Lesedi Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

Auditor-General
Issued 31 August 2012

## General Information

| | |
|---|---|
| **Legal form of entity** | Local Municipality |
| **Nature of business and principal activities** | Local Municpality |
| **Mayoral committee** | |
| Executive Mayor | L F Maloka |
| Councillors | S T Makhubu |
| | M N R Nkosi |
| | S M Sibeko |
| | T B Tsoku |
| **Grading of local authority** | Category 4 Local Municipality |
| **Chief Finance Officer (CFO)** | V P Ndzinyana |
| **Registered office** | Civic Centre |
| | C/o H F Verwoerd & Louw Streets |
| | Heidelberg |
| | 1441 |
| **Postal address** | P O Box 201 |
| | Heidelberg |
| | Gauteng |
| | 1441 |
| **Bankers** | ABSA Bank |
| | Bruma Gauteng |
| **Auditors** | Auditor-General |

# Index

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 |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

# Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 64, which have been prepared on the going concern basis, were approved by the council  on 31 August 2012 and were signed on its behalf by:

**Accounting Officer**
**Municipal Manager**

**Heidelberg**

**31 August 2012**

## Statement of Financial Position

| Figures in Rand | Note(s) | 2012 | 2011 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Inventories | 9 | 4 050 092 | 16 409 404 |
| Other receivables from exchange transactions | 10 | 32 112 151 | 11 929 995 |
| Consumer debtors | 11 | 48 202 578 | 45 957 225 |
| Cash and cash equivalents | 12 | 6 591 603 | 3 890 784 |
| | | **90 956 424** | **78 187 408** |
| Non-Current Assets | | | |
| Investment property | 3 | 425 115 439 | 422 658 094 |
| Property, plant and equipment | 4 | 498 909 804 | 497 424 889 |
| Intangible assets | 5 | 1 120 024 | 1 628 029 |
| | | **925 145 267** | **921 711 012** |
| **Total Assets** | | **1 016 101 691** | **999 898 420** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Other financial liabilities | 13 | 6 556 430 | 5 171 280 |
| Payables from exchange transactions | 16 | 51 447 890 | 62 800 401 |
| VAT payable | | 3 772 565 | 963 627 |
| Consumer deposits | 17 | 7 071 365 | 6 662 271 |
| Unspent conditional grants and receipts | 14 | 2 302 136 | 1 788 525 |
| Provisions | 15 | 9 084 854 | 5 359 087 |
| | | **80 235 240** | **82 745 191** |
| Non-Current Liabilities | | | |
| Other financial liabilities | 13 | 70 432 378 | 51 235 430 |
| Provisions | 15 | 1 951 608 | 1 197 830 |
| | | **72 383 986** | **52 433 260** |
| **Total Liabilities** | | **152 619 226** | **135 178 451** |
| **Net Assets** | | **863 482 465** | **864 719 969** |
| **Net Assets** | | | |
| Accumulated surplus | | 863 482 465 | 864 719 969 |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2012 | 2011 |
|---|---|---|---|
| **Revenue** | | | |
| Property rates | 20 | 54 509 763 | 49 916 025 |
| Service charges | 21 | 254 324 583 | 213 614 760 |
| Rental of facilities and equipment | | 3 290 151 | 3 644 135 |
| Fines | | 4 740 712 | 2 404 477 |
| Government grants & subsidies | 22 | 87 034 972 | 95 115 678 |
| Recoveries - Insurance | | 15 033 355 | 287 661 |
| Interest received - investment | 28 | 3 024 055 | 2 027 101 |
| Gains on disposal of assets | 28 | 7 323 365 | 754 818 |
| **Total Revenue** | | **429 280 956** | **367 764 655** |
| **Expenditure** | | | |
| Employee related cost | 25 | (91 132 911) | (83 102 495) |
| Remuneration of councillors | 26 | (7 033 566) | (5 789 321) |
| Depreciation and amortisation | 29 | (39 811 900) | (39 770 092) |
| Impairment loss/ Reversal of impairments | 50 | (751 925) | (64 152) |
| Finance costs | 30 | (7 813 547) | (5 375 962) |
| Debt impairment | 27 | (32 648 066) | (26 696 721) |
| Collection costs | | (994 505) | (1 262 762) |
| Repairs and maintenance | | (22 378 562) | (18 295 497) |
| Bulk purchases | 34 | (172 145 179) | (139 890 794) |
| Contracted services | 33 | (1 915 607) | (2 445 315) |
| Loss on disposal of assets | | (4 771 896) | (126 444) |
| General Expenses | 23 | (49 120 808) | (47 505 271) |
| **Total Expenditure** | | **(430 518 472)** | **(370 324 826)** |
| **Deficit for the year** | | **(1 237 516)** | **(2 560 171)** |

# Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| Opening balance as previously reported | 601 528 606 | 601 528 606 |
| Adjustments | | |
| Correction of errors | 2 951 262 | 2 951 262 |
| Change in accounting policy | (1 103 024) | (1 103 024) |
| Prior year adjustments | 263 903 296 | 263 903 296 |
| **Balance at 01 July 2010 as restated** | **867 280 140** | **867 280 140** |
| Changes in net assets | | |
| Surplus for the year | (2 560 171) | (2 560 171) |
| Total changes | (2 560 171) | (2 560 171) |
| Opening balance as previously reported | 863 901 795 | 863 901 795 |
| Adjustments | | |
| Correction of errors | 2 935 139 | 2 935 139 |
| Change in accounting policy | (2 116 953) | (2 116 953) |
| **Balance at 01 July 2011 as restated** | **864 719 981** | **864 719 981** |
| Changes in net assets | | |
| Surplus for the year | (1 237 516) | (1 237 516) |
| Total changes | (1 237 516) | (1 237 516) |
| **Balance at 30 June 2012** | **863 482 465** | **863 482 465** |

Note(s)

Detailed diclosure of prior period errors is provided in note 51 to the financial statements.
Detailed diclosure of changes in accounting policy is provided in note 49 to the financial statements.

# Cash Flow Statement

| Figures in Rand | Note(s) | 2012 | 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 233 749 007 | 244 161 311 |
| Grants | | 77 235 651 | 77 246 929 |
| Interest income | | 3 024 055 | 2 027 101 |
| | | 314 008 713 | 323 435 341 |
| **Payments** | | | |
| Employee costs | | (87 178 594) | (86 599 619) |
| Suppliers | | (206 433 027) | (193 214 964) |
| Finance costs | | (7 813 547) | (5 375 962) |
| | | (301 425 168) | (285 190 545) |
| **Net cash flows from operating activities** | 35 | **12 583 545** | **38 244 796** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 4 | (40 658 484) | (64 285 572) |
| Proceeds from sale of property, plant and equipment | 4 | 495 335 | 123 719 |
| Purchase of investment property | 3 | (10 100 747) | - |
| Proceeds from sale of investment property | 3 | 19 974 479 | 687 437 |
| Purchase of other intangible assets | 5 | (175 417) | (85 088) |
| **Net cash flows from investing activities** | | **(30 464 834)** | **(63 559 504)** |
| **Cash flows from financing activities** | | | |
| Proceeds from other financial liabilities | | 28 978 715 | 7 191 863 |
| Repayment of other financial liabilities | | (8 396 617) | (4 944 459) |
| **Net cash flows from financing activities** | | **20 582 098** | **2 247 404** |
| **Net increase/(decrease) in cash and cash equivalents** | | **2 700 809** | **(23 067 304)** |
| Cash and cash equivalents at the beginning of the year | | 3 890 784 | 26 958 088 |
| **Cash and cash equivalents at the end of the year** | 12 | **6 591 593** | **3 890 784** |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

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

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 have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next twelve months and are presented in South African Rand.

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

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

These accounting policies are consistent with the previous period unless explicitly stated otherwise.

### 1.1 Significant judgements and sources of estimation uncertainty

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 estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes.

### 1.2 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, and only 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.

**Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item | Useful life |
| --- | --- |
| Property - land | indefinite |
| Property - buildings | 30 years |
| Lifts | 30 years |
| Air-conditioners | 5 years |

# Accounting Policies

### 1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

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

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

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

Library Books are carried at cost less accumulated depreciation and any impairment losses. This is a change in accounting policy from the previous year. Management reserves the right to review the treatment of library books.

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

| **Item** | **Average useful life** |
| --- | --- |
| Infrastructure | |
| • Roads and paving | 10 - 30 years |
| • Electricity | 20 - 30 years |
| • Water | 15 - 20 years |
| • Sewerage | 15 - 20 years |
| • Landfill site | 4 years |
| Community | |
| • Buildings | 30 years |
| • Recreational Facilities | 20 - 30 years |
| • Security | 5 years |

# Accounting Policies

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

| | |
|---|---|
| Other property, plant and equipment | |
| • Bulidings | 30 years |
| • Specialist vehicles | 20 years |
| • Other Vehicles | 5 years |
| • Furniture and fittings | 7 years |
| • Bins and containers | 5 years |
| • Office equipment | 3 - 7 years |
| Heritage | |
| • Museums & other collectables | indefinite |
| • Library book collections | 5 - 25 years |

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.

### 1.4 Intangible assets

Intangible assets are initially recognised at cost.

Computer software is capitalised to computer equipment where it forms an intergral part of computer equipment.

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.

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, other | 3 years |

### 1.5 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

**Recognition**

The municipality recognises a heritage asset as an asset 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.

# Accounting Policies

### 1.5 Heritage assets (continued)

**Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

### 1.6 Financial instruments

**Classification**

The municipality classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

**Initial recognition and measurement**

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

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

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

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

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

**Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### 1.6 Financial instruments (continued)

**Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

**Payables from exchange transactions**

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**Bank overdraft and borrowings**

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

**Held to maturity**

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

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

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

### 1.7 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.

# Accounting Policies

### 1.7 Leases (continued)

**Finance leases - lessor**

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

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

**Operating leases - lessor**

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

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

### 1.8 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.

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.

### 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

# Accounting Policies

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

**Identification**

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

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

**Value in use**

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

**Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

**Identification**

The 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, the municipality estimates the recoverable service amount of the asset.

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### 1.11 Share capital / contributed capital

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

## Accounting Policies

### 1.12 Employee benefits

**Short-term employee benefits**

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

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

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

**Defined contribution plans**

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

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

### 1.13 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.

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.

A constructive obligation to restructure arises only when an entity:

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

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

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

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

### 1.14 Revenue from exchange transactions

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

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

# Accounting Policies

### 1.14 Revenue from exchange transactions (continued)

**Measurement**

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

**Sale of goods**

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

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

# Accounting Policies

### 1.14 Revenue from exchange transactions (continued)

**Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

**Rates, including collection charges and penalties interest**

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

**Fines**

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

### 1.16 Borrowing costs

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

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

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

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

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

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

### 1.19 Fruitless and wasteful expenditure

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

### 1.19 Fruitless and wasteful expenditure (continued)

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.

Where fruitless and wasteful expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

### 1.20 Irregular expenditure

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.22 Offsetting

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

### 1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.24 Budget information

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 2. New standards and interpretations

### 2.1 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 or later periods:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2013.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

**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 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 recognised by 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 July 2012.

# Notes to the Annual Financial Statements

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The impact of this standard is currently being assessed.

**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 currently presented 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
- 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 July 2012.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the 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 thus assets which are retained indefinitely and cannot be disposed of without consent as required by 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 of 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.

# Notes to the Annual Financial Statements

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

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 its 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 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 July 2012.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the  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.

A 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.

# Notes to the Annual Financial Statements

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

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.

A 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.

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 July 2012.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the 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.

