



**KING SABATA DALINDYEBO MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

Auditor General South Africa  
Issued 31 August 2012

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## GENERAL INFORMATION

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<b>Legal form of entity</b>	The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.
<b>Mayoral committee</b>	
Executive Mayor	Cllr N Ngqongwa
	Executive Council
	Cllr LS Nduku (Infrastructure)
	Cllr LN Ntlonze (Corporate Services)
	Cllr N Gcingca (Local Economic Development)
	Cllr MS Mlandu (Public Safety and Transport)
	Cllr KK Mdikane (Planning and Development)
	Cllr FRS Ngcobo (Budget and Treasury)
	Cllr N Nyangani (Special Programmes Unit)
	Cllr M Mtirara (Disaster Management)
	Cllr LR Madyibi (Community Services)
<b>Councillors</b>	
	Cllr AZ Luyenge
	Cllr B Mazini
	Cllr B Momoza
	Cllr B Ndlobongela
	Cllr BD Bara
	Cllr DM Zozo
	Cllr EM Fileyo
	Cllr ET Mapekula
	Cllr FM Mtwana
	Cllr FV Dondashe
	Cllr GN Nelani
	Cllr HN Maroloma
	Cllr J Dlamini
	Cllr KN Kwetana
	Cllr KW Tsipa
	Cllr LA Tshiseka
	Cllr LL Mkhonto
	Cllr LM Luwaca
	Cllr M Bunzana
	Cllr M Gogo
	Cllr M Jafta
	Cllr M Mavukwana
	Cllr M Menzelwa
	Cllr M Ngabayena
	Cllr M Nyoka
	Cllr M Plam
	Cllr MA Zimela
	Cllr MH Mtirara
	Cllr MI Xentsa
	Cllr MJ Msakeni
	Cllr N Mpemnyama
	Cllr N Mtwana
	Cllr N Pali
	Cllr N Qwase
	Cllr N Sikhonkothela
	Cllr NA Ndlela
	Cllr NC Jijana
	Cllr NE Mqhingwana
	Cllr NF Mzimane
	Cllr NM Luqhida
	Cllr NS Kwaza
	Cllr NSS Qina
	Cllr PP Nontshiza

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## GENERAL INFORMATION

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Cllr R Knock  
Cllr S Budu  
Cllr S Mlamli  
Cllr SS Njemla  
Cllr ST Peters  
Cllr T Nomvete  
Cllr T Nqadolo  
Cllr TM Mtirara  
Cllr V Dangala  
Cllr VN Roji  
Cllr VN Xhobani  
Cllr VO Gwadiso  
Cllr WV Sanda  
Cllr XT Matiti  
Cllr Z Magazi  
Cllr ZN Gusana  
Cllr ZN Mncunza  
Cllr ZV Maqabuka

**Grading of local authority**

Grade 4

**Nature of business and principal activities**

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

The municipality's operations are governed by:

- Municipal Finance Management act 56 of 2003
- Municipal Structure Act 117 of 1998
- Municipal Systems Act 32 of 2000 and various other acts and regulations

**Registered office**

Mthatha

**Business address**

Munitata Building  
Surtherland Street  
Mthatha

**Postal address**

Private Bag X 5083  
Mthatha  
5099

**Bankers**

ABSA  
First National Bank

**Auditors**

Auditor General South Africa

**Principal Activities**

The principal activities of the municipality are:

- Provide democratic and accountable government
- Ensure sustainable service delivery to the communities
- Promote social and economic development
- Provide basic services to the community

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## INDEX

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

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The annual financial statements set out on pages 4 to 64, which have been prepared on the going concern basis, were approved by the Municipal Manager on 31 August 2012 and were signed by:

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**Z Z Mnqanqeni**  
**Municipal Manager**

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	219 313 952	188 109 177
Trade receivables	3	68 043 168	83 180 526
Other receivables from non-exchange transactions	4	12 658 985	77 389
Inventories	5	2 880 410	358 257
VAT receivable	6	5 565 060	18 696 523
		<b>308 461 575</b>	<b>290 421 872</b>
<b>Non-Current Assets</b>			
Investment property	7	103 189 053	88 189 700
Property, plant and equipment	8	1 485 310 013	1 468 992 865
Intangible assets	9	242 733	352 474
Non-current receivables	10	156 324	156 541
		<b>1 588 898 123</b>	<b>1 557 691 580</b>
<b>Total Assets</b>		<b>1 897 359 698</b>	<b>1 848 113 452</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings	11	6 928 034	5 393 489
Finance lease obligation	12	257 334	90 337
Trade and other payables from exchange transactions	13	100 225 960	116 393 621
Consumer deposits	14	1 599 746	1 294 136
Unspent conditional grants and receipts	15	81 466 932	69 371 841
		<b>190 478 006</b>	<b>192 543 424</b>
<b>Non-Current Liabilities</b>			
Borrowings	11	58 072 751	51 844 667
Finance lease obligation	12	-	257 334
Provisions	16	26 271 200	21 756 668
		<b>84 343 951</b>	<b>73 858 669</b>
<b>Total Liabilities</b>		<b>274 821 957</b>	<b>266 402 093</b>
<b>Net Assets</b>		<b>1 622 537 741</b>	<b>1 581 711 359</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve		130 483 359	61 811 506
Accumulated surplus	17	1 492 054 382	1 519 899 853
<b>Total Net Assets</b>		<b>1 622 537 741</b>	<b>1 581 711 359</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Property rates	19	128 536 523	122 589 258
Service charges	20	213 180 169	205 925 635
Rental of facilities and equipment	21	12 505 062	12 289 873
Fines		1 606 678	1 936 231
Licences and permits		11 011 359	10 140 296
Government grants & subsidies	22	320 952 259	210 464 135
Interest received	23	36 691 177	27 704 989
Other income	24	10 274 607	8 279 528
Dividends received	23	12 282	-
<b>Total Revenue</b>		<b>734 770 116</b>	<b>599 329 945</b>
<b>Expenditure</b>			
Personnel	25	226 442 467	199 892 809
Remuneration of councillors	26	17 521 100	16 559 493
Depreciation, amortisation and impairment	27	69 773 323	61 365 528
Impairment loss/ Reversal of impairments		109 271 064	28 113 432
Finance costs	28	9 107 015	9 120 604
Debt impairment		22 131 930	52 351 084
Repairs and maintenance		21 274 333	29 888 824
Bulk purchases	29	144 975 664	110 469 557
Contracted services	30	17 235 780	5 527 627
Grants and subsidies paid	31	26 198 220	21 342 675
General Expenses	32	113 724 699	83 673 291
<b>Total Expenditure</b>		<b>777 655 595</b>	<b>618 304 924</b>
Fair value adjustments	33	14 999 353	(979 169)
<b>Deficit for the year</b>		<b>(27 886 126)</b>	<b>(19 954 148)</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	(147 536 365)	888 214 022	740 677 657
Adjustments			
Prior year adjustments (Note 49)	147 536 365	651 594 081	799 130 446
<b>Balance at 01 July 2010 as restated</b>	<b>-</b>	<b>1 539 808 103</b>	<b>1 539 808 103</b>
Changes in net assets			
Other fair value gains (losses)	61 811 506	-	61 811 506
Net income (losses) recognised directly in net assets	61 811 506	-	61 811 506
Surplus for the year	-	(19 954 148)	(19 954 148)
Total recognised income and expenses for the year	61 811 506	(19 954 148)	41 857 358
Movement in reserves	-	45 898	45 898
Total changes	61 811 506	(19 908 250)	41 903 256
<b>Balance at 01 July 2011</b>	<b>61 811 506</b>	<b>1 519 899 851</b>	<b>1 581 711 357</b>
Changes in net assets			
Other fair value gains (losses)	68 671 853	-	68 671 853
Movement in reserves	-	40 657	40 657
Net income (losses) recognised directly in net assets	68 671 853	40 657	68 712 510
Surplus for the year	-	(27 886 126)	(27 886 126)
Total recognised income and expenses for the year	68 671 853	(27 845 469)	40 826 384
Total changes	68 671 853	(27 845 469)	40 826 384
<b>Balance at 30 June 2012</b>	<b>130 483 359</b>	<b>1 492 054 382</b>	<b>1 622 537 741</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		691 621 952	501 606 629
Interest income		36 691 177	27 704 989
Dividends received		12 282	-
		<u>728 325 411</u>	<u>529 311 618</u>
<b>Payments</b>			
Employee costs		(226 442 467)	(199 892 809)
Suppliers		(342 704 378)	(234 696 267)
Finance costs		(9 107 015)	(9 120 604)
		<u>(578 253 860)</u>	<u>(443 709 680)</u>
<b>Net cash flows from operating activities</b>	34	<b><u>150 071 551</u></b>	<b><u>85 601 938</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(167 719 885)	(95 639 239)
Proceeds from sale of property, plant and equipment	8	505 000	72 000
Purchase of other intangible assets	9	-	(23 565)
Proceeds from sale of financial assets		217	3 641
Transfers to PPE from Work in progress		40 634 944	22 203 994
Self insurance reserve		40 656	45 898
		<u>(126 539 068)</u>	<u>(73 337 271)</u>
<b>Net cash flows from investing activities</b>		<b><u>(126 539 068)</u></b>	<b><u>(73 337 271)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		7 762 629	1 467 442
Finance lease payments		(90 337)	(82 182)
		<u>7 672 292</u>	<u>1 385 260</u>
<b>Net cash flows from financing activities</b>		<b><u>7 672 292</u></b>	<b><u>1 385 260</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>31 204 775</b>	<b>13 649 927</b>
Cash and cash equivalents at the beginning of the year		188 109 177	174 459 256
<b>Cash and cash equivalents at the end of the year</b>	2	<b><u>219 313 952</u></b>	<b><u>188 109 183</u></b>



# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with 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 year.

#### 1.1 OFFSETTING

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

#### 1.2 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

#### 1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 BUDGET INFORMATION

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

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

Budget information in accordance with GRAP 1 has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

#### 1.5 COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 - Impairment of Non-cash generating Assets - issued March 2009, effective 30 June 2013 year end.

GRAP 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008, effective 30 June 2013 year end.

GRAP 24 - Budget Information - issued November 2008, effective 30 June 2013 year end.

GRAP 25 - Employee Benefits - issued November 2009, effective 30 June 2014 year end.

GRAP 26 - Impairment of Cash-generating Assets - issued March 2009, effective 30 June 2013 year end.

GRAP 103 - Heritage Assets - issued July 2008, effective 30 June 2013 year end.

GRAP 104 - Financial Instruments - issued October 2009, effective 30 June 2013 year end.

IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue (issued June 2012, effective date not yet determined)

IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities (issued February 2010, effective date not yet determined)

IGRAP 3 - Determining Whether an Arrangement Contains a Lease (issued February 2010, effective date not yet determined)

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (issued February 2010, effective date not yet determined)

IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies (issued February 2010, effective date not yet determined)

IGRAP 6 - Loyalty Programmes (issued February 2010, effective date not yet determined)

IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (issued February 2010, effective date not yet determined)

IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions (issued February 2010, effective date not yet determined)

IGRAP 9 - Distributions of Non-cash Assets to Owners (issued February 2010, effective date not yet determined)

IGRAP 13 - Operating Leases - Incentives (issued February 2010, effective date not yet determined)

IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease (issued February 2010, effective date not yet determined)

IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services (issue date not yet determined, effective date not yet determined)

IGRAP 16 - Intangible Assets - Website Costs (issued March 2012, effective 1 April 2013)

GRAP 20 - Related Party Disclosures (issue date not yet determined, effective date not yet determined)

### POSSIBLE IMPACT OF INITIAL APPLICATION OF STANDARDS OF GRAP APPROVED BUT NOT YET EFFECTIVE

GRAP 21: Impairment of current non-cash generating assets principals per GRAP 21 are similar to standards already applied, therefore no major deviation in accounting policy is foreseen.

GRAP 23,25,26,104: The current accounting policies do not deviate substantially from the requirements per the not yet approved GRAP standards, the impact of the adoption of these standards are therefore not considered to be substantial.

GRAP 103: The adoption of this standard will result in the separate classification and valuation of these assets, resulting in a restatement of prior period balances to the earliest prior period presented.

