39%	The payments did not follow the trends that were anticipated because the Municipality has not yet fully implemented the Credit Control and Debt Collection Policy
Service Charges	760 983.00	552 131.94	-208 851.06	-27%	The payments did not follow the trends that were anticipated because the Municipality has not yet fully implemented the Credit Control and Debt Collection Policy
Rental of Facilities	20 000.00	47 664.00	27 664.00	138%	Utilisation of the municipal hall has increased in the current year because of renovations that were effected
Interest received on Investment	1 500 000.00	1 939 676.90	439 676.90	29%	This depends on the grants received in the current year as they were received late and also utilized immediately on receipt
Fines	100 000.00	91 850.00	-8 150.00	-8%	This was affected by the visibility of traffic officers in the road as they are minimal now.
Licences and permits	1 204 775.88	1 784 341.50	579 565.62	48%	Response of Hawkers on payments for licenses as well as special licenses. There was an influx in number of learners and drivers licence applicants as previously anticipated.
Government grants and subsidies	131 484 000.00	127 244 738.54	-4 239 261.46	-3%	Mig financial year which starts in April vs the local government financial year, some funds were received in 2009/10 financial year.
Other Income	11 535 446.28	1 832 988.42	-9 702 457.86	-84%	Budgeted for VAT refunds which do not meet the recognition criteria of revenue in terms of AC111.
TOTAL REVENUE	151 572 105.16	140 411 978.95	-11 160 126.21	-7%	
Expenditure					
Mayor	1 594 737.65	1 572 525.55	-22 212.10	-1%	
Council General	13 752 966.62	14 148 579.04	395 612.42	3%	Under budgeting for leave provisions
Municipal Manager	4 092 765.36	4 166 319.46	73 554.10	2%	Legal expenses were under budgeted for in the current year.
Corporate Services	8 994 001.04	10 038 896.81	1 044 895.77	12%	Under budgeting for leave provisions
Finance	22 151 135.38	19 988 771.63	-2 162 363.75	-10%	
Infrastructure & basic	73 264 113.29	40 945 348.10	-32 318 765.19	-44%	Capitalisation of access roads.
Refuse Removal	6 872 430.54	-2 887 551.05	-9 759 981.59	-142%	Capitalisation of refuse truck.
Pound & Commonage	1 708 325.99	1 304 965.95	-403 360.04	-24%	
Community service	7 426 133.37	6 804 554.00	-621 579.37	-8%	
Cemetery	35 000.00	6 000.00	-29 000.00	-83%	
Property Services	8 725 558.63	1 758 579.04	-6 966 979.59	-80%	
LED	2 954 937.29	4 345 553.00	1 390 615.71	47%	Extra funding from DEDEA for special projects.

TOTALS	151 572 105	102 192 542	-49 379 563.63	-33%
NET SUPLUS /DEFICIT FOR THE YEAR.	0.00	38 219 437.42	38 219 437.42	