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

# Notes to the Annual Financial Statements

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

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, a 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 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 July 2012.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

**GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees;

# Notes to the Annual Financial Statements

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

- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

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 July 2013.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

# Notes to the Annual Financial Statements

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

**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, transactions 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. A 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.

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.

# Notes to the Annual Financial Statements

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

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 July 2012.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

**IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

This Interpretation of the Standards of GRAP applies to all post-employment defined benefits and other long-term employee defined benefits.

For the purpose of this Interpretation of the Standards of GRAP, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

The issues addressed in this Interpretation of the Standards of GRAP are:

- When refunds or reductions in future contributions should be regarded as available in accordance with paragraph .68 of the Standard of GRAP on Employee Benefits.
- How a minimum funding requirement might affect the availability of reductions in future contributions

The Interpretation of the Standards of GRAP addresses accounting by the entity that grants award credits to its customers.

The effective date of the interpretation is for years beginning on or after 01 July 2013.

# Notes to the Annual Financial Statements

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

The municipality expects to adopt the interpretation for the first time in the 2013 annual financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the annual financial statements.

**GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2014.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

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

**GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 July 2014.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

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

**GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

# Notes to the Annual Financial Statements

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

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 July 2013.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

**IGRAP 11: Consolidation – Special purpose entities**

# Notes to the Annual Financial Statements

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

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

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

**IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures**

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

# Notes to the Annual Financial Statements

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

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

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

**GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

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

**GRAP 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

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

**GRAP 1 (as revised 2012): Presentation of Financial Statements**

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

# Notes to the Annual Financial Statements

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

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 12 (as revised 2012): Inventories**

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 13 (as revised 2012): Leases**

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

# Notes to the Annual Financial Statements

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

**GRAP 16 (as revised 2012): Investment Property**

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)**

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

**GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)**

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

# Notes to the Annual Financial Statements

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

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

**IGRAP16: Intangible assets website costs**

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

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

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:x

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 3. Investment property

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 450 208 494 | (25 093 055) | 425 115 439 | 452 468 123 | (29 810 029) | 422 658 094 |

**Reconciliation of investment property - 2012**

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Investment property | 422 658 094 | 10 100 747 | (13 066 943) | 10 981 775 | (5 558 234) | 425 115 439 |

**Reconciliation of investment property - 2011**

| | Opening balance | Transfers | Depreciation | Total |
|---|---|---|---|---|
| Investment property | 430 470 305 | 117 225 | (7 929 436) | 422 658 094 |

**Other disclosures**

Transfers into investment property consists of unsold property held for sale.

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

### 4. Property, plant and equipment

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 170 741 399 | - | 170 741 399 | 170 741 399 | - | 170 741 399 |
| Infrastructure | 470 459 182 | (245 440 798) | 225 018 384 | 429 664 337 | (222 810 628) | 206 853 709 |
| Community | 50 589 848 | (13 712 079) | 36 877 769 | 50 589 848 | (11 414 936) | 39 174 912 |
| Other property, plant and equipment | 86 946 311 | (54 044 323) | 32 901 988 | 100 073 808 | (55 591 025) | 44 482 783 |
| Capital work in progress | 22 756 766 | - | 22 756 766 | 24 769 142 | - | 24 769 142 |
| Library - Books | 12 255 629 | (3 254 631) | 9 000 998 | 10 536 622 | (2 116 952) | 8 419 670 |
| Work in progress - Library Books | 1 612 500 | - | 1 612 500 | 2 983 274 | - | 2 983 274 |
| **Total** | **815 361 635** | **(316 451 831)** | **498 909 804** | **789 358 430** | **(291 933 541)** | **497 424 889** |

# Notes to the Annual Financial Statements

Figures in Rand

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

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

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 170 741 399 | - | - | - | - | - | 170 741 399 |
| Infrastructure | 206 853 709 | 16 513 403 | (79 506) | 24 641 141 | (22 910 363) | - | 225 018 384 |
| Community | 39 174 912 | - | - | - | (1 757 938) | (539 205) | 36 877 769 |
| Other property, plant and equipment | 44 482 783 | 1 040 084 | (4 771 896) | 128 000 | (7 765 241) | (211 742) | 32 901 988 |
| Capital work in progress | 24 769 142 | 22 756 765 | - | (24 769 141) | - | - | 22 756 766 |
| Library - Books | 8 419 670 | 81 648 | - | 1 637 358 | (1 136 700) | (978) | 9 000 998 |
| Work in progress - Library Books | 2 983 274 | 266 584 | - | (1 637 358) | - | - | 1 612 500 |
| | **497 424 889** | **40 658 484** | **(4 851 402)** | **-** | **(33 570 242)** | **(751 925)** | **498 909 804** |

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

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 170 741 399 | - | - | - | - | - | 170 741 399 |
| Infrastructure | 180 150 751 | 33 357 307 | - | 12 664 630 | (19 254 827) | (64 152) | 206 853 709 |
| Community | 40 609 277 | 206 955 | - | - | (1 641 320) | - | 39 174 912 |
| Other property, plant and equipment | 49 023 981 | 4 650 657 | (182 782) | - | (9 009 073) | - | 44 482 783 |
| Capital work in progress | 12 664 631 | 24 769 141 | - | (12 664 630) | - | - | 24 769 142 |
| Library - Books | 8 034 504 | 1 301 512 | - | 97 582 | (1 013 928) | - | 8 419 670 |
| Work in progress - Library Books | 3 080 856 | - | - | (97 582) | - | - | 2 983 274 |
| | **464 305 399** | **64 285 572** | **(182 782)** | **-** | **(30 919 148)** | **(64 152)** | **497 424 889** |

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

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

Management reserves the right to review the treatment of library books.

### 5. Intangible assets

| | 2012 | | | 2011 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 3 014 514 | (1 894 490) | 1 120 024 | 4 325 825 | (2 697 796) | 1 628 029 |

**Reconciliation of intangible assets - 2012**

| | Opening balance | Additions | Amortisation | Total |
| --- | --- | --- | --- | --- |
| Computer software, other | 1 628 029 | 175 417 | (683 422) | 1 120 024 |

**Reconciliation of intangible assets - 2011**

| | Opening balance | Additions | Amortisation | Total |
| --- | --- | --- | --- | --- |
| Computer software, other | 2 464 450 | 85 088 | (921 509) | 1 628 029 |

### 6. Other financial assets

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2012 and 2011, as all the financial assets were disposed of at their redemption date.

### 7. Financial assets by category

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

**2012**

| | Loans and receivables | Fair value through surplus or deficit - held for trading | Total |
| --- | --- | --- | --- |
| Trade and other receivables | 47 661 739 | - | 47 661 739 |
| Other receivables from non-exchange transactions | 28 112 151 | - | 28 112 151 |
| Cash and cash equivalents | - | 6 591 603 | 6 591 603 |
| | **75 773 890** | **6 591 603** | **82 365 493** |

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 7. Financial assets by category (continued)

**2011**

| | Loans and receivables | Fair value through surplus or deficit - held for trading | Total |
|---|---|---|---|
| Trade and other receivables | 45 275 244 | - | 45 275 244 |
| Other receivables from exchange transactions | 11 929 994 | - | 11 929 994 |
| Cash and cash equivalents | - | 3 890 784 | 3 890 784 |
| VAT receivables | 603 862 | - | 603 862 |
| | **57 809 100** | **3 890 784** | **61 699 884** |

### 8. Employee benefit obligations

**Defined benefit plan**

**Post retirement medical aid plan**

Lesedi operates on 4 accredited medical aid schemes, namely Hosmed, Key Health, Bonitas and LA Health. Pensioners continue on the option they belong to on the day of their retirement.

### 9. Inventories

| | 2012 | 2011 |
|---|---|---|
| Consumable stores | 3 921 802 | 3 897 010 |
| Water | 128 290 | 115 619 |
| Unsold Properties Held for Resale | - | 12 396 775 |
| | **4 050 092** | **16 409 404** |

Property held for resale that were still on hand at the end of the year were transeferred to investment property.

### 10. Other receivables from exchange transactions

| | 2012 | 2011 |
|---|---|---|
| Deposits | 108 889 | 108 889 |
| Sundry debtors | 10 363 001 | 6 480 293 |
| Insurance debtor | 15 987 335 | - |
| Housing debtors | 3 402 905 | 3 402 905 |
| Grant claims receivable | 2 250 021 | 1 937 908 |
| | **32 112 151** | **11 929 995** |

Housing debtors include a debtors on RDP houses not yet transferred. A reconciliation of debtors on RDP houses not yet transferred is shown in note 53.

### 11. Consumer debtors

| | 2012 | 2011 |
|---|---|---|
| **Gross balances** | | |
| Rates | 29 638 665 | 24 941 892 |
| Electricity | 46 090 627 | 38 832 570 |
| Water | 49 260 112 | 41 422 589 |
| Sewerage | 16 513 395 | 15 499 479 |
| Refuse | 30 436 029 | 27 914 140 |
| VAT portion | 18 736 034 | 14 985 498 |
| Other | 28 072 918 | 25 198 100 |
| | **218 747 780** | **188 794 268** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 11. Consumer debtors (continued)

| | | |
|---|---|---|
| **Less: Provision for debt impairment** | | |
| Rates | (24 139 510) | (21 411 977) |
| Electricity | (32 171 308) | (30 880 476) |
| Water | (45 105 142) | (36 035 484) |
| Sewerage | (15 201 171) | (14 010 946) |
| Refuse | (28 221 313) | (25 075 458) |
| VAT portion | (13 744 264) | (9 795 394) |
| Other | (11 962 494) | (5 627 308) |
| | **(170 545 202)** | **(142 837 043)** |

| | | |
|---|---|---|
| **Net balance** | | |
| Rates | 5 499 155 | 3 529 915 |
| Electricity | 13 919 319 | 7 952 094 |
| Water | 4 154 970 | 5 387 105 |
| Sewerage | 1 312 224 | 1 488 533 |
| Refuse | 2 214 716 | 2 838 682 |
| VAT portion | 4 991 770 | 5 190 104 |
| Other | 16 110 424 | 19 570 792 |
| | **48 202 578** | **45 957 225** |

| | | |
|---|---|---|
| **Rates** | | |
| Current (0 -30 days) | 4 566 327 | 1 409 200 |
| 31 - 60 days | 194 593 | 1 184 957 |
| 61 - 90 days | 276 475 | 935 758 |
| 91 - 120 days | 27 169 | - |
| 121 - 365 days | 434 591 | - |
| | **5 499 155** | **3 529 915** |

| | | |
|---|---|---|
| **Electricity** | | |
| Current (0 -30 days) | 11 793 157 | 4 605 377 |
| 31 - 60 days | 443 529 | 2 062 423 |
| 61 - 90 days | 630 160 | 1 284 294 |
| 91 - 120 days | 61 925 | - |
| 121 - 365 days | 990 548 | - |
| | **13 919 319** | **7 952 094** |

| | | |
|---|---|---|
| **Water** | | |
| Current (0 -30 days) | 3 457 640 | 1 904 596 |
| 31 - 60 days | 145 467 | 1 867 604 |
| 61 - 90 days | 206 677 | 1 614 905 |
| 91 - 120 days | 20 310 | - |
| 121 - 365 days | 324 876 | - |
| | **4 154 970** | **5 387 105** |

| | | |
|---|---|---|
| **Sewerage** | | |
| Current (0 -30 days) | 1 097 010 | 451 738 |
| 31 - 60 days | 44 895 | 556 349 |
| 61 - 90 days | 63 786 | 480 446 |
| 91 - 120 days | 6 268 | - |
| 121 - 365 days | 100 265 | - |
| | **1 312 224** | **1 488 533** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 11. Consumer debtors (continued)