### 1.7 REVALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains of losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

On subsequent revaluation of land and buildings, where the revalued amount is higher than the historical cost less accumulated depreciation, the surplus will be reversed to the Statement of Financial Performance only to the extent that it relates to the original surplus amount recognised in Revaluation reserve. Any revaluations lower than this historical cost less accumulated depreciation will be treated as an impairment loss.

### 1.8 INTERNAL RESERVES

#### Self insurance reserve

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets. The balance of the Self-Insurance Reserve is fully cash backed and invested.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.9 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.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

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

#### **SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

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

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
• Roads and paving	30 years
• Access roads	3 years
• Pedestrian malls	30 years
• Electricity	10-50 years
• Sewerage	15-20 years
Community	
• Buildings	30 - 130 years
• Recreational equipment	20-30 years
• Security	5 years
• Halls	130 years
• Libraries	130 years

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.9 PROPERTY, PLANT AND EQUIPMENT (continued)

• Parks an gardens	20-30 years
• Sport fields	20-30 years
Other	
• Buildings	130 years
• Specialist vehicles	10 years
• Other vehicles	5 years
• Office equipment	7 years
• Furniture and fittings	3 - 5 years
• Bins and containers	5 years
• Specialist plant and equipment	15 years
• Other items of plant and equipment	10 years
• Landfill sites	10 years
• Computer equipment	3 years
• Fire engines	10 -20 years
Finance leased assets	
• Motor vehicles	5 years

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

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.

Property plant and equipment not completed and brought in use are accounted for as work in progress. Work in progress is not depreciated

### 1.10 INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.10 INTANGIBLE ASSETS (continued)

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

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

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

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

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

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

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

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

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

### 1.11 INVESTMENT PROPERTY

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

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

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.11 INVESTMENT PROPERTY (continued)

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

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

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

### 1.12 INVESTMENTS

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

### 1.13 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.

### 1.14 FINANCIAL INSTRUMENTS

#### Initial recognition and measurement

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

Financial instruments are measured initially at fair value.

#### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.14 FINANCIAL INSTRUMENTS (continued)

#### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. 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. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

#### Bank overdraft and borrowings

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

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

#### Derivatives

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

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.14 FINANCIAL INSTRUMENTS (continued)

when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

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

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

### 1.15 UNAUTHORISED EXPENDITURE

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

### 1.16 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality'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.

### 1.17 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.

### 1.18 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.

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.



# King Sabata Dalindyebo Municipality

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## ACCOUNTING POLICIES

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### 1.18 PROVISIONS AND CONTINGENCIES (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

### 1.19 LEASES

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

#### Operating leases - lessee

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

### 1.20 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.

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.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.21 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.21 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

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 summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all 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 becomes 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 Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.22 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.23 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established

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

### 1.24 EMPLOYEE BENEFITS

#### Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

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

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.24 EMPLOYEE BENEFITS (continued)

payments is available.

#### Post employment medical care plan

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

#### Termination benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

### 1.25 IMPAIRMENT OF CASH-GENERATING ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.26 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimated actual results in the future could differ from these estimated which may be material to the annual financial statements. Significant judgements include: -

Fair value adjustments

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## ACCOUNTING POLICIES

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### 1.26 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

#### Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as a difference between the debtors carrying amount and the recoverable amount.

### 1.27 RELATED PARTIES

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

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	12 340	2 200
Bank balances	39 116 698	28 295 766
Grant short-term deposits	102 223 850	78 628 820
Own short-term deposits	77 961 064	81 182 391
	<b>219 313 952</b>	<b>188 109 177</b>

The municipality had the following operating 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
Meeg Bank - Mthatha: Account Number 4048218780	14 039 956	8 170 184	12 670 608	14 873 671	6 896 821	3 632 890
Meeg Bank Cash Focus - Mthatha: Account Number 4053806112	15 000	21 208	16 439	15 000	21 208	16 439
Meeg Bank Inter government grant - Mthatha: Account Number 408400474	376	1 991	12 607 319	376	1 991	12 607 319
Meeg Bank Electricity Account - Mthatha Account Number 4061496604	2 632 484	3 394 165	1 877 096	2 632 484	3 394 165	1 877 096
FNB Electricity Income - Mthatha Account Number 62090323636	21 595 494	15 759 494	4 559 018	21 595 167	15 759 494	4 559 018
<b>Total</b>	<b>38 283 310</b>	<b>27 347 042</b>	<b>31 730 480</b>	<b>39 116 698</b>	<b>26 073 679</b>	<b>22 692 762</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2012

2011

### 2. CASH AND CASH EQUIVALENTS (continued)

The municipality had the following short term deposits bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Meeg Bank - Mthatha: Account Number 4048218780	162 052	1 500 000	162 052	1 500 000
Absa Bank-Municipal Finance Assistance Grant-9263297136	62 884	60 900	62 884	60 900
Absa Bank-Cmp Call Account: 9085709842	3 025 263	3 921 350	3 025 263	3 921 350
Absa Bank-Finance Management Grant Inv- 9118940521	976 169	1 704 848	976 169	1 704 848
Meegbank -Ilitha Housing Project Fund:-4055913797	895	2 723	895	2 723
Absa Bank-Mqanduli Middle Income Housing-9095799392	349 670	351 616	349 670	351 616
Absa Bank-Waterfall Phase Iv Call Account-9119750092	12 212	13 620	12 212	13 620
Absa Bank-Qunu Rural Housing Call Account-9102535607	510 283	512 925	510 283	512 925
Absa Bank-Kuyasa Housing Project (2)-9060987300	18 506	17 690	18 506	17 690
Absa Bank-Kuyasa Housing Project Fund-4048654980	3 775	4 467	3 775	4 467
Absa Bank-Mabeleni Rural Housing-9103185142	235 816	237 272	235 816	237 272
Absa Bank-Xhugxwala Rural Housing-9103186342	213 160	214 477	213 160	214 477
Absa Bank-Section 21 Company - Ksd Community Proje- 9090409506	22 977	35 175	22 977	35 175
Absa Bank-Ngqwala Rural Housing-9116635326	365 869	367 680	365 869	367 680
Absa Bank-Maydene Beneficiary Top Ups-9061932576	262	251	262	251
Absa Bank-Maydene Housing Project Fund-9057562525	782 373	966 562	782 373	966 562
Absa Bank-Mqanduli Milling Project-9118441412	3 844	38 403	3 844	38 403
Absa Bank-Municipal Support Grant-9097169945	151 874	174 503	151 874	174 503

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2012	2011
<b>2. CASH AND CASH EQUIVALENTS (continued)</b>				
Absa Bank-Ngangelizwe Urban Renewal Inv-9105768376	5 236 766	19 871 967	5 236 766	19 871 967
Absa Bank-Fire Station- 9260112315	2 485 721	3 333 306	2 485 721	3 333 306
Absa Bank-Municipal Infrastructure Grant (Mig) - 9148935255	1 902 331	90 431	1 902 331	90 431
Absa Bank-Umtata Consolidated Metro--9061932550	2 778 618	2 656 249	2 778 618	2 656 249
Absa Bank-Municipal System Improvement Grant - 9153705564	897 397	1 303 881	897 397	1 303 881
Absa Bank-Asset Financing Reserve-9152551667	461 981	1 120 566	461 981	1 120 566
Absa Bank-Unclaimed Group Life Assur-9057846202	2 014 240	1 925 534	2 014 240	1 925 534
Absa Bank-2010 Stadium Grant- 9158414285	145 039	138 651	145 039	138 651
Meegbank -Zimbane Valley Housing Proj-4052547579	11 043	1 290	11 043	1 290
Meegbank -Zimbane Valley Payment Plan-9098250933	1 917	1 832	1 917	1 832
Meegbank -Ksd Intervention Grant-4061496125	1 036 332	1 008 751	1 036 332	1 008 751
Standard Bank-Dot Taxi Rank- 548664943	9 897 479	9 416 567	9 897 479	9 416 567
Absa Bank-Maintenance Lease Charge-9260110876	1 382 839	4 231 646	1 382 839	4 231 646
Absa Bank-Organogram Development-9260110397	771 012	744 074	711 012	744 074
Absa Bank-Idp Projects- 9260111987	20 061	303 354	20 061	303 354
Absa Bank-Doe Electrification Project-9259916285	17 296 091	17 374 884	17 296 091	17 374 884
Absa Bank-Uphuhliso Lwethu- 9260112632	243 075	1 006 545	243 075	1 006 545
Absa Bank-Khuphukani Cluster Project-9260111652	1 620 214	721 319	1 620 214	721 319
Absa Bank-Rural Planning & Survey-9260110101	474 933	843 161	474 933	843 161

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2012	2011
<b>2. CASH AND CASH EQUIVALENTS (continued)</b>				
Absa Bank-Light The Pilot-9260109699	255 257	880 901	255 257	880 901
Absa Bank-Grant Admin Development-9260118400	449 911	433 239	449 911	433 239
Absa Bank-Ksd Elections Road Maintenance-9260118662	570 717	555 719	570 717	555 719
Absa Bank-Nduli Nature Reserve-9260787407	112 006	460 265	112 006	460 265
Absa Bank-Performance Management Systems-9262471098	83 685	80 226	83 685	80 226
Absa Bank-Phola Isup -9264472541	8 980 295	-	8 980 295	-
Absa Bank-Human Settlements Isup Joe Slovo -9264255581	18 004 007	-	18 004 007	-
Absa Bank-Multipurpose Community -9272373062	4 383 410	-	4 383 410	-
Absa Bank-Ngangelizwe Isup -9264472169	13 802 643	-	13 802 643	-
Absa Bank-Maidene Isup -9264472915	5 607	-	5 607	-
Absa Bank-Performance Management Systems (2)-9263261563	1 338	-	1 338	-
Investec-Investec Private Bank-456924	36 694 000	25 909 917	36 694 000	25 909 917
Absa Bank-Absa Fixed Deposit 35 Days Notice-2070516962	14 096 666	15 143 585	14 096 666	15 143 585
Indwe Risk Services-Self Assurance Reserves -Ksd	1 781 202	1 487 915	1 781 202	1 487 915
Nedbank-Nedbank 7 Day Call Account-7881061545	25 240 988	-	25 240 988	-
Absa Bank-Absa Target Save	168 962	168 432	168 962	168 432
Fnb-Fnb Term Deposit-74238825142	-	18 390 272	-	18 390 272
Standard Bank-Standard Bank 32 Day Call-548664943	-	20 103 024	-	20 103 024
<b>Total</b>	<b>180 205 667</b>	<b>159 831 965</b>	<b>180 145 667</b>	<b>159 831 965</b>



# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>3. TRADE RECEIVABLES</b>		
<b>Gross balances</b>		
Rates	102 792 389	112 406 998
Electricity	17 228 593	28 493 028
Refuse	62 494 510	60 671 516
Housing rental	53 911 268	51 710 142
Sundry services	3 138 765	(2 479 160)
Discounting of trade receivables	(71 168)	(1 955 174)
Transfer credit balances to trade and other payables	16 984 099	13 584 267
	<b>256 478 456</b>	<b>262 431 617</b>
<b>Less: Provision for debt impairment</b>		
Rates	(88 024 276)	(81 001 795)
Electricity	(2 834 797)	(20 532 408)
Refuse	(47 955 332)	(43 720 603)
Housing rental	(49 620 883)	(37 262 932)
Sundry services	-	3 266 647
	<b>(188 435 288)</b>	<b>(179 251 091)</b>
<b>Net balance</b>		
Rates	14 768 113	31 405 203
Electricity	14 393 796	7 960 620
Refuse	14 539 178	16 950 913
Housing rental	4 290 385	14 447 210
Sundry services	3 138 765	787 487
Transfer credit balances to trade and other payables	16 984 099	13 584 267
Discounting of trade and other receivables	(71 168)	(1 955 174)
	<b>68 043 168</b>	<b>83 180 526</b>
<b>Rates</b>		
Current (0 -30 days)	(4 136 758)	(1 561 774)
31 - 60 days	2 747 133	4 747 693
61 - 90 days	2 403 093	3 565 659
91 - 120 days	13 754 645	24 653 625
	<b>14 768 113</b>	<b>31 405 203</b>
<b>Electricity</b>		
Current (0 -30 days)	4 424 712	7 960 620
31 - 60 days	6 201 019	-
61 - 90 da	1 499 913	-
91 - 120 days	2 268 152	-
	<b>14 393 796</b>	<b>7 960 620</b>
<b>Refuse</b>		
Current (0 -30 days)	1 532 376	2 130 702
31 - 60 days	1 586 719	1 797 281
61 - 90 days	1 548 434	1 732 871
91 - 120 days	9 871 649	11 290 059
	<b>14 539 178</b>	<b>16 950 913</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>3. TRADE RECEIVABLES (continued)</b>		
<b>Housing rental</b>		
Current (0 -30 days)	(354 454)	(526 517)
31 - 60 days	1 010 058	1 152 420
61 - 90 days	978 213	1 016 095
91 - 120 days	2 656 568	12 805 212
	<b>4 290 385</b>	<b>14 447 210</b>
<b>Sundry services</b>		
Current (0 -30 days)	(471 099)	(190 605)
31 - 60 days	-	1 093
> 365 days	3 609 864	976 999
	<b>3 138 765</b>	<b>787 487</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	153 526	17 157 920
31 - 60 days	7 529 974	13 039 414
61 - 90 days	5 047 561	5 784 471
91 - 120 days	185 490 206	176 820 260
	198 221 267	212 802 065
Less: Provision for debt impairment	(169 996 330)	(157 981 607)
	<b>28 224 937</b>	<b>54 820 458</b>
<b>Industrial / commercial</b>		
Current (0 -30 days)	(809 382)	5 916 003
31 - 60 days	2 393 475	3 055 505
61 - 90 days	1 162 112	1 330 152
91 - 120 days	21 124 698	22 649 257
	23 870 903	32 950 917
Less: Provision for debt impairment	(18 438 957)	(18 345 158)
	<b>5 431 946</b>	<b>14 605 759</b>
<b>National and provincial government</b>		
Current (0 -30 days)	(2 481 384)	(1 553 866)
31 - 60 days	1 621 480	1 781 508
61 - 90 days	219 979	1 067 213
91 - 120 days	3 814 362	3 503 150
	3 174 437	4 798 005
Less: Provision for debt impairment	-	(2 924 327)
	<b>3 174 437</b>	<b>1 873 678</b>
<b>Total</b>		
Current (0 -30 days)	652 442	23 425 732
31 - 60 days	11 544 929	17 876 247
61 - 90 days	6 429 652	18 181 836
91 - 120 days	237 851 432	202 947 802
	256 478 455	262 431 617
Less: Provision for debt impairment	(188 435 287)	(179 251 091)
	<b>68 043 168</b>	<b>83 180 526</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>3. TRADE RECEIVABLES (continued)</b>		
<b>Provision for debt impairment</b>		
91 - 120+ days	(188 435 288)	(179 251 091)
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(179 251 091)	(128 147 153)
Contributions to provision	(22 131 930)	(51 103 938)
Debt impairment written off against provision	12 947 733	-
	<b>(188 435 288)</b>	<b>(179 251 091)</b>
<b>Consumer debtors past due but not impaired</b>		
Consumer debtors which are less than 3 months past due are not considered to be impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	11 544 928	5 594 378
2 months past due	6 429 652	17 781 631
3 months past due	5 723 442	8 157 470
<b>Consumer debtors impaired</b>		
As of 30 June 2012, consumer debtors of R 188 435 288 (2011: R 179 251 091) were impaired and provided for.		
The ageing of these loans is as follows:		
Over 3 months	188 435 288	179 251 091
<b>4. OTHER RECEIVABLES</b>		
Prepayment	156 391	77 389
Unspent conditional and receipts (debit balances)	12 502 594	-
	<b>12 658 985</b>	<b>77 389</b>
<b>5. INVENTORIES</b>		
Consumable stores	1 646 157	110 316
Spare parts	1 234 253	247 941
	<b>2 880 410</b>	<b>358 257</b>
<b>6. VAT RECEIVABLE</b>		
VAT	5 565 060	18 696 523

The municipality is registered for VAT on the payments basis.

SARS reassessed the submitted VAT 201 returns for the periods 2011/07, 2011/08, 2011/09, 2012/01, 2012/03 and 2012/04.

SARS disqualified refunds to the value of R6,024,606

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 7. INVESTMENT PROPERTY

	2012			2011		
	Fair value	Accumulated depreciation	Carrying value	Fair value	Accumulated depreciation	Carrying value
Investment property	103 189 053	-	103 189 053	88 189 700	-	88 189 700

#### Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Investment property	88 189 700	14 999 353	103 189 053

#### Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	89 168 869	(979 169)	88 189 700

#### Details of property

##### Municipal land and business properties with commercial improvements

The municipality has long term lease agreements of land where improvements are effected by investors for commercial purposes.

- Improvements are effected by investors commercial purposes	103 189 053	88 189 700
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These properties were valued for the first time in 2009 at their fair market value and subsequently valued at the end of 2011 at their Fair market value.

#### Details of valuation

The effective date of the revaluations was 30 Jun 2012. Revaluations were performed by an independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Kanyisa Property Management Services. Kanyisa Property Management Services are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	3 906 824	3 642 747
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### 8. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	76 434 000	-	76 434 000	71 325 500	-	71 325 500
Buildings	314 131 683	-	314 131 683	271 014 583	-	271 014 583
Infrastructure	1 340 629 003	(769 023 123)	571 605 880	1 299 994 060	(606 665 178)	693 328 882
Community assets	348 828 709	(4 713 022)	344 115 687	341 555 609	(2 356 511)	339 199 098
Other property, plant and equipment	23 484 135	(15 491 653)	7 992 482	19 410 413	(13 939 617)	5 470 796
Work in progress	171 030 281	-	171 030 281	88 654 006	-	88 654 006
<b>Total</b>	<b>2 274 537 811</b>	<b>(789 227 798)</b>	<b>1 485 310 013</b>	<b>2 091 954 171</b>	<b>(622 961 306)</b>	<b>1 468 992 865</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Opening balance	Additions	Disposals	Transfers	Fair value adjustment	Depreciation	Impairment loss	Total
Land	71 325 500	-	(505 000)	-	5 613 500	-	-	76 434 000
Buildings	271 014 583	-	-	-	43 117 100	-	-	314 131 683
Infrastructure	693 328 882	40 634 944	-	-	-	(65 755 035)	(96 602 911)	571 605 880
Community assets	339 199 098	-	-	-	7 273 100	(2 356 511)	-	344 115 687
Other property, plant and equipment	5 470 796	4 073 722	-	-	-	(1 552 036)	-	7 992 482
Work in progress	88 654 006	123 011 219	-	(40 634 944)	-	-	-	171 030 281
	<b>1 468 992 865</b>	<b>167 719 885</b>	<b>(505 000)</b>	<b>(40 634 944)</b>	<b>56 003 700</b>	<b>(69 663 582)</b>	<b>(96 602 911)</b>	<b>1 485 310 013</b>

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

	Opening balance	Additions	Disposals	Transfers	Fair value adjustment	Depreciation	Total
Land	74 415 734	-	(72 000)	-	(3 018 234)	-	71 325 500
Buildings	245 328 031	-	-	-	25 686 552	-	271 014 583
Infrastructure	728 991 855	22 203 994	-	-	-	(57 866 967)	693 328 882
Community assets	330 525 854	-	-	-	11 029 755	(2 356 511)	339 199 098
Other property, plant and equipment	3 466 211	3 021 964	-	-	-	(1 017 379)	5 470 796
Work in progress	40 444 719	70 413 281	-	(22 203 994)	-	-	88 654 006
	<b>1 423 172 404</b>	<b>95 639 239</b>	<b>(72 000)</b>	<b>(22 203 994)</b>	<b>33 698 073</b>	<b>(61 240 857)</b>	<b>1 468 992 865</b>

The effective date of the revaluations was 30 Jun 2012. Revaluations were performed by an independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Kanyisa Property Management Services. Kanyisa Property Management Services are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

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

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 9. INTANGIBLE ASSETS

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, internally generated	1 374 056	(1 131 323)	242 733	1 374 056	(1 021 582)	352 474

#### Reconciliation of intangible assets - 2012

	Opening balance	Depreciation	Total
Computer software	352 474	(109 741)	242 733

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Depreciation	Total
Computer software	453 580	23 565	(124 671)	352 474

### 10. NON-CURRENT RECEIVABLES

#### Housing selling scheme loans

Officials : Housing loans 156 324 156 541

No Housing loans are granted to officials of the municipality anymore. The outstanding amount is recovered from employee salaries.

**156 324 156 541**

### 11. BORROWINGS

#### Held at amortised cost

Local Registered Stock Loans - PIC Loan	38 872 241	43 299 142
Annuity Loans	26 128 544	13 939 014
	<b>65 000 785</b>	<b>57 238 156</b>

Refer to Appendix A for more detail on borrowings.

KSD cedes to PIC in securitatem debiti rights in the municipal building of the KSD situated at Erf 9441, 47 to 49 Sutherland street, Mthatha, measuring 8 309 square meters.

The PIC loan is redeemable in December 2018 and the borrowing rate is 8%.

The DBSA loan 61001245 is redeemable in March 2018 and the borrowing rate is 8%.

The DBSA loan 61003135 is redeemable in December 2020 and the borrowing rate is based on the JIBAR rate.

The DBSA loan 61001048 is redeemable in December 2026 and the borrowing rate is 6.75%.

#### Non-current liabilities

At amortised cost 58 072 751 51 844 667

#### Current liabilities

At amortised cost 6 928 034 5 393 489

**65 000 785 57 238 156**

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>12. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	285 298	118 054
- in second to fifth year inclusive	-	276 501
<b>Total value of minimum lease payments</b>	<b>285 298</b>	<b>394 555</b>
<b>Present value of minimum lease payments due</b>		
- within one year	257 334	90 337
- in second to fifth year inclusive	-	257 334
	<b>257 334</b>	<b>347 671</b>
Non-current liabilities	-	257 334
Current liabilities	257 334	90 337
	<b>257 334</b>	<b>347 671</b>

The average lease term is 5 years and the average effective borrowing rate is prime less 1,5%. Obligations under finance leases are secured by the lessor's title to the leased asset.

### 13. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	32 002 028	37 743 004
Accruals	17 469 994	33 733 464
Accrued leave pay	16 371 977	17 052 814
Insurance claims	1 051 689	1 922 106
Department of Water Affairs (transfer of functions)	314 601	314 601
Other deposits	519 701	555 809
Other payables	15 817	15 817
Other trade payables	6 781 374	7 421 942
Payments received in advanced	3 286 690	1 075 999
Prepaid electricity received in advance	2 044 815	1 614 524
UIF Councillors	78 195	-
Unclaimed Group Life assurance	2 014 240	1 925 534
Unknown deposits	1 375 525	788 077
Debtors with credit balances from trade receivables	16 984 099	13 584 267
Discounting of trade creditors	(84 785)	(1 354 337)
	<b>100 225 960</b>	<b>116 393 621</b>

### 14. CONSUMER DEPOSITS

Electricity	1 599 746	1 294 136
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No interest accrues on consumer deposits as King Sabata Dalindyebo Municipality is not a deposits-taking organisation in terms of the Banking Act.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Provincial: MTAB Grant	2 509 715	2 509 715
National: Financial Management Grant	(554 168)	295 227
National: Municipal Infrastructure Grant	48 129	(2 190)
National: Department of Energy - Electrification Project	16 130 799	17 160 284
Provincial: Department Of Transport Taxi Rank	7 236 277	8 308 789
Provincial: Disaster Management Grant	2 857 061	3 611 599
Provincial: Intervention grant	1 008 672	1 008 672
Provincial: Mthatha Stadium	(1 292 231)	17 300 977
Provincial: Municipal Support Grant (MSP)	143 584	143 584
Provincial: Municipal Systems Improvement Grant	(47 970)	-
Provincial: Fire Station Refurbishment	2 333 450	3 313 824
Provincial: Organogram	736 539	736 539
Provincial: Full Maintenance Lease	-	4 200 000
Provincial: Urban Renewal Grant	(8 453 721)	2 813 677
Equitable Share	21 527	21 527
Performance management system	80 000	80 000
KSD Elections - Road maintenance	540 650	540 650
Provincial: Nduli Nature reserve	-	104 740
Provincial: I.D.P	14 109	14 109
Provincial: Uphuhliso lwethu	208 503	994 307
Provincial: Khuphukani Cluster Project	1 554 393	1 584 763
Provincial: Rural Planning & Survey	449 250	449 250
Provincial: Light the Pilot	236 947	501 360
National: Municipal Finance Assistance Grant	161 989	711 168
National: Grant Admin Development	430 000	430 000
National: Department of Housing	2 395 146	2 539 270
Community multi purpose center - Ngan	(2 154 504)	-
ISUP Phola park	8 980 296	-
ISUP Joe Slovo	19 581 628	-
ISUP Ngangelizwe	13 802 661	-
ISUP Maydene	5 607	-
Transfer of grant with debit balances (see note 4)	12 502 594	-
	<b>81 466 932</b>	<b>69 371 841</b>

See note 22 for reconciliation of grants from National/Provincial Government.