**Refuse**

| | | |
|---|---|---|
| Current (0 -30 days) | 1 955 532 | 930 083 |
| 31 - 60 day | 54 067 | 1 028 696 |
| 61 - 90 days | 76 818 | 879 903 |
| 91 - 120 days | 7 549 | - |
| 121 - 365 days | 120 750 | - |
| | **2 214 716** | **2 838 682** |

**VAT Portion**

| | | |
|---|---|---|
| Current (0 -30 days) | 4 247 845 | 3 136 741 |
| 31 - 60 days | 155 187 | 1 055 402 |
| 61 - 90 days | 220 487 | 997 961 |
| 91 - 120 days | 21 667 | - |
| 121 - 365 days | 346 584 | - |
| | **4 991 770** | **5 190 104** |

**Other**

| | | |
|---|---|---|
| Current (0 -30 days) | 14 094 566 | 11 868 924 |
| 31 - 60 days | 420 519 | 3 958 659 |
| 61 - 90 days | 597 468 | 3 743 209 |
| 91 - 120 days | 58 712 | - |
| 121 - 365 days | 939 159 | - |
| | **16 110 424** | **19 570 792** |

**Reconciliation of debt impairment provision**

| | | |
|---|---|---|
| Balance at beginning of the year | (142 837 043) | (127 121 557) |
| Contributions to provision | (38 030 483) | (26 696 721) |
| Debt impairment written off against provision | 10 322 324 | 10 981 235 |
| | **(170 545 202)** | **(142 837 043)** |

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 2 335 | 2 335 |
| Bank balances | 6 589 268 | 3 888 449 |
| | **6 591 603** | **3 890 784** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2012 | 30 June 2011 | 30 June 2010 | 30 June 2012 | 30 June 2011 | 30 June 2010 |
| ABSA BANK - Main Cheque Account | 6 589 268 | 3 888 449 | 11 955 753 | 1 365 289 | (15 509 899) | 5 332 282 |

### 13. Other financial liabilities

**Held at amortised cost**

| | | |
|---|---|---|
| Development Bank of Southern Africa<br>The loan interest rates vary between 5.00% and 14.24%, and the half-yearly fixed instalment repayments vary between R5,491 and R1,377,105. The terms of the loans range between 10 and 20 years | 76 988 808 | 56 406 710 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 13. Other financial liabilities (continued)

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 70 432 378 | 51 235 430 |
| **Current liabilities** | | |
| At amortised cost | 6 556 430 | 5 171 280 |
| | **76 988 808** | **56 406 710** |

## 14. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Government grant (operating) 5 - District health | (559 659) | (420 731) |
| Government grant (operating) 7 - Provincial clinics | (1 255 880) | (1 346 673) |
| Government grant (operating) 8 - Water grants | 117 172 | 839 625 |
| Government grant (operating) 9 - Provincial library and other | 1 294 882 | 241 686 |
| Government grant (operating) 13 - District other | (403 003) | (170 503) |
| Government grant (capital) 16 - District Madiba road - capital | - | 33 396 |
| Government grant (capital) 18 - Municipal infrastructure grant - capital | 850 440 | 434 030 |
| Government grant (capital) 21 - Provincial library - capital | 8 163 | 154 684 |
| Government grant (capital) 22 - Provincial other - capital | - | 85 103 |
| Government grant (operating) - Moneys receivable (grant 5, 7, 8 & 13 above) | 2 250 021 | 1 937 908 |
| | **2 302 136** | **1 788 525** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | (149 383) | 17 719 366 |
| Additions during the year | 87 236 470 | 77 246 929 |
| Income recognition during the year | (87 034 972) | (95 115 678) |
| Reversal of debtor for reconciliation | 2 250 021 | 1 937 908 |
| | **2 302 136** | **1 788 525** |

| | | |
|---|---|---|
| **Net grants for movement reconciliation (Note 10,14 & 22)** | | |
| Other receivables (Sundry Debtors) | (2 250 021) | (1 937 908) |
| Unspent conditional grant rollovers | 2 302 136 | 1 788 525 |
| **Net unspent conditional grants balance at the end of the year** | **52 115** | **(149 383)** |

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

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

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

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 15. Provisions

**Reconciliation of provisions - 2012**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Provision for 13th cheque | - | 3 393 776 | - | - | 3 393 776 |
| Environmental rehabilitation: Open landfill sites | 1 197 830 | 174 373 | - | 579 405 | 1 951 608 |
| Leave Pay | 5 359 087 | 1 070 548 | (738 557) | - | 5 691 078 |
| | **6 556 917** | **4 638 697** | **(738 557)** | **579 405** | **11 036 462** |

**Reconciliation of provisions - 2011**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| Environmental rehabilitation: Open landfill sites | 1 261 982 | - | - | (64 152) | 1 197 830 |
| Leave pay | 4 711 747 | 1 364 166 | (716 826) | - | 5 359 087 |
| | **5 973 729** | **1 364 166** | **(716 826)** | **(64 152)** | **6 556 917** |

| | 2012 | 2011 |
|---|---|---|
| Non-current liabilities | 1 951 608 | 1 197 830 |
| Current liabilities | 9 084 854 | 5 359 087 |
| | **11 036 462** | **6 556 917** |

The value of the landfill site provision is based on the current actual cost of rehabilitating the landfill site escalated at the current inflation rate to establish the future costs over the life of the landfill site. The future cost is discounted at the current cost of capital to Lesedi. The extent to which the municipality recognises this liability, the asset is capitalised and depreciated over its useful.

The expected remaining useful life of the landfill site changed from 2 years to 3 years. The nett effect is a movement of R579,405 in the provision for the year.

The discount rate used for the landfill site provision was 9.3%. The inflation forecast used was 5.5%.

### 16. Payables from exchange transactions

| | 2012 | 2011 |
|---|---|---|
| Trade payables | 33 239 973 | 40 382 021 |
| Payments received in advanced | 9 531 418 | 15 060 531 |
| Accrued bonus | 634 743 | - |
| Retentions | 5 398 033 | 5 745 541 |
| Sundry payables | 2 217 449 | 1 111 642 |
| Other payables | 197 162 | 149 069 |
| Audit fees | 85 392 | 85 392 |
| Interest on DBSA loan | 143 720 | 266 205 |
| | **51 447 890** | **62 800 401** |

### 17. Consumer deposits

| | 2012 | 2011 |
|---|---|---|
| Consumer deposits - All services | 7 071 365 | 6 662 271 |

Guarantees held in lieu of service deposits R571,756 (2010: R517,756).

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 18. Financial liabilities by category

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

**2012**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Other financial liabilities | 76 988 808 | 76 988 808 |
| Trade and other payables | 62 010 755 | 62 010 755 |
| Unspent conditional grants and receipts | 2 302 136 | 2 302 136 |
| Consumer deposits | 7 084 501 | 7 084 501 |
| VAT Payable | 1 716 808 | 1 716 808 |
| | **150 103 008** | **150 103 008** |

**2011**

| | Financial liabilities at amortised cost | Total |
|---|---|---|
| Other financial liabilities | 56 406 710 | 56 406 710 |
| Trade and other payables | 73 510 659 | 73 510 659 |
| Unspent conditional grants and receipts | 1 788 525 | 1 788 525 |
| Consumer deposits | 6 696 107 | 6 696 107 |
| | **138 402 001** | **138 402 001** |

### 19. Revenue

| | | |
|---|---|---|
| Property rates | 54 509 763 | 49 916 025 |
| Service charges | 254 324 583 | 213 614 760 |
| Rental of facilities & equipment | 3 290 151 | 3 644 135 |
| Fines | 4 740 712 | 2 404 477 |
| Government grants & subsidies | 87 034 972 | 95 115 678 |
| | **403 900 181** | **364 695 075** |

| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
|---|---|---|
| Service charges | 254 324 583 | 213 614 760 |
| Rental of facilities & equipment | 3 290 151 | 3 644 135 |
| | **257 614 734** | **217 258 895** |

| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
|---|---|---|
| **Taxation revenue** | | |
| Property rates | 54 509 763 | 49 916 025 |
| Fines | 4 740 712 | 2 404 477 |
| **Transfer revenue** | | |
| Government grants and subsidies | 87 034 972 | 95 115 678 |
| | **146 285 447** | **147 436 180** |

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 20. Property rates

**Rates received**

| | | |
|---|---|---|
| Municipal rates levied | 54 509 763 | 49 916 025 |

**Valuations**

| | | |
|---|---|---|
| Residential | 4 922 123 000 | 4 754 167 000 |
| Commercial | 1 036 027 000 | 1 093 763 000 |
| State | 638 822 000 | 627 406 000 |
| Municipal | 576 253 000 | 684 148 000 |
| Small holdings and farms | 1 522 369 000 | 1 460 884 000 |
| | **8 695 594 000** | **8 620 368 000** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 0.0082 (2011: R 0.00745) applied to property valuations to determine assessment rates. Rebates of 20% (2011: 20%) are granted to state property owners. Rebates of a minimum of R15,000 are deducted from all residential property valuations before applying the general rate.

Rates are levied on a monthly basis. Interest at 10% per annum (2011: 10%) and a collection fee of -% (2011: -%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2014.

### 21. Service charges

| | | |
|---|---|---|
| Sale of electricity | 168 374 403 | 129 264 378 |
| Sale of water | 47 907 140 | 44 468 610 |
| Sewerage and sanitation charges | 15 098 031 | 13 663 533 |
| Refuse removal | 20 366 990 | 18 809 926 |
| Other service charges | 2 578 019 | 7 408 313 |
| | **254 324 583** | **213 614 760** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 22. Government grants and subsidies

| | 2012 | 2011 |
|---|---|---|
| Equitable share | 48 520 000 | 48 093 000 |
| Government grant (operating) 1 - Finance management grant | 1 226 375 | 3 469 057 |
| Government grant (operating) 4 - Municipal system improvement grant | 800 000 | 750 000 |
| Government grant (operating) 5 - District health | 2 588 363 | 2 269 382 |
| Government grant (operating) 7 - Provincial clinics | 2 279 901 | 2 452 082 |
| Government grant (operating) 8 - Water grants | 2 366 454 | 1 042 045 |
| Government grant (operating) 9 - Province library & other | 2 504 777 | 3 008 420 |
| Government grant (operating) 10 - Donations | 30 000 | - |
| Government grant (operating) 12 - Agriculture grant | - | 325 073 |
| Government grant (operating) 13 - District other | 415 840 | 686 527 |
| Government grant (capital) 16 - District Madiba road - capital | 66 511 | 1 796 211 |
| Government grant (capital) 18 - Municipal infrastructure grant - capital | 22 689 476 | 29 421 108 |
| Government grant (capital) 20 - Provincial clinics - capital | - | 79 894 |
| Government grant (capital) 21 - Provincial library - capital | 523 650 | 1 686 216 |
| Government grant (capital) 24 - Finance management grant - capital | 23 625 | 36 663 |
| Government grant (capital) 26 - INEG/DME | 3 000 000 | - |
| | **87 034 972** | **95 115 678** |

**Equitable Share**

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

All registered indigents receive a monthly subsidy of R 150 (2011: R 150), which is funded from the grant.

**Government grant (operating) 1 - Finance management grant**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | - | 505 720 |
| Current-year receipts | 1 250 000 | 2 963 337 |
| Conditions met - transferred to revenue | (1 250 000) | (3 469 057) |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 4 - Municipal system improvement grant**

| | 2012 | 2011 |
|---|---|---|
| Current-year receipts | 800 000 | 750 000 |
| Conditions met - transferred to revenue | (800 000) | (750 000) |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 5 - District health**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | (420 731) | (246 035) |
| Current-year receipts | 2 449 435 | 2 094 686 |
| Conditions met - transferred to revenue | (2 588 363) | (2 269 382) |
| | **(559 659)** | **(420 731)** |

Conditions still to be met - remain liabilities (see note 14).