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



# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 16. PROVISIONS

#### Reconciliation of provisions - 2012

	Opening Balance	Utilised during the year	Increase / (decrease) in provision	Total
Environmental rehabilitation	21 756 668	(404 263)	4 918 795	26 271 200

#### Reconciliation of provisions - 2011

	Opening Balance	Increase / (decrease) in provision	Total
Environmental rehabilitation	23 313 578	(1 556 910)	21 756 668

The obligation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. This process is expected to take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- Interest rate of 7 % used as this is the rate at which the institution incurs borrowing costs.

### 17. ACCUMULATED SURPLUS

Accumulated Surplus	1 531 192 197	1 540 825 496
Self Insurance Reserve	1 781 201	1 487 916
	<b>1 532 973 398</b>	<b>1 542 313 412</b>

### 18. REVENUE

Property rates	128 536 523	122 589 258
Service charges	213 180 169	205 925 635
Rental of facilities & equipment	12 505 062	12 289 873
Fines	1 606 678	1 936 231
Licences and permits	11 011 359	10 140 296
Government grants & subsidies	320 952 259	210 464 135
Interest received	36 691 177	27 704 989
Other income	10 274 607	8 279 528
Dividends received	12 282	-
	<b>734 770 116</b>	<b>599 329 945</b>

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

Service charges	213 180 169	205 925 635
Rental of facilities & equipment	12 505 062	12 289 873
Licences and permits	11 011 359	10 140 296
Other income	10 274 607	8 279 528
	<b>246 971 197</b>	<b>236 635 332</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	128 536 523	122 589 258
Fines	1 606 678	1 936 231
Government grants & subsidies	320 952 259	210 464 135
Interest received	36 691 177	27 704 989
Dividends received	12 282	-
	<b>487 798 919</b>	<b>362 694 613</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>19. PROPERTY RATES</b>		
<b>Rates received</b>		
Commercial	39 004 570	37 381 524
Light industrial	255 249	207 114
Residential	32 821 285	35 544 084
State	56 455 419	49 456 536
	<b>128 536 523</b>	<b>122 589 258</b>
<b>Valuations</b>		
Residential	3 849 652 307	3 787 177 500
Commercial	2 658 065 500	2 785 656 000
State	1 403 935 500	889 663 500
Municipal	493 389 500	431 944 500
Small holdings and farms	14 230 000	11 002 000
Open spaces	1 895 500	31 187 500
Places of public worship	67 624 500	73 100 500
Public benefit organisations	5 433 000	4 302 000
Vacant land	282 265 002	337 216 000
Schools	414 756 500	553 168 500
	<b>9 191 247 309</b>	<b>8 904 418 000</b>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.</p> <p>A general rate of 0.90 c/R, 1.81 c/R, 2.49 c/R; 0.90 c/R and 1.81 c/R is applied during 2011/2012 to property valuations to determine assessment rates for domestic, commercial, state, agricultural and public service infrastructure respectively. The general rate of 0.85 c/R, 1.69 c/R, 2.33 c/R; 0.85 c/R and 1.69 c/R was applied during 2010/2011.</p> <p>Rates are levied on an annual basis with the final date of payment being 30 November 2011 for state and other commercial ratepayers and residential customers are levied on a monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates.</p>		
<b>20. SERVICE CHARGES</b>		
Sale of electricity	197 979 372	187 942 697
Refuse removal	18 056 182	20 075 479
Finance cost relating to discounting of trade receivables	(2 855 385)	(2 092 541)
	<b>213 180 169</b>	<b>205 925 635</b>
<b>21. RENTAL OF FACILITIES AND EQUIPMENT</b>		
<b>Premises</b>		
Facilities	563 968	416 343
Houses	7 176 685	7 388 384
Lease on land	863 998	793 059
Office space	3 042 827	2 849 689
	<b>11 647 478</b>	<b>11 447 475</b>
<b>Facilities and equipment</b>		
Equipment	857 584	842 398
	<b>12 505 062</b>	<b>12 289 873</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 22. GOVERNMENT GRANTS AND SUBSIDIES

#### Operational

Equitable share	151 093 000	127 857 657
Subsidy - SETA	639 721	-
Subsidy - Expanded Public Works (EPWP)	485 000	-
Grant Income - Public Transport Facilities	1 072 512	-
Grant Income - ISUP	1 577 600	-
Grant Income - Integrated Rural Dev. Plan	2 000 000	-
Subsidy -Service level agreement	13 392 448	-
Grant income- Organogram development	4 200 000	-
Grant Income - Housing and other	48 848 865	-
Grant Income - KSD Elections - Road maintenance	-	1 459 350
Grant Income - Mqanduli Milling Project Grant	-	889 726
Grant Income - Nduli Nature Reserve	104 740	246 489
Grant Income - Rural Planning & Survey	-	387 500
Grant Income - Uphuhliso lwethu	785 804	5 693
Grant Income - Finance Management Assistance	549 179	788 832
Grant Income - Khuphukani cluster project	30 371	155 237
Grant Income - Light the pilot media	264 414	122 866
Grant Income - NER	18 429 485	7 442 119
IDP Grant Fund	-	812 934
National: Financial Management Grant	2 299 395	565 228
Primary Health Subsidy - Department of Health	-	5 853 000
Provincial: Disaster Management Grant	756 788	43 137
Provincial: Fire Station Refurbishment	980 374	37 995
Provincial: Municipal Systems Improvement Grant	837 970	1 220 041

**248 347 666 147 887 804**

#### Capital

National: NDPG (capital)	11 267 398	18 626 880
National: Municipal Infrastructure Grant (capital)	46 228 681	30 742 485
Provincial: Mthatha Stadium (capital)	15 108 514	13 206 966

**72 604 593 62 576 331**

**320 952 259 210 464 135**

#### Equitable Share

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

#### National- Mqanduli Milling Project Grant

Balance unspent at beginning of year	-	843 895
Conditions met - transferred to revenue	-	(889 726)
Interest received	-	45 831

**- -**

Conditions still to be met - remain liabilities (see note 15)

#### Provincial: MTAB Grant

Balance unspent at beginning of year	2 509 715	2 509 715
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Conditions still to be met - remain liabilities (see note 15)

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>National: Financial Management Grant</b>		
Balance unspent at beginning of year	295 227	860 454
Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(2 299 395)	(565 227)
Refundable back to National Treasury	-	(1 200 000)
	<b>(554 168)</b>	<b>295 227</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National: Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	(2 190)	10 323 325
Current-year receipts	46 279 000	20 417 000
Conditions met - transferred to revenue	(46 228 681)	(30 742 515)
	<b>48 129</b>	<b>(2 190)</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National: National of Energy - Electrification Project</b>		
Balance unspent at beginning of year	17 160 284	-
Current-year receipts	17 400 000	23 584 368
Conditions met - transferred to revenue	(18 429 485)	(6 424 084)
	<b>16 130 799</b>	<b>17 160 284</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Department Of Transport Taxi Rank</b>		
Balance unspent at beginning of year	8 308 789	8 308 789
Conditions met - transferred to revenue	(1 072 512)	-
	<b>7 236 277</b>	<b>8 308 789</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Disaster Management Grant</b>		
Balance unspent at beginning of year	3 611 599	3 654 736
Current-year receipts	2 250	-
Conditions met - transferred to revenue	(756 788)	(43 137)
	<b>2 857 061</b>	<b>3 611 599</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Intervention grant</b>		
Balance unspent at beginning of year	1 008 672	1 009 360
Conditions met - transferred to revenue	-	(688)
	<b>1 008 672</b>	<b>1 008 672</b>
Conditions still to be met - remain liabilities (see note 15)		

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial: Mthatha Stadium</b>		
Balance unspent at beginning of year	17 300 977	24 142 588
Current-year receipts	3 117 120	-
Conditions met - transferred to revenue	(22 208 514)	(13 206 966)
Interest received	498 186	6 365 355
	<b>(1 292 231)</b>	<b>17 300 977</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Municipal Support Grant (MSP)</b>		
Balance unspent at beginning of year	143 584	143 584
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	518 011
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(837 970)	(1 268 011)
	<b>(47 970)</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Fire Station Refurbishment</b>		
Balance unspent at beginning of year	3 313 824	3 347 663
Conditions met - transferred to revenue	(980 374)	(33 839)
	<b>2 333 450</b>	<b>3 313 824</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Staff Establishment</b>		
Balance unspent at beginning of year	736 539	736 539
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Urban Renewal Grant</b>		
Balance unspent at beginning of year	2 813 677	15 292 617
Current-year receipts	-	18 048 000
Conditions met - transferred to revenue	(11 267 398)	(18 626 940)
Refundable back to National Treasury	-	(11 900 000)
	<b>(8 453 721)</b>	<b>2 813 677</b>
Conditions still to be met - remain liabilities (see note 15)		

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial: Full Maintenance Lease</b>		
Balance unspent at beginning of year	4 200 000	4 200 000
Conditions met - transferred to revenue	(4 200 000)	-
	<b>-</b>	<b>4 200 000</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Performance Management Systems</b>		
Balance unspent at beginning of year	80 000	80 000
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: KSD Elections - Road Maintenance</b>		
Balance unspent at beginning of year	540 650	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(1 459 350)
	<b>540 650</b>	<b>540 650</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Nduli Nature Reserve</b>		
Balance unspent at beginning of year	104 740	104 740
Conditions met - transferred to revenue	(104 740)	-
	<b>-</b>	<b>104 740</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Integrated Development Plan</b>		
Balance unspent at beginning of year	14 109	14 109
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Uphuhliso lwethu</b>		
Balance unspent at beginning of year	994 307	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(785 804)	(5 693)
	<b>208 503</b>	<b>994 307</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Khuphukani Cluster Project</b>		
Balance unspent at beginning of year	1 584 763	-
Current-year receipts	-	1 740 000
Conditions met - transferred to revenue	(30 370)	(155 237)
	<b>1 554 393</b>	<b>1 584 763</b>
Conditions still to be met - remain liabilities (see note 15)		

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial: Rural Planning and Survey</b>		
Balance unspent at beginning of year	449 250	-
Current-year receipts	-	1 266 750
Conditions met - transferred to revenue	-	(817 500)
	<b>449 250</b>	<b>449 250</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: Light the Pilot</b>		
Balance unspent at beginning of year	501 360	-
Current-year receipts	-	624 226
Conditions met - transferred to revenue	(264 413)	(122 866)
	<b>236 947</b>	<b>501 360</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National : Municipal Finance Assistance Grant</b>		
Balance unspent at beginning of year	711 168	-
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	(549 179)	(788 832)
	<b>161 989</b>	<b>711 168</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National: Administration Development</b>		
Balance unspent at beginning of year	430 000	-
Current-year receipts	-	430 000
	<b>430 000</b>	<b>430 000</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National: Department of Housing and Local Government Grant</b>		
Balance unspent at beginning of year	2 539 270	2 539 270
Conditions met - transferred to revenue	(144 124)	-
	<b>2 395 146</b>	<b>2 539 270</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>National: IGG</b>		
Balance unspent at beginning of year	21 527	3 225 234
Conditions met - transferred to revenue	-	(3 203 707)
	<b>21 527</b>	<b>21 527</b>
Conditions still to be met - remain liabilities (see note 15)		