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

**Government grant (operating) 7 - Provincial clinics**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | (1 346 673) | (959 085) |
| Current-year receipts | 2 370 694 | 2 064 494 |
| Conditions met - transferred to revenue | (2 279 901) | (2 452 082) |
| | **(1 255 880)** | **(1 346 673)** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 8 - Water grants**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | 839 625 | 511 768 |
| Current-year receipts | 1 644 000 | 1 369 902 |
| Conditions met - transferred to revenue | (2 366 453) | (1 042 045) |
| | **117 172** | **839 625** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 9 - Provincial library & other**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | 241 686 | 568 362 |
| Current-year receipts | 3 472 871 | 2 681 744 |
| Conditions met - transferred to revenue | (2 419 675) | (3 008 420) |
| | **1 294 882** | **241 686** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 10 - Donations**

| | 2012 | 2011 |
|---|---|---|
| Current-year receipts | 30 000 | - |
| Conditions met - transferred to revenue | (30 000) | - |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 12 - Agriculture grant**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | - | 325 073 |
| Conditions met - transferred to revenue | - | (325 073) |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (operating) 13 - District other**

| | 2012 | 2011 |
|---|---|---|
| Balance unspent at beginning of year | (170 503) | 177 |
| Current-year receipts | 183 340 | 515 847 |
| Conditions met - transferred to revenue | (415 840) | (686 527) |
| | **(403 003)** | **(170 503)** |

Conditions still to be met - remain liabilities (see note 14).

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

**22. Government grants and subsidies (continued)**

**Government grant (capital) 16 - District Madiba road - capital**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 33 396 | 29 607 |
| Current-year receipts | - | 1 800 000 |
| Conditions met - transferred to revenue | (33 396) | (1 796 211) |
| | **-** | **33 396** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (capital) 18 - Municipal infrastructure grant - capital**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 434 030 | 16 616 138 |
| Current-year receipts | 23 139 000 | 13 239 000 |
| Conditions met - transferred to revenue | (22 722 590) | (29 421 108) |
| | **850 440** | **434 030** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (capital) 20 - Provincial clinics - capital**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 79 894 |
| Conditions met - transferred to revenue | - | (79 894) |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (capital) 21 - Provincial library - capital**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 154 684 | 202 644 |
| Current-year receipts | 201 711 | 1 638 256 |
| Conditions met - transferred to revenue | (348 232) | (1 686 216) |
| | **8 163** | **154 684** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (capital) 22 - Provincial other - capital**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 85 103 | 85 103 |
| Conditions met - transferred to revenue | (85 103) | - |
| | **-** | **85 103** |

Conditions still to be met - remain liabilities (see note 14).

**Government grant (capital) 26 - INEG/DME**

| | | |
|---|---|---|
| Current-year receipts | 3 000 000 | - |
| Conditions met - transferred to revenue | (3 000 000) | - |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 14).

**Changes in level of government grants**

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

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

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 23. General expenses

| | | |
|---|---|---|
| Advertising | 460 811 | 484 778 |
| Assets expensed | - | 53 197 |
| Auditors remuneration | 3 282 012 | 2 612 508 |
| Bank charges | 371 557 | 343 254 |
| Billing and meter reading charges | 1 183 411 | 1 047 943 |
| Cleaning | 30 957 | - |
| Community development and training | 2 308 420 | 1 468 815 |
| Consulting and professional fees | 4 795 995 | 5 264 649 |
| Consumables | 462 001 | 501 116 |
| Delivery expenses | 1 199 111 | 1 955 140 |
| Donations | 624 | 10 000 |
| Entertainment | 408 205 | 331 672 |
| Fines and penalties | 2 200 | 12 750 |
| Fleet | 9 837 886 | 8 621 155 |
| Grant related expenses | 3 429 070 | 4 326 583 |
| Hire | 127 976 | 240 900 |
| IT expenses | 2 266 911 | 2 187 658 |
| Insurance | 1 083 733 | 1 161 426 |
| Laboratory charges | 39 598 | 33 937 |
| Magazines, books and periodicals | 3 764 | 231 109 |
| Medical expenses | 69 871 | 16 400 |
| Motor vehicle expenses | - | 21 700 |
| Pensioners:Medical aid costs | 1 069 028 | 1 024 865 |
| Pest control | 109 180 | 83 185 |
| Postage and courier | 341 592 | 369 150 |
| Printing and stationery | 1 109 860 | 937 777 |
| Promotions and sponsorships | 43 921 | 92 395 |
| Property - repairs: furniture & equipment | 15 764 | 22 117 |
| Protective clothing | 505 591 | 613 769 |
| Refuse | 4 728 957 | 3 984 784 |
| Security (Guarding of municipal property) | 5 062 655 | 4 942 239 |
| Software expenses | 1 310 974 | 1 537 675 |
| Subscriptions and membership fees | 676 570 | 419 394 |
| Telephone and fax | 1 388 478 | 1 294 346 |
| Training | 924 252 | 947 581 |
| Travel - local | 469 873 | 309 304 |
| | **49 120 808** | **47 505 271** |

### 24. Operating surplus

Operating surplus for the year is stated after accounting for the following:

| | | |
|---|---|---|
| Loss on sale of property, plant and equipment | (4 356 067) | (59 063) |
| Gain on sale of investment property | 6 907 536 | 687 437 |
| Impairment on property, plant and equipment | 751 925 | 64 152 |
| Depreciation on property, plant and equipment | 34 253 666 | 31 840 656 |
| Depreciation on investment property | 5 558 234 | 7 929 436 |
| Employee costs | 98 166 477 | 88 891 816 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 25. Employee related costs

| | | |
|---|---|---|
| Basic | 52 698 055 | 49 274 863 |
| Medical aid - company contributions | 4 345 040 | 3 918 246 |
| UIF | 523 451 | 661 407 |
| WCA | 1 000 007 | 534 361 |
| SDL | 619 864 | 580 176 |
| Other payroll levies | 23 083 | 23 310 |
| Leave pay provision charge | 1 411 575 | 1 364 166 |
| Pension costs | 10 372 967 | 9 791 877 |
| Leave pay | 320 012 | 942 384 |
| Travel, motor car, accommodation, subsistence and other allowances | 1 575 455 | 1 445 441 |
| Overtime payments | 3 819 503 | 3 553 739 |
| Acting allowances | 1 665 616 | 1 482 636 |
| Transport allowance (bus coupons) | - | 1 086 |
| Housing benefits and allowances | 372 171 | 365 446 |
| Cell phone allowance | 64 189 | 71 448 |
| Group insurance | 742 687 | 703 997 |
| Leave bonus | 8 130 285 | 4 158 109 |
| | **87 683 960** | **78 872 692** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 130 608 | 723 843 |
| Car Allowance | 22 842 | 128 688 |
| Performance Bonuses | - | 94 962 |
| Contributions to UIF, Medical and Pension Funds | 6 435 | 61 026 |
| | **159 885** | **1 008 519** |

The post of the Municipal Manager was only filled for the first two months of the financial year.

**Remuneration of Chief Finance Officer**

| | | |
|---|---|---|
| Annual Remuneration | 668 550 | 236 389 |
| Car Allowance | 152 220 | 24 150 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 499 |
| | **822 267** | **261 038** |

**Remuneration of Executive Managers**

**Management Support Services**

| | | |
|---|---|---|
| Annual Remuneration | - | 304 737 |
| Car Allowance | - | 98 504 |
| Contributions to UIF, Medical and Pension Funds | - | 873 |
| | **-** | **404 114** |

The post of Executive Manager: Management Support Services was vacant for the duration of the financial year.

**Community Services**

| | | |
|---|---|---|
| Annual Remuneration | 490 189 | 466 847 |
| Car Allowance | 145 761 | 133 796 |
| Performance Bonuses | 56 120 | 67 032 |
| Contributions to UIF, Medical and Pension Funds | 130 197 | 182 468 |
| | **822 267** | **850 143** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 25. Employee related costs (continued)

**Service Delivery**

| | | |
|---|---|---|
| Annual Remuneration | 453 952 | 432 326 |
| Car Allowance | 220 571 | 153 718 |
| Performance Bonuses | - | 81 122 |
| Contributions to UIF, Medical and Pension Funds | 147 742 | 197 086 |
| | **822 265** | **864 252** |

**Development Planning and Housing**

| | | |
|---|---|---|
| Annual Remuneration | 520 282 | 495 556 |
| Car Allowance | 114 788 | 107 150 |
| Performance Bonuses | 41 143 | 58 625 |
| Contributions to UIF, Medical and Pension Funds | 146 054 | 180 406 |
| | **822 267** | **841 737** |

### 26. Remuneration of councillors

| | | |
|---|---|---|
| Executive Major | 648 647 | 540 778 |
| Speaker | 646 230 | 445 427 |
| Councillors | 5 738 689 | 4 803 116 |
| | **7 033 566** | **5 789 321** |

**In-kind benefits**

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

The Executive Mayor has the use of a Council owned vehicle with two driver bodyguards for official duties. The Executive Mayor is assisted by a manager, Gender Officer and an administrative assistant. The speaker is assisted by a manager and a secretary.

### 27. Debt impairment

| | | |
|---|---|---|
| Debt impairment | - | 8 292 037 |
| Contributions to debt impairment provision | 32 648 066 | 18 404 684 |
| | **32 648 066** | **26 696 721** |

### 28. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Interest charged on trade and other receivables | 2 278 277 | 655 710 |
| Interest earned - external investments | 745 778 | 1 371 391 |
| | **3 024 055** | **2 027 101** |

The amount included in Investment revenue arising from non-exchange transactions amounted to R 1 711 863.

### 29. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 34 253 666 | 31 840 656 |
| Investment property | 5 558 234 | 7 929 436 |
| | **39 811 900** | **39 770 092** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 30. Finance costs

| | | |
|---|---|---|
| Non-current borrowings | 7 639 174 | 5 375 962 |
| Finance cost on landfill site provision | 174 373 | - |
| | **7 813 547** | **5 375 962** |

Capitalisation rates used during the period were -% on specific borrowings for capital projects and 9% being the weighted average cost of funds borrowed generally by the municipality.

## 31. Taxation

The Municipality is exempt from income tax in terms of the Income Tax Act.

## 32. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 3 282 012 | 2 612 508 |

## 33. Contracted services

| | | |
|---|---|---|
| Specialist Services | 858 988 | 960 944 |
| Other Contractors | 1 056 619 | 1 484 371 |
| | **1 915 607** | **2 445 315** |

## 34. Bulk purchases

| | | |
|---|---|---|
| Electricity | 136 853 875 | 106 786 158 |
| Water | 28 779 150 | 27 369 673 |
| Sewer purification | 6 512 154 | 5 734 963 |
| | **172 145 179** | **139 890 794** |

## 35. Cash generated from operations

| | | |
|---|---|---|
| Deficit | (1 237 516) | (2 560 171) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 39 811 900 | 39 770 092 |
| Loss on sale of assets and liabilities | (2 551 469) | (628 374) |
| Impairment deficit | 751 925 | 64 152 |
| Debt impairment | 32 648 066 | 26 696 721 |
| Movements in provisions | 4 479 545 | 583 188 |
| Non-cash movement in inventory | (10 981 775) | - |
| Revaluation of unsold properties held for sale | - | 191 259 |
| **Changes in working capital:** | | |
| Inventories | 12 359 312 | 1 698 774 |
| Other receivables from exchange transactions | (20 182 156) | (6 385 235) |
| Consumer debtors | (34 893 419) | (43 253 459) |
| Payables from exchange transactions | (11 352 511) | 26 848 536 |
| VAT | 2 808 938 | 11 842 144 |
| Unspent conditional grants and receipts | 513 611 | (17 135 961) |
| Consumer deposits | 409 094 | 513 130 |
| | **12 583 545** | **38 244 796** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

## 36. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Financed infrastructure | 3 283 956 | 6 776 936 |

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

**Operating leases - as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 382 126 | 290 215 |
| - in second to fifth year inclusive | 526 812 | 209 575 |
| | **908 938** | **499 790** |

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

## 37. Contingencies

An arbitration award is in dispute regarding a claim from an employee against the municipality relating to a dispute with an employee who is claiming compensation from the municipality and is seeking damages of R 151 065. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the dispute should be resolved within the next year. Legal costs incurred amounted to R41 679.

Litigation is in the process against the municipality relating to a the legal fees arising from a dispute of the contravention of the consent granted in their favour by the municipality. an interdict was obtained by the municipality against the company and such was disputed in the High Court. The legal representatives of themunicipality are confident that judgement may be granted in favour of the municipality, and the case should be resolved within the next year. Legal costs of R80 000 have been incurred to date.

Litigation is in the process against the municipality and it's security services and the Minister of Safety and Security, by eight SAMWU strikers claiming damages in the amount of R 4 687 725. The case relates to incidents during May 2008 and procedings were instituted in May 2011. The matter is pending for judgement that was reserved after the closing arguments were done and should be finalized within the next year. Estimated legal costs are R100 000.

Litigation is in the process against the municipality regarding a dispute with the insurance company with regards to a claim of R 182 922.54 which was paid by the insurance towards repairs and fixing of the council vehicle that was involved in an accident. This matter will be finalized within the next year.

Litigation is in the process against the municipality and Gauteng Provincial Housing regarding a mixed housing project called Obed Nkosi. The land was expropriated, the owner of the land disputes the land value determined by the province valuators. Litigation is against Lesedi as it falls within Lesedi Municipal boundaries. Amount claimed is R20 million. Council offered R11 million of which R9 million has already been paid. If the applicant is successful, province will cover all costs and settlement amount. This claim was settled in September 2012 for R11 million. The legal costs incurred were R4 miilion.

A civil matter is pending against the municipality regarding license fees for the use of the Promis system for referral purposes on historical data. The amount of the claim is R207 000. The likelihood of the matter succeeding is almost certain.

A labour matter is pending against the municipality regarding regarding salary levels. The legal representatives of the municipality are confident the matter will be decided in favour of the municipality. The estimated legal costs are R20 000.

The municipality instituted debtor demand summonses to a number of debtors. The estimated legal costs are R31 226.79.

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 38. 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 | Directors remuneration - Refer to Employee Related Costs and Remuneration of Councillors notes |

### 39. Comparative figures

Certain comparative figures have been reclassified.

Sundry debtors were restated due grant claims receivable and district and court receivables being reclassified.

Gains and losses on the disposal of assets were restated to show seperately the gain and loss on the disposal of assets.

The effects of the reclassification are as follows:

| | 2012 | 2011 |
|---|---|---|
| **Statement of financial position** | | |
| Note 10 Other receivables from exchange transactions | - | - |
| Sundry debtors - now | 10 363 001 | 6 480 293 |
| Sundry debtors - previously | - | 6 242 753 |
| District and court receivables - now | - | - |
| District and court receivables - previously | - | 2 175 447 |
| Grant claims receivable - now | 2 250 021 | 1 937 908 |
| Grant claims receivable - previously | - | - |
| **Statement of Financial Performance** | | |
| Gain on disposal of assets - now | 7 323 365 | 754 818 |
| Gain on disposal of assets - previously | - | 628 374 |
| Loss on disposal of assets - now | (4 771 896) | (126 444) |
| Loss on disposal of assets - previously | - | - |

### 40. 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.

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

**Interest rate risk**

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 40. Risk management (continued)

**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 institution.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

| Financial instrument | 2012 | 2011 |
|---|---|---|
| ABSA - current account | 6 589 268 | 3 888 449 |

### 41. Going concern

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

### 42. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 390 433 | 16 108 |
| Add: Irregular Expenditure - current year | 7 066 468 | 390 433 |
| Less: Amounts recoverable (not condoned) | - | (16 108) |
| | **7 456 901** | **390 433** |

**Details of irregular expenditure – current year**

| Incident | Response by Management | |
|---|---|---|
| Store stock losses | Certain inventory items were found missing during the annual inventory verification. Disciplinary steps/ criminal proceedings are at the investigation stage. | 390 433 |
| Payments not supported by contracts | | 427 128 |
| Invoices not supported by 3 quotations | | 285 537 |
| Tax clearance certificates not submitted | | 2 232 529 |
| Deviations not line with the SCM policy | | 641 546 |
| Tenders that were not recommended by SCM | | 3 479 728 |
| | | **7 456 901** |

### 43. In-kind donations and assistance

The Municipality received the following in-kind donations and assistance:

DBSA provided the municipality with the services of a town planner expert (11 months), development expert(12 months) and and intern(12 months).

### 44. Additional disclosure in terms of Municipal Finance Management Act

**Audit fees**

| | | |
|---|---|---|
| Opening balance | - | - |
| Current year subscription / fee | 3 282 012 | 2 447 653 |
| Amount paid - current year | (3 282 012) | (2 447 653) |
| | **-** | **-** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
| --- | --- | --- |

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

**PAYE and UIF**

| | 2012 | 2011 |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 9 436 894 | 9 202 119 |
| Amount paid - current year | (9 436 894) | (9 202 119) |
| | - | - |

**Pension and Medical Aid Deductions**

| | 2012 | 2011 |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 23 836 755 | 22 318 063 |
| Amount paid - current year | (23 836 755) | (22 318 063) |
| | - | - |

**VAT**

| | 2012 | 2011 |
| --- | --- | --- |
| VAT payable | 3 772 565 | 963 627 |

VAT output payables and VAT input receivables are shown in note  and 11.

**Councillors' arrear consumer accounts**

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

| 30 June 2012 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| --- | --- | --- | --- |
| Moremi TS | 202 | 86 | 288 |
| Madonsela AV | 1 678 | 755 | 2 433 |
| | **1 880** | **841** | **2 721** |

| 30 June 2011 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| --- | --- | --- | --- |
| Lekala JM | 771 | 156 | 927 |
| Masina DG | 808 | 33 443 | 34 251 |
| Nkosi MNR | 3 712 | 5 361 | 9 073 |
| | **5 291** | **38 960** | **44 251** |

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

| 30 June 2012 | Highest outstanding amount | Aging (in days) |
| --- | --- | --- |
| All Councilors only had current balances | - | - |

| 30 June 2011 | Highest outstanding amount | Aging (in days) |
| --- | --- | --- |
| All councilors only had current balances | - | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 45. Utilisation of Long-term liabilities reconciliation

| | | |
|---|---|---|
| Long-term liabilities raised - Note 15 | 76 988 808 | 56 406 710 |

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 46. 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 adjudication committee and council, and includes a note to the annual financial statements.

Thirty three Procurements, noted below, were procured 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 adjudication committee and council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The procurements noted above are: 21 Companies due to the company being a sole supplier (R 1 722 465.14) - register kept at the offices, 10 Companies due SCM Regulation 36(1)(a)(i) (R 1 248 719.29) - register kept at officess, Razisign - removal and reconnection of electrical cables plus audits (R 198 180) , MJ and C Electrical - purchase of 300m x 185mm x 3 core x LPE 11 KV (R 252 054).

### 47. Unaccounted water and electricity

| **Distribution loss amounts** | | |
|---|---|---|
| Electricity | 31 474 238 | 16 716 215 |
| Water | 7 681 007 | 5 163 698 |
| | **39 155 245** | **21 879 913** |

ELECTRICITY

| Year | Units Purchased | Units Sold | Loss in Distribution |
|---|---|---|---|
| 2007/ 2008 | 223,817,061 | 192,100,223 | 14.17% |
| 2008/ 2009 | 229,180,514 | 201,180,324 | 12.22% |
| 2009/ 2010 | 235,566,237 | 206,899,525 | 12.17% |
| 2010/ 2011 | 238,306,342 | 204,505,368 | 14.18% |
| 2011/ 2012 | 241,821,725 | 190,444,798 | 21.20% |

WATER

| Year | Units Purchased | Units Sold | Loss in Distribution |
|---|---|---|---|
| 2007/ 2008 | 5,139,501 | 4,180,040 | 18.67% |
| 2008/ 2009 | 5,829,350 | 5,200,000 | 10.80% |
| 2009/ 2010 | 5,494,897 | 5,040,515 | 8.27% |
| 2010/ 2011 | 6,151,905 | 4,957,555 | 19.41% |
| 2011/ 2012 | 6,328,721 | 4,873,472 | 23.00% |

Included in the R31 474 238 for electricity loss is the acceptable norm for electricity losses of 5.6% - R8 296 033.

# Notes to the Annual Financial Statements

Figures in Rand

**48. Statement of comparative and actual information**

**2012**

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|
| **Financial Performance** | | | | | | | |
| Property rates | 45 813 566 | 45 813 566 | 45 813 566 | 54 509 763 | (8 696 197) | 119 % | 119 % |
| Service charges | 278 533 871 | 317 832 078 | 317 832 078 | 254 324 583 | 63 507 495 | 80 % | 91 % |
| Investment revenue | 1 870 000 | 8 997 415 | 8 997 415 | 3 024 055 | 5 973 360 | 34 % | 162 % |
| Transfers recognised - operational | 66 302 542 | 63 734 329 | 63 734 329 | 60 731 710 | 3 002 619 | 95 % | 92 % |
| Other own revenue | 14 805 752 | 775 437 | 775 437 | 30 387 583 | (29 612 146) | 3 919 % | 205 % |
| **Total revenue (excluding capital transfers and contributions)** | **407 325 731** | **437 152 825** | **437 152 825** | **402 977 694** | **34 175 131** | **92 %** | **99 %** |
| Employee costs | (95 864 801) | (94 494 211) | (94 494 211) | (91 132 911) | (3 361 300) | 96 % | 95 % |
| Remuneration of councillors | (7 362 394) | (6 975 387) | (6 975 387) | (7 033 566) | 58 179 | 101 % | 96 % |
| Debt impairment | (7 583 249) | (23 287 637) | (23 287 637) | (32 648 066) | 9 360 429 | 140 % | 431 % |
| Depreciation and asset impairment | (32 617 713) | (32 617 713) | (32 617 713) | (40 563 825) | 7 946 112 | 124 % | 124 % |
| Finance charges | (7 000 000) | (7 000 000) | (7 000 000) | (7 813 547) | 813 547 | 112 % | 112 % |
| Materials and bulk purchases | (163 832 043) | (210 832 043) | (210 832 043) | (172 145 179) | (38 686 864) | 82 % | 105 % |
| Other expenditure | (67 788 960) | (75 627 534) | (75 627 534) | (79 181 378) | 3 553 844 | 105 % | 117 % |
| **Total expenditure** | **(382 049 160)** | **(450 834 525)** | **(450 834 525)** | **(430 518 472)** | **(20 316 053)** | **95 %** | **113 %** |
| **Surplus/(Deficit)** | **25 276 571** | **(13 681 700)** | **(13 681 700)** | **(27 540 778)** | **13 859 078** | **201 %** | **(109)%** |