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Provincial: ISUP Phola Park</b>		
Current-year receipts	18 303 166	-
Conditions met - transferred to revenue	(9 401 024)	-
Interest received	78 154	-
	<b>8 980 296</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: ISUP Joe Slovo, Chris Hani</b>		
Current-year receipts	43 796 842	-
Conditions met - transferred to revenue	(24 534 582)	-
Interest received	319 368	-
	<b>19 581 628</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: ISUP Ngangelizwe</b>		
Current-year receipts	24 186 308	-
Conditions met - transferred to revenue	(10 562 108)	-
Interest received	178 461	-
	<b>13 802 661</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Provincial: ISUP Maydene</b>		
Current-year receipts	5 400	-
Interest received	207	-
	<b>5 607</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>DOHS: Community multi purpose centre</b>		
Current-year receipts	4 351 152	-
Conditions met - transferred to revenue	(6 537 914)	-
Interest received	32 258	-
	<b>(2 154 504)</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		
<b>Rural transport plan</b>		
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15)		



# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>22. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>National Energy Regulator</b>		
Balance unspent at beginning of year	-	16 602 036
Conditions met - transferred to revenue	-	(16 602 943)
Interest received	-	907
	-	-
<b>23. INVESTMENT REVENUE</b>		
<b>Dividend revenue</b>		
Listed financial assets - Local	12 282	-
<b>Interest revenue</b>		
Bank	9 482 562	5 605 747
Interest charged on trade and other receivables	22 469 224	21 961 875
Finance cost relating to discounting of trade receivables	4 739 391	137 367
	<b>36 691 177</b>	<b>27 704 989</b>
	<b>36 703 459</b>	<b>27 704 989</b>
<b>24. OTHER INCOME</b>		
Building plan approvals	1 025 069	1 135 233
Call out revenue	22 059	13 732
Disconnection: Illegal connections	315 574	243 782
Donation received	20 000	-
Fire Brigade Fees	2 669 957	2 491 426
Insurance claims	374 789	744 484
Meter testing	986 169	749 302
New connections for electricity	1 807 527	332 322
Other recoveries	(234 792)	(72 000)
Pound fees	17 606	24 211
Sundry Fees	917 036	472 692
Sundry revenue	52 742	178 556
Tender fees	316 629	171 000
Vehicle examination - Roadworthy Fees	1 984 242	1 794 788
	<b>10 274 607</b>	<b>8 279 528</b>
<b>25. EMPLOYEE RELATED COSTS</b>		
Basic	127 801 832	113 103 768
Bonus	9 404 326	8 847 238
Medical aid - company contributions	35 157 180	32 537 393
UIF	1 181 727	1 192 950
WCA	1 272 395	3 671 274
SDL	2 707 472	2 079 033
Other benefits	4 924 876	4 733 817
Travel, motor car, accommodation, subsistence and other allowances	28 652 767	23 815 842
Overtime payments	11 280 129	6 594 289
Long-service awards	4 059 763	3 317 205
	<b>226 442 467</b>	<b>199 892 809</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

	2012	2011
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### 25. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of municipal manager: Mr ZZ Mnqanqeni

Annual Remuneration	385 027	1 098 936
Contributions to UIF, Medical and Pension Funds	8 816	3 293
Travel, motor car, accommodation, subsistence and other allowances	52 702	189 600
	<b>446 545</b>	<b>1 291 829</b>

The former Municipal manager Mr MP Tom resigned on the 30 June 2011. Mr ZZ Mnqanqeni was appointed 1 March 2012.

#### Remuneration of chief finance officer: Mrs N Ntshanga

Annual Remuneration	50 583	756 664
Contributions to UIF, Medical and Pension Funds	4 349	3 223
Travel, motor car, accommodation, subsistence and other allowances	20 720	37 288
	<b>75 652</b>	<b>797 175</b>

Mrs N Ntshanga was appointed 1 June 2012. Post vacant from 1 July 2011 to 31 May 2012.

#### Remuneration of director public safety: Mr TJ Tyala

Annual Remuneration	593 659	576 315
Contributions to UIF, Medical and Pension Funds	11 258	2 696
Travel, motor car, accommodation, subsistence and other allowances	406 797	157 234
	<b>1 011 714</b>	<b>736 245</b>

Mr TJ Tyala was acting as Municipal Manager from 1 July 2011 to 29 February 2012.

#### Remuneration of director local economic development: Mr RB Mnqokoyi

Annual Remuneration	729 438	693 750
Contributions to UIF, Medical and Pension Funds	8 878	2 679
Travel, motor car, accommodation, subsistence and other allowances	9 600	9 600
	<b>747 916</b>	<b>706 029</b>

No change in management.

#### Remuneration of director urban renewal: Mr LM Mbana

Annual Remuneration	766 735	723 894
Contributions to UIF, Medical and Pension Funds	10 074	2 909
Travel, motor car, accommodation, subsistence and other allowances	89 456	70 036
	<b>866 265</b>	<b>796 839</b>

No change in management.

#### Remuneration of director corporate services: Ms L Simanga

Annual Remuneration	188 888	182 450
Contributions to UIF, Medical and Pension Funds	2 322	499
Travel, motor car, accommodation, subsistence and other allowances	7 073	147 457
	<b>198 283</b>	<b>330 406</b>

Ms L Simanga was appointed 11 April 2012. Post vacant from 1 July 2011 to 10 April 2012.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

	2012	2011
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### 25. EMPLOYEE RELATED COSTS (continued)

#### Remuneration of director community services: Mr LP Maka

Annual Remuneration	728 438	693 750
Contributions to UIF, Medical and Pension Funds	9 621	2 679
Travel, motor car, accommodation, subsistence and other allowances	90 826	21 783
	<b>828 885</b>	<b>718 212</b>

No change in management.

#### Remuneration of director human settlements: Miss N Soldati

Annual Remuneration	177 750	-
Contributions to UIF, Medical and Pension Funds	2 243	-
Travel, motor car, accommodation, subsistence and other allowances	11 378	-
	<b>191 371</b>	<b>-</b>

Miss N Soldati was appointed 10 April 2012. New position.

### 26. REMUNERATION OF COUNCILLORS

Chief Whip	430 166	-
Councillors	11 906 674	13 390 488
Executive Committee Members	3 966 530	2 047 453
Executive Major	673 630	611 467
Speaker	544 100	510 085
	<b>17 521 100</b>	<b>16 559 493</b>

#### In-kind benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has two full-time bodyguards.

The position of Chief Whip was made permanent during the current financial year.

### 27. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Property, plant and equipment	69 663 582	61 240 857
Intangible assets	109 741	124 671
	<b>69 773 323</b>	<b>61 365 528</b>

See note 8 and note 9 for split.

### 28. FINANCE COSTS

Trade and other payables	1 014 980	767 432
Current borrowings	5 092 828	4 774 723
Discounting of trade and other payables	2 999 207	3 578 449
	<b>9 107 015</b>	<b>9 120 604</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>29. BULK PURCHASES</b>		
Electricity	145 821 943	112 821 948
Finance cost relating to discounting of trade payable	(846 279)	(2 352 391)
	<b>144 975 664</b>	<b>110 469 557</b>
<b>30. CONTRACTED SERVICES</b>		
Specialist Services	17 334 747	5 645 866
Finance cost relating to discounting of trade payables	(98 967)	(118 239)
	<b>17 235 780</b>	<b>5 527 627</b>
<b>31. GRANTS AND SUBSIDIES PAID</b>		
Community Participation	863 011	2 592 701
Council Ward Committee Meeting Incentive	2 093 671	1 476 629
Free Basic Electricity	3 359 592	2 084 437
Grant Expenditure - DEDEA - Khuphukani cluster p	26 676	144 183
Grant Expenditure - DEDEA -Light the pilot media	233 098	95 916
Grant Expenditure - DEDEA Cleaning project	-	135 225
Grant Expenditure - Disaster Management Grant	762 188	42 912
Grant Expenditure - Financial Managent Grant	2 299 615	565 228
Grant Expenditure - IDP Grant Fund	(1 482)	790 374
Grant Expenditure - KSD Elections	-	1 459 350
Grant Expenditure - KSD Mandla Mn	-	1 146 379
Grant Expenditure - MSIG	1 243 784	-
Grant Expenditure - Mqanduli Milling Project	-	859 346
Grant Expenditure - Municipal Community	(27 006)	30 645
Grant Expenditure - Municipal Community Partnership	34 183	(34 183)
Grant Expenditure - Municipal Finance Assistance	538 920	788 832
Grant Expenditure - Nduli Nature Reserve	104 740	79 319
Grant Expenditure - Nduli Nature Reserve	13 449	(13 449)
Grant Expenditure - Other	839 811	(35 196)
Grant Expenditure - Rural Planning & Survey	-	387 500
Grant Expenditure - SETA	714 058	-
Grant Expenditure - Staff Establishment	3 831	-
Grant Expenditure - URP	-	885 381
Grant Expenditure - Uphuhliso lwethu	695 716	167 603
Grant expenditure - Integrated Rural Dev. Plan	1 754 386	-
Indigent Subsidy	7 377 905	2 301 386
KSD Contribution - Traditional Leaders	(1 101 643)	1 726 011
KSD Contribution - Ward Based Budgeting	3 064 469	3 085 352
Public Expense - Elderly, Children, Disabled, Gender Equality, Youth, Sport	1 190 385	582 634
Study Bursaries	114 863	(1 840)
	<b>26 198 220</b>	<b>21 342 675</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>32. GENERAL EXPENSES</b>		
Advertising	252 149	75 206
Auditors remuneration	4 215 942	4 866 253
Bank charges	1 166 420	973 154
Cleaning	2 071 839	972 410
Community development and training	1 105 636	841 584
Conferences and seminars	2 323 283	954 245
Consulting and professional fees	14 319 516	16 620 419
Consumables	2 488 516	947 724
Customer care centre	381 083	-
Discount allowed	945 806	680 304
Entertainment	1 103 705	623 937
Fuel and oil	2 555 002	1 284 562
Gas	44 201	31 156
Housing inventory	-	11 193 000
Insurance	3 174 238	3 208 610
Lease rentals	29 588 805	15 022 626
Leave pay provision	516 295	3 418 479
Levies	516 891	1 068 513
Municipal service charges	14 162 244	1 742 407
Other expenses	10 022 899	6 642 883
Printing and stationery	1 915 586	1 917 855
Promotions and sponsorship	189 888	277 486
Recruitment expenses	1 084 537	669 030
Rehabilitation of landfill site	4 995 696	(1 556 910)
Royalties and license fees	1 764 274	951 161
Staff welfare	215 633	117 639
Stock and material	915 652	941 841
Subscriptions and membership fees	55 099	1 710
Telephone and fax	4 702 471	4 829 892
Training	3 237 421	1 002 489
Travel and subsistence	3 338 932	788 727
Uniforms	890 955	811 279
Valuation costs	27 186	3 413 074
Vehicle registration fees	98 343	129 651
Finance costs relating to discount of trade payables	(661 444)	(1 789 105)
	<b>113 724 699</b>	<b>83 673 291</b>
<b>33. FAIR VALUE ADJUSTMENTS</b>		
Investment property (Fair value model)	14 999 353	(979 169)

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>34. CASH GENERATED FROM OPERATIONS</b>		
Deficit	(27 886 126)	(19 954 148)
<b>Adjustments for:</b>		
Depreciation and amortisation	69 773 323	61 365 528
Fair value adjustments	(14 999 353)	979 169
Impairment deficit	109 271 064	28 113 432
Debt impairment	22 131 930	52 351 084
Movements in provisions	4 514 532	(1 556 910)
<b>Changes in working capital:</b>		
Inventories	(2 522 153)	12 316 918
Other receivables from non-exchange transactions	(12 581 596)	2 734 637
Consumer debtors	(6 994 572)	(66 662 895)
Trade and other payables from exchange transactions	(16 167 662)	58 345 101
VAT	13 131 463	(6 090 070)
Unspent conditional grants and receipts	12 095 091	(36 686 111)
Consumer deposits	305 610	346 203
	<b>150 071 551</b>	<b>85 601 938</b>
<b>35. COMMITMENTS</b>		
<b>Capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	87 341 794	86 456 718
<b>Approved but not yet contracted for</b>		
• Infrastructure	60 787 400	21 496 366
<b>Not approved but contracted for</b>		
• Infrastructure	-	86 286 354
<b>36. RETIREMENT BENEFITS</b>		
<b>Defined contribution plan</b>		
The municipality only provides 2 types of Post Retirement benefits to its employees. These being in the case of retired employees for which a contribution is still made to their medical aid funds as well as Life insurance policies. In terms of the principles from IAS 19 these contributions are seen as contributions to a Defined Contribution Plan.		
<b>Contributions for the year</b>		
Current year contributions	571 935	545 657
Benefits paid	(571 935)	(545 657)
	-	-