## Notes to the Annual Financial Statements

Figures in Rand

**48. Statement of comparative and actual information (continued)**

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|
| Transfers recognised - capital | 23 139 000 | 26 691 530 | 26 691 530 | 26 303 262 | 388 268 | 99 % | 114 % |
| **Surplus (Deficit) after capital transfers and contributions** | **48 415 571** | **13 009 830** | **13 009 830** | **(1 237 516)** | **14 247 346** | **(10)%** | **(3)%** |
| **Surplus/(Deficit) for the year** | **48 415 571** | **13 009 830** | **13 009 830** | **(1 237 516)** | **14 247 346** | **(10)%** | **(3)%** |

# Notes to the Annual Financial Statements

Figures in Rand

### 48. Statement of comparative and actual information (continued)

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final budget | Actual outcome | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|
| **Capital expenditure and funds sources** | | | | | | | |
| Total capital expenditure | 44 979 000 | 38 910 000 | 38 910 000 | 40 391 902 | (1 481 902) | 104 % | 90 % |
| **Sources of capital funds** | | | | | | | |
| Transfers recognised - capital | 23 339 000 | 26 691 527 | 26 691 527 | 33 020 092 | (6 328 565) | 124 % | 141 % |
| Borrowing | 4 600 000 | - | - | 7 191 863 | (7 191 863) | DIV/0 % | 156 % |
| Internally generated funds | 17 040 000 | 17 270 000 | 17 270 000 | 24 073 618 | (6 803 618) | 139 % | 141 % |
| **Total sources of capital funds** | **44 979 000** | **43 961 527** | **43 961 527** | **64 285 573** | **(20 324 046)** | **146 %** | **143 %** |
| **Cash flows** | | | | | | | |
| Net cash from (used) operating | 81 033 284 | (6 321 606) | (6 321 606) | 12 583 545 | (18 905 151) | (199)% | 16 % |
| Net cash from (used) investing | (44 979 000) | (35 563 051) | (35 563 051) | (30 464 834) | (5 098 217) | 86 % | 68 % |
| Net cash from (used) financing | - | 23 903 001 | 23 903 001 | 20 582 098 | 3 320 903 | 86 % | DIV/0 % |
| **Net increase/(decrease) in cash and cash equivalents** | **36 054 284** | **(17 981 656)** | **(17 981 656)** | **2 700 809** | **(20 682 465)** | **(15)%** | **7 %** |
| Cash and cash equivalents at the beginning of the year | 3 890 784 | 3 890 784 | 3 890 784 | - | 3 890 784 | - % | - % |
| **Cash and cash equivalents at year end** | **39 945 068** | **(14 090 872)** | **(14 090 872)** | **2 700 809** | **(16 791 681)** | **(19)%** | **7 %** |

### 49. Changes in accounting policy

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

- Library books - GRAP 17

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 49. Changes in accounting policy (continued)

**Library Books**

During the year, the municipality changed its accounting policy with respect to the treatment of library books. In order to conform with the benchmark treatment in GRAP17 – Property, plant and equipment.

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**

| | | |
|---|---|---|
| Note 4 Property, plant and equipment | - | - |
| Accumulated depreciation - now | (3 254 631) | (2 116 952) |
| Accumulated depreciation - previously | - | - |
| Depreciation - now | (1 301 512) | (1 013 928) |
| Depreciation - previously | - | - |

### 50. Impairment of assets

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | 751 925 | 64 152 |
| Impairments to assets arose as a result of damages to assets during the riots in Ratanda. | | |

The main classes of assets affected by impairment losses are:

Community Assets - R539,204.67

Other Property, plant and equipment - R211,742.33

### 51. Prior period errors

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

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
| --- | --- | --- |

### 51. Prior period errors (continued)

| | | |
| --- | --- | --- |
| **Statement of financial position** | | |
| VAT receivable - now | - | - |
| VAT receivable - previously | - | 603 862 |
| VAT payable - now | (3 772 565) | (963 627) |
| VAT payable - previously | - | - |
| VAT liability was restated due to adjustment to creditors | - | - |
| Note 3 Investment Property | - | - |
| Cost - now | 450 208 494 | 452 468 123 |
| Cost - previously | - | 292 772 293 |
| Accumulated depreciation - now | (25 093 056) | (29 810 029) |
| Accumulated depreciation - previously | - | (35 831 750) |
| Depreciation - now | (5 558 234) | (7 929 436) |
| Depreciation - previously | - | (13 951 157) |
| Depreciation was restated as the previous figure was for 24 months and not for 12 months. Consequently the accumulated depreciation figures had to be restated. The cost of investment property was restated due to line items not included in the previous years financial statements. | - | - |
| Note 4 Property, plant and equipment | - | - |
| Land | - | - |
| Cost - now | 170 741 399 | 170 741 399 |
| Cost - previously | - | 57 034 399 |
| Infrastructure | - | - |
| Accumulated depreciation and impairment - now | (245 440 798) | (222 810 529) |
| Accumulated depreciation and impairment - previously | - | (222 762 394) |
| Depreciation - now | (22 910 363) | (19 254 827) |
| Depreciation - previously | - | (19 270 844) |
| Impairment - now | - | (64 152) |
| Impairment - previously | - | - |
| Community | - | - |
| Cost - now | 50 589 848 | 50 589 848 |
| Cost - previously | - | 48 494 848 |
| Accumulated depreciation - now | (13 712 079) | (11 414 936) |
| Accumulated depreciation - previously | - | (11 439 157) |
| Depreciation - now | (1 757 939) | (1 641 320) |
| Depreciation - previously | - | (1 655 541) |
| Other PPE | - | - |
| Cost - now | 86 946 311 | 100 073 808 |
| Cost - previously | - | 100 538 948 |
| Accumulated depreciation - now | (54 044 323) | (55 591 025) |
| Accumulated depreciation - previously | - | (55 855 700) |
| Depreciation - now | (7 765 241) | (9 009 073) |
| Depreciation - previously | - | (9 273 748) |
| Depreciation was restated as the previous figure was for 24 months and not for 12 months. Consequently the accumulated depreciation figures had to be restated. The cost of land, community assets and other assets were restated due to line items not included in the previous years financial statements. The infrastructure was adjusted due to impairment on the landfill site not previously recorded, consequently the depreciation figures were affected and corrected. | - | - |
| Library Books | - | - |
| Cost - now | 12 255 629 | 10 536 622 |
| Cost - previously | - | 34 691 106 |
| Work in progress: Library - now | 1 612 500 | 2 983 274 |
| Work in progress: Library - previously | - | - |
| Library - Books were restated due to errors in the values used to account for library books previously. Work in progress - library were previously included in the figure for library books, have now been disclosed seperately for better disclosure. | - | - |
| Note 9 Inventories | - | - |
| Consumable stores - now | 3 921 802 | 3 897 010 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|
| **51. Prior period errors (continued)** | | |
| Consumable stores - previously | - | 3 892 022 |
| Consumable stores were restated due to stock surpluses previously not recorded. | - | - |
| Note 11 Consumer debtors | - | - |
| Gross Balance | - | - |
| VAT - now | 18 736 034 | 14 985 498 |
| VAT - previously | - | 14 922 013 |
| Other - now | 28 072 918 | 25 198 100 |
| Other - previously | - | 24 856 514 |
| Provision for debt impairment | - | - |
| VAT - now | (13 744 264) | (9 765 394) |
| VAT - previously | - | - |
| Other - now | (11 962 494) | (5 627 308) |
| Other - previously | - | (15 422 702) |
| Nett balance | - | - |
| VAT - now | 4 991 770 | 5 190 104 |
| VAT - previously | - | 14 922 013 |
| Other - now | 16 110 424 | 19 570 792 |
| Other - previously | - | 9 433 812 |
| Consumer debtors have been restated to include the effect of VAT in the provision of bad debt impairment. | - | - |
| Note 16 Payables from exchange transactions | - | - |
| Trade payables - now | (33 239 973) | (40 382 021) |
| Trade payables - previously | - | (51 105 415) |
| Sundry payables - now | (2 217 449) | (1 111 642) |
| Sundry payables - previously | - | (1 098 506) |
| Bulk purchases of electricity included an amount for the 2011/12 financial year. Consequently trade payables for 2010/11 were overstated. Sundry payables were restated due to an error on consumer deposits. | - | - |
| Note 17 Consumer deposits | - | - |
| Consumer deposits - now | (7 071 365) | (6 662 271) |
| Consumer deposits - previously | - | (6 696 107) |
| Consumer debtors were restated due to the correction of an error in the recording of unclaimed deposits. | - | - |

| | | |
|---|---|---|
| **Statement of Financial Performance** | | |
| Rental of facilities and equipment - now | 3 290 151 | 3 644 135 |
| Rental of facilities and equipment - previously | - | 3 302 549 |
| Rental of facilities was adjusted due to corrections made to sundry rentals | - | - |
| Depreciation and amortisation - now | (39 811 900) | (39 770 092) |
| Depreciation and amortisation - previously | - | (45 082 799) |
| Depreciation was adjusted due to depreciation on investment property, community assets and other ppe incorrectly provided for 24 months in the previous financial year. Depreciation on library books was provided due to a change in accounting policy in recognising the library books (See note 49). | - | - |
| Impairment loss - now | (751 925) | (64 152) |
| Impairment loss - previously | - | - |
| Impairment loss on landfill site was previously not taken into account. | - | - |
| Bulk purchases - now | (172 145 179) | (139 890 794) |
| Bulk purchases - previously | - | (150 958 641) |
| Bulk purchases of electricity included an amount for the 2011/12 financial year in the 2010/11 financial year. | - | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2012 | 2011 |
|---|---|---|

### 52. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening Balance | - | - |
| Add: Fruitless and wasteful expenditure - current year | 88 765 | - |
| | **88 765** | **-** |

Fruitless and wasteful expenditure consists of penalties and interest on late submission of VAT return in the prior year that were incurred in the current financial year.

### 53. Debtors on RDP houses not yet transferred

| **Reconciliation of RDP housing debtors** | | |
|---|---|---|
| Debtors on RDP houses not yet transferred | 32 959 798 | 32 959 798 |
| Impairment on debtors on RDP houses not yet transferred | (32 959 798) | (32 959 798) |
| | - | - |

## Schedule of external loans as at 30 June 2012

| | Loan Number | Redeemable | Balance at 30 June 2011 Rand | Received during the period Rand | Redeemed written off during the period Rand | Balance at 30 June 2012 Rand | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|---|---|---|---|---|---|---|---|---|
| **Development Bank of South Africa** | | | | | | | | |
| R11 JP Jameson Park - 13.56% Fixed | 12599/ 15400 | 20 Years | 49 075 | - | 14 252 | 34 823 | - | - |
| R12 Mun Off - 13.85% fixed | 100023 | 10 Years | 7 709 349 | - | 3 597 166 | 4 112 183 | - | - |
| R13 Rat Elec - 9.45% fixed | 102187 | 15 Years | 4 014 386 | - | 254 964 | 3 759 422 | - | - |
| R14 Electrical Upgrade - 9.59% fixed | 102986_1 | 20 Years | 19 581 605 | - | 486 933 | 19 094 672 | - | - |
| R15 Electrical Upgrade - 5.00% fixed | 102986_2 | 20 Years | 12 672 193 | - | 486 236 | 12 185 957 | - | - |
| R16 Vehicles - 11.87% fixed | 61000956 | 12 Years | 3 796 519 | - | 180 530 | 3 615 989 | - | - |
| R17 Infrastructure - 6.75% fixed | 61000955 | 20 Years | 3 314 664 | - | 89 400 | 3 225 264 | - | - |
| R18 Other - 14.24% fixed | 61000954 | 20 Years | 5 268 921 | - | 59 710 | 5 209 211 | - | - |
| R19 Electrical Infrastructure - 12% fixed | 61006830 | 20 Years | - | 7 807 015 | 51 763 | 7 755 252 | - | - |
| R20 ElecUpG Ext 23 & 7 - 6,75% fixed | 61006831 | 20 Years | - | 16 000 000 | 3 071 014 | 12 928 986 | - | - |
| R21 Roads and Stormwater - 11,65% fixed | 61006809 | 12 Years | - | 5 171 700 | 104 650 | 5 067 050 | - | - |
| Total external loans | | | **56 406 712** | **28 978 715** | **8 396 618** | **76 988 809** | **-** | **-** |