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2012	2011
<b>37. CONTINGENT LIABILITIES</b>			
The Council envisages the following potential liabilities in the form of various litigation and arbitration cases.			
<b><u>Nature of case</u></b>	<b><u>Name of institution</u></b>	<b><u>Amount</u></b>	<b><u>Amount</u></b>
Claim for professional services rendered, Stadium , infrastructure services and roads adjacent to Stadium site.	UWP Engineers	300 000	300 000
Claim against unfair dismissal	KA Velebhayi	100 000	100 000
Claim for damages	T . Maraule	-	-
Claim for unlawful arrest, detention, contumelia, pain, suffering and emotional shock	P.Sijaji	50 000	50 000
Claim for unlawful arrest, detention, contumelia, pain, suffering and emotional shock	Kwaza S	10 000	10 000
Claim for unlawful arrest, detention, contumelia, pain, suffering and emotional shock	Lukrozo N	10 000	10 000
Claim shortage of Salary on Gr 3 from Sept 2009	F.Hintsa	30 000	30 000
Claim Fees on VAT audit conducted	Ilitha Ielizwe Consult.	100 000	100 000
Claim Fees on VAT audit conducted	Maxprof	100 000	100 000
Claim damages against municipality as a result of disconnection of electricity	M. Mgqweto	100 000	100 000
Attorney put in interdict for restoring of electricity.	N.O Mankanku	140 000	140 000
Claims to conduct and complete the development in terms of the lease agreement on a land	African Bulk Earthworks	400 000 000	400 000 000
A fraud case arising out of a claim by two service providers who both claim to have performed the same work	Intsimi yemfene Trading	200 000	200 000
Ncediswa sues in her personal capacity and as a mother and natural guardian of P. Tshuta, a 11 year old girl	N. Tshuta	1 700 000	1 700 000
Ncediswa sues in her personal capacity and as a mother and natural guardian of P. Tshuta, a 11 year old girl	Z. Mgozane	7 400 000	7 400 000
Claim for damages. Assault arrest & unlawful detention	N. Semane	100 000	100 000
Eviction of Municipal Employees at Mamela Taxi Rank	Sisa Mamfitha	100 000	100 000
Over Time claim	L Siyango	100 000	100 000
Claim for alleged damages for not complying with court order dated 08 February 2006	Ivory Coach lines	200 000	200 000

# King Sabata Dalindyebo Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2012	2011
<b>37. CONTINGENT LIABILITIES (continued)</b>			
Claim for services rendered (Alleged inflated prices)	Disaster instance	600 000	600 000
Electricity disconnection and dispute against the rates	N. Mntanga & N . Futshane two cases	600 000	600 000
Fraud case arising out of a claim by two service providers who both claim to have performed the same work	S&F Electrical	150 000	150 000
Dispute against the unpaid amount for services rendered- Construction of Vehicle Testing Centre	Mpumalang constr.	35 000	35 000
Incorrect allocation of House	N. Henge	23 000	23 000
Unlawful confiscation of Driver's License by Traffic officers	B. Makade	85 000	85 000
Claim for damages, assault by municipal law enforcement officers	Z.E Sapheni	70 000	70 000
Advocate involved in this matter, not a case	Councillor Kunju	150 000	150 000
Claim for damages, as electricity pole that fell on applicants vehicle as a result from accident	Nongauza	50 000	50 000
Claim for damages, electricity pole that fell on applicants vehicle as a result from accident	K N Gqedayi	50 000	50 000
Claim for assault by law enforcement officer to Motorist	M . Sifuba	70 000	70 000
Claim for services rendered - S & F is also claiming for these services	S&F Electrical - Claim for services	-	-
Rental dispute based on valuation roll	Four Seasons	-	-
Concillors had taken the Municipality to court over salary deductions	V Kraai N. Mda M.Maelana B.Pierce N. Godolo Tozama Zifo	-	-
She applied for information pertaining to billing of rates according to tariffs used by Municipality - access of information act	N. Jafta	-	-
Encroachment of her property by neighbour	M. Mcubuse	-	-
Application against the disconnection of electricity for tampering since 2002	B. Dzamela	-	-
Mthonyama's vehicle was damaged in Municipal custody	M. Mthonyama	-	-
Claim for damages and injuries - a tree fell over a person	M. Zwelethu	-	-



# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2012	2011
<b>37. CONTINGENT LIABILITIES (continued)</b>			
Claim for damages, assault by municipal law enforcement officers	P. Senti	-	-
Assault by traffic to Motorist	J Bhawuti & Sityebi	-	-
Eviction from the Municipality's house earmarked for Chief Fire Officer	N.M. Soqisane	-	-
Taxed Bill and Contempt Case	M.C. Manana	-	-
Claim for damages incurred along the N2 National Road due to the loose crash stone that caused the car to capsize	Emmanuel Manu	73 000	-
Claim for negligence	Shirley Funani	1 110 000	-
Unlawful seizure and detention of the applicant's moter vehicle by KSD Traffic Officers	Xolani Mbotya	-	-
Applicant enforcing signing of clearance certificate for purchase of RDP house (regarded as unlawful)	Lindiwe Rasmeni		
Claim for position	S.C. Mampoza		
South African Revenue Services		3 526 693	-
		<hr/>	<hr/>
		<b>417 332 693</b>	<b>412 623 000</b>
		<hr/>	<hr/>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 38. OPERATING LEASE

The municipality had the following leases at the end of the reporting date:

<u>EQUIPMENT MODEL</u>	<u>RENTAL VAT EXCL.</u>	<u>EXPIRING DATE</u>	<u>LEASED PERIOD</u>
XEROX 7120 CIPIS1F	2 266	10/10/2013	3 years
XEROX 9303 Colour cube	8 346	10/10/2013	3 years
XEROX 4112 Copier	10 404	10/10/2013	3 years
XEROX 4112 Copier	10 404	10/10/2013	3 years
XEROX 7120 CIPIS1F	2 612	21/03/2015	3 years
Itec CLX-6210FX Networked	438	12/02/2013	3 years
Itec SCX6122FN MFP	457	12/01/2014	5 years
Itec CLX-6210FX MFP	527	02/12/2013	3 years
Itec B250 MFP Networked	1 433	23/07/2013	5 years
Itec B282 MFP Networked	1 899	16/07/2014	5 years
Itec CLX-6210FX Networked	448	02/12/2013	3 years
Itec C200 MFP Networked	1 546	12/01/2014	5 years
Itec B282 MFP Networked	2 166	16/07/2014	5 years
Itec CLX-6220FX Networked	553	09/09/2015	5 years
Itec B350 MFP Networked	1 733	29/10/2013	5 years
Itec C280 MFP Networked	3 523	29/11/2014	3 years
Itec SCX6122FN Networked	506	12/01/2014	5 years
Itec 211 MFP Networked	1 173	11/05/2014	5 years
Itec C220 MFP Networked	36 035	29/11/2014	3 years
Itec 211 MFP Networked	605	20/11/2012	5 years
Itec 250 MFP Networked	1 457	20/3/2011	3 years
Itec 210 MFP Networked	799	29/04/2013	5 years
Itec 160f MFG	334	26/06/2013	5 years
Itec C200 MFP Networked	1 658	16/07/2014	5 years
Itec C200 MFP Networked	2 586	08/03/2014	5 years
Itec C200 MFP Networked	1 327	02/12/2015	5 years
Itec C200 MFP Networked	1 312	25/05/2015	5 years
Itec C200 MFP Networked	1 231	25/05/2015	5 years
Itec CLX-6220FX MFP	520	25/05/2015	5 years
Itec CLX-6210FX MFP	438	12/01/2014	5 years
Itec 163 MFP Networked	866	25/05/2015	5 years
Itec C200 MFP Networked	1 327	22/02/2015	5 years
Itec CLX-6220FX Networked	434	29/08/2014	3 years
Itec CLX-6220FX Networked	434	29/08/2014	3 years
Itec 211 MFP Networked	969	01/09/2013	5 years
Itec C200 MFP Networked	1 617	27/08/2015	5 years
Itec C200 MFP Networked	1 510	23/07/2015	5 years
Itec C200 MFP Networked	2 117	11/03/2014	3 years
Itec C200 MFP Networked	2 992	10/01/2015	3 years
FAX1120L	193	02/09/2011	5 years
MP1600 SPFRA	1 265	31/01/2013	5 years
MP1600FRA	875	30/04/2013	5 years
MP2000SPFRA	1 518	30/06/2013	5 years
MP1600FRA	886	30/06/2013	5 years
MP 1600	1 166	31/08/2013	5 years
MP2000FRA	1 095	31/08/2014	5 years
MP2000 FRA	1 631	30/06/2013	5 years
MP2851	2 816	31/01/2016	5 years
MP1600 SPFRA	957	31/01/2016	5 years
MP201 SPF CHN	540	31/08/2016	5 years
MP2851	2 030	30/09/2016	5 years
MP2352SP	1 360	31/01/2017	5 years
MP3350 R	1 788	30/06/2013	5 years
MP2352SP	1 390	31/03/2017	5 years
MP1600SP	870	28/02/2017	5 years
Makhuba Consortium	1 761 347		5 years

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand	2012	2011
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### 39. RISK MANAGEMENT

#### Liquidity risk

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- PIC Loan
- Development Bank of South Africa loan
- Meeg/ABSA lease

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Trade and other receivables	68 043 168	81 274 851

These balances represent the maximum exposure to credit risk.

Trade receivables comprise a widespread customer base. The highest risk lies with outstanding accounts for households.

Risk is managed over these account holders by following up on outstanding accounts. This is done by sending letters of warning. Subsequently, long outstanding debtors are handed over for debt collection.

#### Price risk

The municipality is subject to changes in electricity prices.

This specific price risk is managed by increasing the electricity rates in line with the NERSA requirements on an annual basis.

### 40. EVENTS AFTER THE REPORTING DATE

No events have been identified after the reporting date which could have a material impact on the Annual Financial Statements.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>41. UNAUTHORISED EXPENDITURE</b>		
Opening balance	1 477 478	1 477 478
Current year expenditure	16 068 143	-
Less amounts condoned	(1 477 478)	-
	<b>16 068 143</b>	<b>1 477 478</b>

Unauthorised expenditure related to expenditure incurred in excess of the budgeted amount. The amounts condoned was approved during the approval of the annual report. The above excludes non-cash items such as depreciation (R61,850,891) and impairments (R5,476,851).

### 42. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	1 231 142	760 025
Fruitless and wasteful expenditure current year	869 904	471 117
Less amounts condoned	(1 231 142)	-
	<b>869 904</b>	<b>1 231 142</b>

The opening balance and prior year movement of fruitless and wasteful expenditure have been restated to account for interest and penalties incurred on UIF for Councillors not yet paid. The current year expenditure relates to Interest and penalties SARS of R685 955 penalties from workmens compensation of R127 240 and interest on overdue accounts of R56 709. The amounts condoned was approved during the approval of the annual report.

### 43. IRREGULAR EXPENDITURE

Opening balance	59 657 806	51 313 009
Irregular expenditure - current year	16 560 799	8 344 797
Less: Amounts condoned	(59 657 806)	-
	<b>16 560 799</b>	<b>59 657 806</b>

The irregular expenditure relates to procurement of goods and services that were not in terms of the municipality's policies. The amounts condoned was approved during the approval of the annual report.

### 44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Goods and services were procured to the value of R13 025 652 during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

### 45. MATERIAL LOSSES

During the 2012 financial year the municipality incurred distribution losses relating to electricity of 11.49% (2011 : 6.5%).