# Lesedi Local Municipality
# Lesedi Local Municipality
# Appendix B
June 2012

## Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Opening Balance Rand** | **Additions Rand** | **Disposals Rand** | **Transfers Rand** | **Revaluations Rand** | **Work in progress Rand** | **Closing Balance Rand** | **Opening Balance Rand** | **Disposals Rand** | **Transfers Rand** | **Depreciation Rand** | **Impairment loss Rand** | **Closing Balance Rand** | **Carrying value Rand** |
| **Land and buildings** | | | | | | | | | | | | | | |
| Other land | 170 841 399 | - | (100 000) | - | - | **-** | **170 741 399** | - | - | - | - | - | **-** | 170 741 399 |
| | **170 841 399** | **-** | **(100 000)** | **-** | **-** | **-** | **170 741 399** | **-** | **-** | **-** | **-** | **-** | **-** | **170 741 399** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 175 481 744 | 8 886 488 | - | - | - | **22 756 766** | **207 124 998** | (86 412 386) | - | - | (8 792 526) | - | **(95 204 912)** | 111 920 086 |
| Security measures | 4 330 874 | - | - | - | - | **-** | **4 330 874** | (1 594 094) | - | - | (144 659) | - | **(1 738 753)** | 2 592 121 |
| Water mains | 58 387 891 | 1 302 060 | (83 959) | - | - | **-** | **59 605 992** | (29 458 434) | 62 859 | - | (2 958 402) | - | **(32 353 977)** | 27 252 015 |
| Transmission & Reticulation - Electricity | 155 728 377 | 5 278 722 | (211 588) | - | - | **-** | **160 795 511** | (66 299 588) | 153 182 | - | (7 668 018) | - | **(73 814 424)** | 86 981 087 |
| Sewerage purification & reticulation | 58 751 449 | 466 728 | - | - | - | **-** | **59 218 177** | (38 311 064) | - | - | (3 032 332) | - | **(41 343 396)** | 17 874 781 |
| Landfill Site | 1 197 830 | 579 405 | - | - | - | **-** | **1 777 235** | (499 915) | - | - | (299 870) | - | **(799 785)** | 977 450 |
| Infrastructure on Agri Land | 363 162 | - | - | - | - | **-** | **363 162** | (170 994) | - | - | (14 556) | - | **(185 550)** | 177 612 |
| | **454 241 327** | **16 513 403** | **(295 547)** | **-** | **-** | **22 756 766** | **493 215 949** | **(222 746 475)** | **216 041** | **-** | **(22 910 363)** | **-** | **(245 440 797)** | **247 775 152** |
| **Community Assets** | | | | | | | | | | | | | | |
| Sports and recreational facilities | 5 398 906 | - | - | - | - | **-** | **5 398 906** | (1 831 551) | - | - | (179 498) | (134 060) | **(2 145 109)** | 3 253 797 |
| Civic Buildings | 45 190 942 | - | - | - | - | **-** | **45 190 942** | (9 583 385) | - | - | (1 578 441) | (405 144) | **(11 566 970)** | 33 623 972 |
| | **50 589 848** | **-** | **-** | **-** | **-** | **-** | **50 589 848** | **(11 414 936)** | **-** | **-** | **(1 757 939)** | **(539 204)** | **(13 712 079)** | **36 877 769** |

# Lesedi Local Municipality



## Analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work in progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Library** | | | | | | | | | | | | | | |
| Library books | 12 254 167 | 1 719 006 | - | (1 717 545) | - | 1 612 500 | 13 868 128 | (2 116 953) | - | - | (1 136 700) | (978) | (3 254 631) | 10 613 497 |
| | **12 254 167** | **1 719 006** | **-** | **(1 717 545)** | **-** | **1 612 500** | **13 868 128** | **(2 116 953)** | **-** | **-** | **(1 136 700)** | **(978)** | **(3 254 631)** | **10 613 497** |
| **Other assets** | | | | | | | | | | | | | | |
| Motor vehicles | 14 368 009 | 942 000 | (704 570) | - | - | - | 14 605 439 | (7 906 030) | 688 313 | - | (2 466 091) | - | (9 683 808) | 4 921 631 |
| Buildings | 38 678 901 | - | - | - | - | - | 38 678 901 | (21 688 635) | - | - | (1 291 943) | (193 774) | (23 174 352) | 15 504 549 |
| Furniture & Fittings | 3 834 865 | 25 959 | (1 403 057) | - | - | - | 2 457 767 | (2 869 836) | 1 300 929 | - | (286 877) | - | (1 855 784) | 601 983 |
| Office Equipment | 7 303 462 | 23 625 | (3 426 073) | - | - | - | 3 901 014 | (4 610 025) | 2 699 474 | - | (835 668) | (17 968) | (2 764 187) | 1 136 827 |
| Emergency Equipment | 954 085 | - | (268 390) | - | - | - | 685 695 | (443 960) | 146 865 | - | (68 341) | - | (365 436) | 320 259 |
| Plant & equipment | 25 877 589 | 48 500 | (4 729 177) | - | - | - | 21 196 912 | (15 946 153) | 4 150 933 | - | (2 527 783) | - | (14 323 003) | 6 873 909 |
| Bins and Containers | 426 719 | - | (7 901) | - | - | - | 418 818 | (153 790) | 7 898 | - | (42 206) | - | (188 098) | 230 720 |
| Specialised Vehicles | 8 758 177 | - | (3 756 413) | - | - | - | 5 001 764 | (1 972 596) | 529 273 | - | (246 331) | - | (1 689 654) | 3 312 110 |
| | **100 201 807** | **1 040 084** | **(14 295 581)** | **-** | **-** | **-** | **86 946 310** | **(55 591 025)** | **9 523 685** | **-** | **(7 765 240)** | **(211 742)** | **(54 044 322)** | **32 901 988** |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 170 841 399 | - | (100 000) | - | - | - | 170 741 399 | - | - | - | - | - | - | 170 741 399 |
| Infrastructure | 454 241 327 | 16 513 403 | (295 547) | - | - | 22 756 766 | 493 215 949 | (222 746 475) | 216 041 | - | (22 910 363) | - | (245 440 797) | 247 775 152 |
| Community Assets | 50 589 848 | - | - | - | - | - | 50 589 848 | (11 414 936) | - | - | (1 757 939) | (539 204) | (13 712 079) | 36 877 769 |
| Library | 12 254 167 | 1 719 006 | - | (1 717 545) | - | 1 612 500 | 13 868 128 | (2 116 953) | - | - | (1 136 700) | (978) | (3 254 631) | 10 613 497 |
| Other assets | 100 201 807 | 1 040 084 | (14 295 581) | - | - | - | 86 946 310 | (55 591 025) | 9 523 685 | - | (7 765 240) | (211 742) | (54 044 322) | 32 901 988 |
| | **788 128 548** | **19 272 493** | **(14 691 128)** | **(1 717 545)** | **-** | **24 369 266** | **815 361 634** | **(291 869 389)** | **9 739 726** | **-** | **(33 570 242)** | **(751 924)** | **(316 451 829)** | **498 909 805** |
| **Agricultural/Biological assets** | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | 4 325 826 | 175 417 | (1 486 729) | - | - | - | 3 014 514 | (2 697 796) | 1 486 729 | - | (683 423) | - | (1 894 490) | 1 120 024 |
| | **4 325 826** | **175 417** | **(1 486 729)** | **-** | **-** | **-** | **3 014 514** | **(2 697 796)** | **1 486 729** | **-** | **(683 423)** | **-** | **(1 894 490)** | **1 120 024** |
| **Investment properties** | | | | | | | | | | | | | | |
| Land | 352 672 992 | 10 100 747 | (13 066 943) | 10 981 775 | - | - | 360 688 571 | - | - | - | - | - | - | 360 688 571 |
| Buildings | 99 795 130 | - | (10 275 207) | - | - | - | 89 519 923 | (29 810 028) | 10 275 207 | - | (5 558 234) | - | (25 093 055) | 64 426 868 |
| | **452 468 122** | **10 100 747** | **(23 342 150)** | **10 981 775** | **-** | **-** | **450 208 494** | **(29 810 028)** | **10 275 207** | **-** | **(5 558 234)** | **-** | **(25 093 055)** | **425 115 439** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 170 841 399 | - | (100 000) | - | - | - | 170 741 399 | - | - | - | - | - | - | 170 741 399 |
| Infrastructure | 454 241 327 | 16 513 403 | (295 547) | - | - | 22 756 766 | 493 215 949 | (222 746 475) | 216 041 | - | (22 910 363) | - | (245 440 797) | 247 775 152 |
| Community Assets | 50 589 848 | - | - | - | - | - | 50 589 848 | (11 414 936) | - | - | (1 757 939) | (539 204) | (13 712 079) | 36 877 769 |
| Library | 12 254 167 | 1 719 006 | - | (1 717 545) | - | 1 612 500 | 13 868 128 | (2 116 953) | - | - | (1 136 700) | (978) | (3 254 631) | 10 613 497 |
| Other assets | 100 201 807 | 1 040 084 | (14 295 581) | - | - | - | 86 946 310 | (55 591 025) | 9 523 685 | - | (7 765 240) | (211 742) | (54 044 322) | 32 901 988 |
| Intangible assets | 4 325 826 | 175 417 | (1 486 729) | - | - | - | 3 014 514 | (2 697 796) | 1 486 729 | - | (683 423) | - | (1 894 490) | 1 120 024 |
| Investment properties | 452 468 122 | 10 100 747 | (23 342 150) | 10 981 775 | - | - | 450 208 494 | (29 810 028) | 10 275 207 | - | (5 558 234) | - | (25 093 055) | 425 115 439 |

# Lesedi Local Municipality
Lesedi Local Municipality
## Appendix B
June 2012

## Analysis of property, plant and equipment as at 30 June 2012

| Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work in progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| 1 244 922 496 | 29 548 657 | (39 520 007) | 9 264 230 | - | 24 369 266 | 1 268 584 642 | (324 377 213) | 21 501 662 | - | (39 811 899) | (751 924) | (343 439 374) | 925 145 268 |

# Lesedi Local Municipality
# Appendix C
June 2012

## Segmental analysis of property, plant and equipment as at 30 June 2012

| | Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Opening Balance Rand** | **Additions Rand** | **Disposals Rand** | **Transfers Rand** | **Revaluations Rand** | **Other changes, movements Rand** | **Closing Balance Rand** | **Opening Balance Rand** | **Disposals Rand** | **Transfers Rand** | **Depreciation Rand** | **Impairment deficit Rand** | **Closing Balance Rand** | **Carrying value Rand** |
| **Municipality** | | | | | | | | | | | | | | |
| Executive & Council | 19 244 116 | 23 625 | (15 515 277) | - | - | **-** | **3 752 464** | (12 417 001) | 10 776 739 | - | (760 777) | - | **(2 401 039)** | 1 351 425 |
| Corporate services | 627 108 565 | 18 162 334 | (24 341 084) | - | - | **-** | **620 929 815** | (60 034 654) | 10 518 299 | - | (10 843 869) | (187 161) | **(60 547 385)** | 560 382 430 |
| Planning & Development | 17 878 804 | - | - | - | - | **-** | **17 878 804** | (1 437 573) | - | - | (145 824) | (310 565) | **(1 893 962)** | 15 984 842 |
| Health | 77 345 331 | - | (751) | - | - | **-** | **77 344 580** | (5 668 187) | 751 | - | (4 002 608) | - | **(9 670 044)** | 67 674 536 |
| Community & Social Services | 13 245 379 | - | - | - | - | **-** | **13 245 379** | (1 294 243) | - | - | (120 048) | - | **(1 414 291)** | 11 831 088 |
| Housing | 33 080 848 | - | (3 248) | - | - | **-** | **33 077 600** | (8 660 296) | 2 666 | - | (516 524) | - | **(9 174 154)** | 23 903 446 |
| Public Safety | 3 875 088 | - | (152) | - | - | **-** | **3 874 936** | (1 951 655) | 152 | - | (446 278) | - | **(2 397 781)** | 1 477 155 |
| Sport and Recreation | 32 329 229 | 1 894 424 | (1 901 442) | - | - | **1 612 500** | **33 934 711** | (8 218 640) | 113 423 | - | (2 081 953) | (254 199) | **(10 441 369)** | 23 493 342 |
| Environmental Protection | 39 046 237 | 48 500 | (686 769) | - | - | **-** | **38 407 968** | (845 930) | 5 509 | - | (298 766) | - | **(1 139 187)** | 37 268 781 |
| Waste Water Management | 21 338 212 | 1 046 133 | - | - | - | **-** | **22 384 345** | (4 315 383) | - | - | (1 087 945) | - | **(5 403 328)** | 16 981 017 |
| Road Transport | 129 256 312 | 4 649 075 | (94 963) | - | - | **22 756 766** | **156 567 190** | (86 681 945) | 75 976 | - | (6 807 622) | - | **(93 413 591)** | 63 153 599 |
| Water | 111 172 932 | - | (3 713) | - | - | **-** | **111 169 219** | (66 648 305) | 2 997 | - | (5 804 254) | - | **(72 449 562)** | 38 719 657 |
| Electricity | 132 298 219 | 3 724 566 | (5 150) | - | - | **-** | **136 017 635** | (66 203 402) | 5 150 | - | (6 895 432) | - | **(73 093 684)** | 62 923 951 |
| | **1 257 219 272** | **29 548 657** | **(42 552 549)** | **-** | **-** | **24 369 266** | **1 268 584 646** | **(324 377 214)** | **21 501 662** | **-** | **(39 811 900)** | **(751 925)** | **(343 439 377)** | **925 145 269** |
| Total | **1 257 219 272** | **29 548 657** | **(42 552 549)** | **-** | **-** | **24 369 266** | **1 268 584 646** | **(324 377 214)** | **21 501 662** | **-** | **(39 811 900)** | **(751 925)** | **(343 439 377)** | **925 145 269** |

## Lesedi Local Municipality
## Appendix D
June 2012

### Segmental Statement of Financial Performance for the year ended

| Prior Year Actual Income Rand | Prior Year Actual Expenditure Rand | Prior Year Surplus /(Deficit) Rand | | Current Year Actual Income Rand | Current Year Actual Expenditure Rand | Current Year Surplus /(Deficit) Rand |
|---|---|---|---|---|---|---|
| | | | **Municipality** | | | |
| 51 711 285 | 17 005 738 | 34 705 547 | Executive & Council/Mayor and Council | 57 928 790 | 21 306 580 | 36 622 210 |
| 60 175 688 | 62 650 313 | (2 474 625) | Finance & Admin/Finance | 63 090 591 | 60 515 766 | 2 574 825 |
| 2 690 056 | 14 854 160 | (12 164 104) | Planning and Development/Economic Development/Plan | 7 070 420 | 12 199 901 | (5 129 481) |
| 5 980 260 | 4 940 888 | 1 039 372 | Health/Clinics | 6 172 555 | 8 843 478 | (2 670 923) |
| 4 197 062 | 9 882 448 | (5 685 386) | Comm. & Social/Libraries and archives | 3 645 076 | 8 802 281 | (5 157 205) |
| 360 662 | 2 561 633 | (2 200 971) | Housing | 494 241 | 3 076 954 | (2 582 713) |
| 2 431 593 | 12 217 875 | (9 786 282) | Public Safety/Police | 5 111 486 | 13 434 946 | (8 323 460) |
| 1 692 680 | 2 430 151 | (737 471) | Sport and Recreation | 71 140 | 2 635 785 | (2 564 645) |
| 188 | 8 259 540 | (8 259 352) | Environmental Protection/Pollution Control | - | 9 106 893 | (9 106 893) |
| 32 760 490 | 30 978 628 | 1 781 862 | Waste Water Management/Sewerage | 36 080 577 | 31 966 433 | 4 114 144 |
| 27 829 046 | 16 374 607 | 11 454 439 | Road Transport/Roads | 22 689 476 | 17 389 527 | 5 299 949 |
| 48 198 395 | 39 422 084 | 8 776 311 | Water/Water Distribution | 49 618 213 | 53 201 485 | (3 583 272) |
| 129 610 807 | 148 620 300 | (19 009 493) | Electricity /Electricity Distribution | 172 536 497 | 183 266 543 | (10 730 046) |
| **367 638 212** | **370 198 365** | **(2 560 153)** | **Total** | **424 509 062** | **425 746 572** | **(1 237 510)** |

# Lesedi Local Municipality
## Appendix E(1)
June 2012

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

| | Current year 2011 Act. Bal. Rand | Current year 2011 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Property rates | 54 509 763 | 45 813 566 | 8 696 197 | 19,0 | Conservative estimate used during budget |
| Service charges | 254 324 584 | 317 832 078 | (63 507 494) | (20,0) | Budgeted tariff increase greater than actual increase |
| Rental of facilities and equipment | 3 290 151 | 607 097 | 2 683 054 | 441,9 | Conservative minor budget set as recommended |
| Fines | 4 740 713 | - | 4 740 713 | - | |
| Government grants & subsidies | 87 034 972 | 90 425 858 | (3 390 886) | (3,7) | |
| Recoveries | 15 033 355 | 168 340 | 14 865 015 | 830,4 | Due to claims on damages during Ratanda riots |
| Interest received - investment | 3 024 055 | 8 997 415 | (5 973 360) | (66,4) | Full extent of drawdown of investments due to grant funding being spent not accounted for in the budget |
| | 421 957 593 | 463 844 354 | (41 886 761) | (9,0) | |
| Expenses | | | | | |
| Personnel | (91 132 915) | (94 494 211) | 3 361 296 | (3,6) | |
| Remuneration of councillors | (7 033 565) | (6 975 387) | (58 178) | 0,8 | |
| Depreciation | (39 811 900) | (32 617 713) | (7 194 187) | 22,1 | Additional depreciation due to assets not accounted in prior year |
| Impairments | (751 925) | - | (751 925) | - | |
| Finance costs | (7 813 548) | (7 000 000) | (813 548) | 11,6 | |
| Debt impairment | (32 648 067) | (23 287 637) | (9 360 430) | 40,2 | Overly optimistic estimate used when budgeting |
| Collection costs | (994 504) | (1 120 945) | 126 441 | (11,3) | Deliberate cost cutting to save funds |
| Repairs and maintenance - General | (22 378 562) | (23 880 083) | 1 501 521 | (6,3) | |
| Bulk purchases | (172 145 180) | (210 832 043) | 38 686 863 | (18,3) | Budgeted tariff increase greater than actual increase |
| Contracted Services | (1 915 608) | (3 146 432) | 1 230 824 | (39,1) | Deliberate cost cutting to save funds |
| General Expenses | (49 120 799) | (47 480 074) | (1 640 725) | 3,5 | |
| | (425 746 573) | (450 834 525) | 25 087 952 | (5,6) | |
| Other revenue and costs | | | | | |
| Gain or loss on disposal of assets and liabilities | 2 551 470 | - | 2 551 470 | - | |
| | 2 551 470 | - | 2 551 470 | - | |
| Net surplus/ (deficit) for the year | (1 237 510) | 13 009 829 | (14 247 339) | (109,5) | |

**Lesedi Local Municipality**
**Appendix E(2)**
June 2012

## Budget Analysis of Capital Expenditure as at 30 June 2011

| | Additions<br>Rand | Revised Budget<br>Rand | Variance<br>Rand | Variance<br>% | Explanation of significant variances from budget |
|---|---|---|---|---|---|
| **Municipality** | | | | | |
| Executive & Council | 24 | 30 | 6 | **20** | |
| Corporate services | 27 387 | 11 | (27 376) | **(248 873)** | |
| Planning & Development | - | 750 | 750 | **100** | |
| Health | - | - | - | **-** | |
| Community & Social Services | - | 465 | 465 | **100** | |
| Housing | - | - | - | **-** | |
| Public Safety | - | - | - | **-** | |
| Sport and Recreation | 524 | - | (524) | **-** | |
| Environmental Protection | 49 | - | (49) | **-** | |
| Waste Water Management | 1 046 | 1 000 | (46) | **(5)** | |
| Road Transport | 27 406 | 32 289 | 4 883 | **15** | |
| Water | - | 350 | 350 | **100** | |
| Electricity | 3 725 | 4 280 | 555 | **13** | |
| Other | - | - | - | **-** | |
| | - | - | - | **-** | |
| | - | - | - | **-** | |
| | - | - | - | **-** | |
| | - | - | - | **-** | |
| | **60 161** | **39 175** | **(20 986)** | **(54)** | |
| Other charges | **-** | **-** | **-** | **-** | |

**Lesedi Local Municipality**
**Appendix F**
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**
June 2012

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep | Dec | Mar | Jun | | Sep | Dec | Mar | Jun | | Sep | Dec | Mar | Jun | | | Yes/ No | |
| FMG | NT | 1 250 | - | - | - | - | 427 | 411 | 191 | 221 | - | - | - | - | - | - | | Yes | |
| INEG | NT | 3 000 | - | - | - | - | - | - | 3 000 | - | - | - | - | - | - | - | | Yes | |
| MSIG | NT | 800 | - | - | - | - | 8 | 134 | 363 | 295 | - | - | - | - | - | - | | Yes | |
| Prov Libraries | Prov | 3 850 | - | - | - | - | 578 | 493 | 735 | 1 137 | - | 396 | - | - | - | 1 303 | | | |
| Prov Clinics | Prov | 1 068 | 203 | 740 | 359 | - | 579 | 546 | 592 | 563 | - | (1 347) | - | - | - | (1 256) | | | |
| Prov Other | Prov | 1 644 | - | - | - | - | 248 | 329 | 789 | 1 085 | - | 925 | - | - | - | 117 | | | |
| District Health | Sedibeng | 964 | 195 | 743 | 547 | - | 808 | 596 | 545 | 640 | - | (421) | - | - | - | (560) | | | |
| District Other | Sedibeng | 183 | - | - | - | - | 111 | 77 | 183 | 78 | - | (137) | - | - | - | (403) | | | |
| MIG | NT | 10 139 | 8 000 | 5 000 | - | - | 4 491 | 11 302 | 4 748 | 2 182 | - | 434 | - | - | - | 850 | | Yes | |
| NER/DME | Prov | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Prov Health | Prov | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Vuna & Other | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Prov Other | Prov | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| District | Sedebeng | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| Equitable Share | NT | 21 927 | 12 904 | 13 156 | - | - | 14 531 | 11 876 | 12 489 | 9 624 | - | - | - | - | - | - | | | |
| | | 44 825 | 21 302 | 19 639 | 906 | - | 21 781 | 25 764 | 23 635 | 15 825 | - | (150) | - | - | - | 51 | | | |

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