### 46. IN-KIND DONATIONS AND ASSISTANCE

The Chief Financial Officer resigned in April 2011, The Eastern Cape Provincial Treasury seconded a chartered accountant to be the Interim Chief Financial Officer in late April 2011 to November 2011.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1 696 824	1 175 010
Amount paid - current year	(1 221 160)	(1 175 010)
	<b>475 664</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	344 697	-
Current year fees	6 290 655	4 866 253
Amount paid - current year	(5 506 583)	(4 521 556)
Interest	3 240	-
	<b>1 132 009</b>	<b>344 697</b>
<b>PAYE and UIF</b>		
Current year payroll deductions	31 952 938	25 561 071
Amount paid - current year	(31 952 938)	(25 561 071)
	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deductions and Council Contributions	55 656 770	52 928 608
Amount paid - current year	(55 656 770)	(52 928 608)
	<b>-</b>	<b>-</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2012 2011

### 47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### Councillors' arrear consumer accounts

The following Councillors had accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Gwadiso V O	357	15 334	15 691
Councillor Knock R	2 583	12 543	15 126
Councillor Mlamli S.	175	7 908	8 083
Councillor Mlandu S.N	1 024	19 633	20 657
Councillor Mtirara M.T	283	12 303	12 586
Councillor Mtwana F.N	587	13 629	14 216
Councillor Nduku L.S	272	13 654	13 926
Councillor Nelani G.N	2 889	49 313	52 202
Councillor Ngcobo F.R.S	10 665	24 484	35 149
Councillor Ngqongwa Nonkoliso	-	169	169
	<b>18 835</b>	<b>168 970</b>	<b>187 805</b>

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Dawuwa S.S	1 966	645	2 611
Councillor Dawuwa S.S	1 491	489	1 980
Councillor Dondashe W M	3 522	47 354	50 876
Councillor Gwadiso J.P	1 683	15 510	17 193
Councillor Gwadiso V O	288	12 538	12 826
Councillor Knock R	10 414	6 646	17 060
Councillor Kwetana N.A	(553)	3 372	2 819
Councillor Lumkwana A.L.	2 317	14 118	16 435
Councillor Mantanga P N	59	2 421	2 480
Councillor Mlamli S.	148	6 847	6 995
Councillor Mlandu S.N	13 699	2 863	16 562
Councillor Mtirara M.T	1 785	4 396	6 181
Councillor Mtwana F.N	530	11 385	11 915
Councillor Mvusi O.G.	1 068	420	1 488
Councillor Mzimane N	678	6 941	7 619
Councillor Mzimane N	678	6 941	7 619
Councillor Nduku L.S	231	11 039	11 270
Councillor Nelani G.N	2 902	47 887	50 789
Councillor Ngcobo F.R.S	9 761	50 790	60 551
Councillor Ngqongwa N	281	11 915	12 196
Councillor Ngqongwa Nonkoliso	281	11 915	12 196
Councillor Nolwandle Alice Kwetana	(553)	3 372	2 819
Councillor Pierce Neil A/ Beryl	2 136	9 281	11 417
Councillor Sangovana E M	79	3 818	3 897
Councillor Siyakholwa M.	148	6 847	6 995
Councillor Soldati F N	1 533	21 417	22 950
	<b>56 572</b>	<b>321 167</b>	<b>377 739</b>

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 48. STATEMENT OF BUDGET AND ACTUAL INFORMATION

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>FINANCIAL PERFORMANCE</b>									
Property rates	128 764 727	129 472 796		129 472 796	128 536 523		936 273	99 %	100 %
Service charges	245 292 257	221 986 713		221 986 713	213 180 169		8 806 544	96 %	87 %
Investment revenue	20 765 205	26 265 205		26 265 205	36 703 459		(10 438 254)	140 %	177 %
Transfers recognised - operational	166 696 584	166 979 750		166 979 750	224 431 206		(57 451 456)	134 %	135 %
Other own revenue	35 918 788	40 431 027		40 431 027	50 397 059		(9 966 032)	125 %	140 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>597 437 561</b>	<b>585 135 491</b>		<b>585 135 491</b>	<b>653 248 416</b>		<b>(68 112 925)</b>	<b>112 %</b>	<b>109 %</b>
Employee costs	(223 181 149)	(221 855 293)	-	(221 855 293)	(226 442 467)	-	4 587 174	102 %	101 %
Remuneration of councillors	(16 813 384)	(19 474 392)	-	(19 474 392)	(17 521 100)	-	(1 953 292)	90 %	104 %
Debt impairment	(16 655 079)	(16 655 079)		(16 655 079)	(22 131 930)	-	5 476 851	133 %	133 %
Depreciation and asset impairment	(28 856 100)	(22 928 604)		(22 928 604)	(179 044 387)	-	156 115 783	781 %	620 %
Finance charges	(13 864 834)	(6 036 862)	-	(6 036 862)	(9 107 015)	-	3 070 153	151 %	66 %
Materials and bulk purchases	(137 320 154)	(149 320 154)	-	(149 320 154)	(144 975 664)	-	(4 344 490)	97 %	106 %
Transfers and grants	(33 505 866)	(36 072 489)	-	(36 072 489)	(26 198 220)	-	(9 874 269)	73 %	78 %
Other expenditure	(153 427 371)	(163 768 620)	-	(163 768 620)	(152 234 812)	-	(11 533 808)	93 %	99 %
<b>Total expenditure</b>	<b>(623 623 937)</b>	<b>(636 111 493)</b>	<b>-</b>	<b>(636 111 493)</b>	<b>(777 655 595)</b>	<b>-</b>	<b>141 544 102</b>	<b>122 %</b>	<b>125 %</b>
<b>Surplus/(Deficit)</b>	<b>(26 186 376)</b>	<b>(50 976 002)</b>		<b>(50 976 002)</b>	<b>(124 407 179)</b>		<b>73 431 177</b>	<b>244 %</b>	<b>475 %</b>
Transfers recognised - capital	63 837 626	171 118 301		171 118 301	96 521 053		74 597 248	56 %	151 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>37 651 250</b>	<b>120 142 299</b>		<b>120 142 299</b>	<b>(27 886 126)</b>		<b>148 028 425</b>	<b>(23)%</b>	<b>(74)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>37 651 250</b>	<b>120 142 299</b>		<b>120 142 299</b>	<b>(27 886 126)</b>		<b>148 028 425</b>	<b>(23)%</b>	<b>(74)%</b>

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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Figures in Rand

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Refer to annexure E1 for narrative reasons for variances.



# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2012	2011
<b>49. PRIOR YEAR RESTATEMENTS</b>		
<b>Statement of financial position</b>	<b>Restated 2011</b>	<b>Reported 2011</b>
Consumer debtors	83 180 526	81 274 850
Other receivables from non-exchange transactions	77 389	225 712
Inventories	358 257	75 425 957
VAT receivable	18 696 523	42 306 167
Property, plant and equipment	1 468 992 865	882 445 972
Intangible assets	352 474	403 634
Investment property carried at fair value	88 189 700	41 851 431
Trade and other payables from exchange transactions	(116 393 621)	(98 973 688)
Unspent conditional grants and receipts	(69 371 841)	(68 725 057)
Non-current liability held for sale	-	(10 166 232)
Revaluation reserve	(61 811 506)	(149 024 280)
<b>Accumulated surplus</b>	<b>1 412 270 766</b>	<b>797 044 466</b>
<b>Statement of financial performance</b>		
Interest earned	(27 704 989)	(29 115 849)
Rental of facilities and equipment	(12 289 872)	(12 275 577)
Other income	(8 279 528)	(8 202 827)
Employee related costs	216 452 301	217 597 005
Depreciation and amortisation expense	61 365 529	18 214 076
Impairment loss/ Reversal of impairments	28 113 432	-
Finance costs	9 120 604	8 639 102
Contracted services	5 527 627	5 552 560
Grants and subsidies paid	21 342 675	21 360 135
General expenses	83 673 291	84 017 347
Fair value adjustment	979 169	(16 863 353)
<b>Surplus / (defecit)</b>	<b>378 300 239</b>	<b>288 922 619</b>

### Inventories

Housing Stock adjusted to the lower of cost or current replacement cost. The current replacement cost for the municipality is NIL. Inventory reduced by R75,067,700

### VAT receivable

The amendment due to the VAT Provision accounts being recalculated and corrected and SARS Reassessments and disallowing refunds on submitted VAT returns. VAT Provision and VAT Control Account reduces by R23,609,644

### Investment property

Recognition of investment property at restated value and aligned to updated register. Investment property increased by R46,338,269, this includes the revaluation of investment property in 2011.

### Property, plant and equipment

Componentisation and Recognition of assets at restated value and aligned to updated register. Property, plant and equipment increase by R586,533,410. This includes the adjustment of depreciation and revaluation in 2011.

### Intangible assets

Recognition of intangible assets at restated value and aligned to updated register. Intangible assets decreased by R37,677. This includes the adjustment to amortisation.

### Trade and other payables from exchange transactions

Correction of Accruals, deposits and other payables. Accruals, deposits and other payables had a net increase of R17,419,933. This include specific unspent grant balances being transferred to payables, as they must be refunded to National Treasury.

### Non-current liabilities held for sale

The Department of Water Affairs release the municipality from its obligation. The release from obligation amount to R10,166,233

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 49. PRIOR YEAR RESTATEMENTS (continued)

#### Unspent conditional grants and receipts

Unspent conditional grants corrected to funds available. The Unspent conditional grants was increased by R646,784, see payables.

#### Reserves Revaluation reserve

Revaluation reserve aligned to updated Property, Plant and Equipment register. The revaluation reserve was decreased by R85,724,859. This includes the revaluation movement for 2011 being R68,671,853

### 50. RELATED PARTIES

#### Relationships

Close family member of key management	none
Joint venture of key management	none
Associate of close family member of key management	none
Members of key management	none

There were no related party transactions during the year. See note 25 for a list of section 57 and the general information page for a list of all councillors.

### 51. NEW STANDARDS AND INTERPRETATIONS

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

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

#### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of the increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

#### GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either, as a separate additional financial statement or as additional budget columns in the financial statements, in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 51. NEW STANDARDS AND INTERPRETATIONS (continued)

- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements, adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items and assets which are retained indefinitely and cannot be disposed of without consent as required by the law or otherwise.

A heritage asset should be recognised as an asset only if:

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 51. NEW STANDARDS AND INTERPRETATIONS (continued)

revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### **GRAP 21: Impairment of non-cash-generating assets**

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 51. NEW STANDARDS AND INTERPRETATIONS (continued)

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a 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.

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

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

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

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

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

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 51. NEW STANDARDS AND INTERPRETATIONS (continued)

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 51. NEW STANDARDS AND INTERPRETATIONS (continued)

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 52. COMPARATIVE FIGURES AND GRAP 3 DISCLOSURE

#### Notes on restatement for 2010

##### Inventories

Housing Stock adjusted to the lower of cost or current replacement cost. The current replacement cost for the municipality is NIL. Inventory reduced by R75,031,342

##### VAT receivable

The amendment due to the VAT Provision accounts being recalculated and corrected and SARS Reassessments and disallowing refunds on submitted VAT returns. VAT Provision and VAT Control Account reduces by R25,128,331

##### Investment property

Recognition of investment property at restated value and aligned to updated register. Investment property increased by R30,454,085

##### Property, plant and equipment

Componentisation and Recognition of assets at restated value and aligned to updated register. Property, plant and equipment increase by R595,833,517

##### Intangible assets

Recognition of intangible assets at restated value and aligned to updated register. Intangible assets decreased by R55,510

##### Trade and other payables from exchange transactions

Correction of Accruals, deposits and other payables. Accruals, deposits and other payables had a net increase of R1,674,885

##### Non-current liabilities held for sale

The Department of Water Affairs release the municipality from its obligation. The release from obligation amount to R10,166,233

##### Unspent conditional grants and receipts

Unspent conditional grants corrected to funds available. The Unspent conditional grants was increased by 12,383,893

##### Reserves Revaluation reserve

Revaluation reserve aligned to updated Property, Plant and Equipment register. The revaluation reserve was decreased by R147,536,365

Certain comparative figures have been reclassified.

The department of water affairs liability is no longer considered a Non-current Liability held for sale. The self insurance reserve was consolidated with the accumulated surplus.

The effects of the reclassification are as follows - Debit / (Credit) :

##### Statement of financial position

Non-current liabilities held for sale	-	314 601
Trade and other payables from exchange transactions	-	(314 601)

### 53. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Intangible assets
- Land fill sites

##### Intangible assets

During the year, the municipality changed its accounting policy with respect to the treatment of intangible assets. In order to conform with the benchmark treatment in of GRAP102 – Intangible assets. The municipality now views the useful life of computer equipment as 5 years.

##### Land fill sites

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# King Sabata Dalindyebo Municipality

Annual Financial Statements for the year ended 30 June 2012

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 53. CHANGES IN ACCOUNTING POLICY (continued)

During the year, the municipality changed its accounting policy with respect to the treatment of land fill sites. In order to conform with the benchmark treatment in of GRAP17 – Property, plant and equipment. The municipality now views the useful life of land fill sites as 10 years. Land fill sites were restated as at 30 June 2010, thus the subsequent depreciation was increased.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:

#### Statement of financial position

##### Intangible assets

Previously stated	-	390 151
Adjustment	-	(37 677)
	-	<b>352 474</b>

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**King Sabata Dalindyebo Municipality**  
**Appendix A -Unaudited**

**Schedule of external loans as at 30 June 2012**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2011</b>	<b>Received during the year</b>	<b>Capital repaid during the year</b>	<b>Balance at 30 June 2012</b>	<b>Interest paid during the year</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Structured loans</b>						
PIC		43 299 142	-	4 426 901	38 872 241	3 369 934
		<b>43 299 142</b>	<b>-</b>	<b>4 426 901</b>	<b>38 872 241</b>	<b>3 369 934</b>
<b>Lease liability</b>						
ABSA	3025908323	347 671	-	90 337	257 334	27 717
		<b>347 686</b>	<b>-</b>	<b>90 337</b>	<b>257 349</b>	<b>27 717</b>
<b>Annuity loans</b>						
DBSA	61001245 31 Mar 2018	5 105 770	-	451 744	4 654 026	708 656
DBSA	61003135 31 Dec 2020	2 582 766	-	271 869	2 310 897	202 480
DBSA	61001048 31 Dec 2026	6 250 478	14 067 995	1 154 852	19 163 621	784 040
		<b>13 939 014</b>	<b>14 067 995</b>	<b>1 878 465</b>	<b>26 128 544</b>	<b>1 695 176</b>
<b>Total external loans</b>						
Structured loans		43 299 142	-	4 426 901	38 872 241	3 369 934
Lease liability		347 686	-	90 337	257 349	27 717
Annuity loans		13 939 014	14 067 995	1 878 465	26 128 544	1 695 176
		<b>57 585 842</b>	<b>14 067 995</b>	<b>6 395 703</b>	<b>65 258 134</b>	<b>5 092 827</b>

**King Sabata Dalindyebo Municipality**  
**Appendix E(1) - Unaudited**

**Actual versus Budget (Revenue and Expenditure)**  
**for the year ended 30 June 2012**

	Current year 2012 Adjusted budget Rand	Current year 2012 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Property rates	129 472 796	128 536 523	936 273	0.7	Variance less than 10%
Service charges	221 986 713	213 180 170	8 806 543	4.1	Variance less than 10%
Rental of facilities and equipment	13 203 665	12 505 062	698 603	5.6	Variance less than 10%
Fines	1 971 710	1 606 678	365 032	22.7	Income stream over estimated
Licences and permits	12 792 198	11 011 359	1 780 839	16.2	Income stream over estimated
Government grants & subsidies	338 098 051	320 952 257	17 145 794	5.3	Variance less than 10%
Other income	12 463 454	10 274 605	2 188 849	21.3	Income stream over estimated
Interest received	26 265 205	36 691 178	(10 425 973)	(28.4)	Additional investment income obtained
Dividends received	-	12 282	(12 282)	(100.0)	
	<b>756 253 792</b>	<b>734 770 114</b>	<b>21 483 678</b>	<b>2.9</b>	
<b>Expenses</b>					
Personnel	(221 855 293)	(226 442 466)	4 587 173	(2.0)	Variance less than 10%
Remuneration of councillors	(19 474 392)	(17 521 101)	(1 953 291)	11.1	Over budgeting for councillor allowances
Depreciation	(22 928 604)	(69 663 582)	46 734 978	(67.1)	More assets were identified during the verification period and changes in values of assets
Amortisation	-	(109 741)	109 741	(100.0)	
Impairments	-	(109 271 064)	109 271 064	(100.0)	
Finance costs	(6 036 862)	(9 107 015)	3 070 153	(33.7)	SARS penalties and interest as well as late payment of creditors
Debt impairment	(16 655 079)	(22 131 930)	5 476 851	(24.7)	Aging of debtors due to high unemployment resulting in an increase in indigent
Repairs and maintenance - General	(43 375 355)	(21 274 333)	(22 101 022)	103.9	Lack of resources
Bulk purchases	(149 320 154)	(144 975 665)	(4 344 489)	3.0	Variance less than 10%
Contracted Services	(10 444 065)	(17 235 780)	6 791 715	(39.4)	Increase in key points that needed private security guards as well as an increase in collections paid on debt recovery
Grants and subsidies paid	(36 072 489)	(26 198 221)	(9 874 268)	37.7	Under projected revenue stream relating to grants
General Expenses	(109 949 200)	(113 724 698)	3 775 498	(3.3)	Variance less than 10%
	<b>(636 111 493)</b>	<b>(777 655 596)</b>	<b>141 544 103</b>	<b>(18.2)</b>	
<b>Other revenue and costs</b>					
Fair value adjustments	-	14 999 353	(14 999 353)	(100.0)	Due to the fair value of investment property
	-	14 999 353	(14 999 353)	(100.0)	
Net surplus/ (deficit) for the year	<b>120 142 299</b>	<b>(27 886 129)</b>	<b>148 028 428</b>	<b>(530.8)</b>	

**King Sabata Dalindyebo Municipality**

**Appendix F - Unaudited**

**Disclosure of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

**June 2012**

Name of Grant	Organ of State	Brought Forward	Quarterly Receipts R					Quarterly Expenditure R					Interest Received	Carried Forward
			Sept 2011	Dec 2011	March 2012	June 2012	Total Funds Received	Sept 2011	Dec 2011	March 2012	June 2012	Total Funds Spent		
Equitable Share	DPLG	-	61 793 000	51 029 000	-	38 271 000	151 093 000	61 793 000	51 029 000	-	38 271 000	151 093 000	-	-
2010 Stadium	DSRAC	17 300 977	-	-	3 117 120	-	3 117 120	-	14 802 918	305 595	7 100 000	22 208 513	498 185	(1 292 231)
Disaster	DPLG	3 611 599	2 250	-	-	-	2 250	-	594 418	1 870	160 500	756 788	-	2 857 061
DOE	NER	17 160 284	-	10 000 000	7 400 000	-	17 400 000	2 954 359	3 332 224	1 753 185	10 389 717	18 429 485	-	16 130 799
DOT Taxi Rank	DOT	8 308 789	-	-	-	-	-	1 072 512	-	-	-	1 072 512	-	7 236 277
Fire Station Refurbishment	Provincial Treasury	3 313 824	-	-	-	-	-	9 388	3 606	780 670	186 710	980 374	-	2 333 450
FMG	National Treasury	1 495 227	-	1 450 000	-	-	1 450 000	84 270	255 008	473 692	1 486 424	2 299 394	-	645 833
Grant Admin Development		430 000	-	-	-	-	-	-	-	-	-	-	-	430 000
Human Settlements Joe Slovo		-	20 896 999	8 637 339	-	14 262 525	43 796 862	19 231 392	-	-	5 303 188	24 534 581	319 347	19 581 628
HIV Aids	DPLG	21 527	-	-	-	-	-	-	-	-	-	-	-	21 527
Human Capital	Provincial Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-
IDP Grant	DPLG	14 109	-	-	-	-	-	-	-	-	-	-	-	14 109
Ilitha Housing		2 722	21 375	34 500	9 125	9 125	74 125	15 750	28 500	14 750	14 250	73 250	-	3 597
Khuphukani		1 584 763	-	-	-	-	-	287	30 084	-	-	30 371	-	1 554 392
KSD elections road		540 650	-	-	-	-	-	-	-	-	-	-	-	540 650
KSD intervention		1 008 672	-	-	-	-	-	-	-	-	-	-	-	1 008 672
Kuyasa Housing Project		4 467	-	-	-	-	-	-	-	-	-	-	-	4 467
Kuyasa Housing		-	-	-	-	-	-	-	-	-	-	-	-	-
Light the Pilot		501 360	-	-	-	-	-	-	264 414	-	-	264 414	-	236 947
Mabeleni Rural Housing		225 008	-	-	-	-	-	-	-	-	-	-	-	225 008
Maydene Beneficiary top-up		240	-	-	-	-	-	-	-	-	-	-	-	240
Maydene Call a/c		899 375	-	-	-	-	-	42 750	69 000	18 250	27 375	157 375	-	742 000
Maydane ISUP		-	5 400	-	-	-	5 400	-	-	-	-	-	207	5 607
MIG Grants	DPLG	(2 190)	22 128 000	19 443 000	-	4 708 000	46 279 000	19 255 501	12 207 931	5 849 332	8 915 917	46 228 681	-	48 129
MIG CIMP		-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance Lease		4 200 000	-	-	-	-	-	-	-	-	4 200 000	4 200 000	-	-
Municipal finance assistance		711 168	-	-	-	-	-	-	199 584	-	349 595	549 179	-	161 989
Mqanduli Middle Income Housing		333 652	-	-	-	-	-	-	-	-	-	-	-	333 652
Mqanduli Milling Project		-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Support Program	National Treasury	143 584	-	-	-	-	-	-	-	-	-	-	-	143 584
Municipal Systems improvement grant		47 970	790 000	-	-	-	790 000	371 715	908 112	2 400	(444 258)	837 970	-	-
Mthatha Consoludated Park		2 509 715	-	-	-	-	-	-	-	-	-	-	-	2 509 715
LED - Nduli Nature Reserve	DEAT	104 740	-	-	-	-	-	139 867	-	-	(35 127)	104 740	-	0
Nqgwala Rural Housing		349 116	-	-	-	-	-	-	-	-	-	-	-	349 116
Ngangelizwe Urban Renewal	National Treasury	14 713 677	-	-	-	-	-	2 675 729	6 093 096	751 037	1 747 537	11 267 398	-	3 446 279
Ngangelizwe ISUP		-	11 540 134	4 769 873	-	7 876 320	24 186 326	6 982 265	-	3 277 395	302 447	10 562 108	178 442	13 802 661
Organogram Dev		736 539	-	-	-	-	-	-	-	-	-	-	-	736 539
Performance management		80 000	-	-	-	-	-	-	-	-	-	-	-	80 000
Pola Park ISUP		-	8 733 074	3 609 634	-	5 960 458	18 303 166	7 718 885	-	-	1 682 140	9 401 024	78 153	8 980 295
Qunu Rural Housing		486 914	-	-	-	-	-	-	-	-	-	-	-	486 914
Rural Planning		449 250	-	-	-	-	-	-	-	-	-	-	-	449 250
Sec 21		21 493	-	-	-	-	-	-	-	-	-	-	-	21 493
Uphuhliso Lwethu		994 307	-	-	-	-	-	493 530	292 275	-	-	785 804	-	208 503
Waterfall Park Fund		-	-	-	-	-	-	-	-	-	-	-	-	-
Waterfall Phase IV		11 604	-	-	-	-	-	-	-	-	-	-	-	11 604
Xhugxwala Rural Housing		203 390	-	-	-	-	-	-	-	-	-	-	-	203 390
Zimbane Housing		1 289	21 375	34 500	9 125	18 250	83 250	14 250	28 125	14 250	14 250	70 875	-	13 664
Zimbane Valley Payment Plan		-	-	-	-	-	-	-	-	-	-	-	-	-
MPPC		-	-	-	4 351 152	-	4 351 152	-	-	-	6 537 914	6 537 914	32 258	(2 154 504)
Integrated Rural Transport Plan		-	-	-	2 000 000	-	2 000 000	-	-	-	2 000 000	2 000 000	-	-
Tornado Damage		-	10 000 000	-	-	-	10 000 000	10 000 000	-	-	-	10 000 000	-	-
		<b>82 519 810</b>	<b>135 931 606</b>	<b>99 007 846</b>	<b>16 886 522</b>	<b>71 105 678</b>	<b>322 931 651</b>	<b>132 855 450</b>	<b>90 138 295</b>	<b>13 242 425</b>	<b>88 209 578</b>	<b>324 445 748</b>	<b>1 106 592</b>	<b>82 112 304</b>