



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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## General Information

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### Mayoral committee

Executive Mayor

Councillors

SW Mgenge

ME Ntshangase

ZD Mfusi

FPE Mpungose

BT Mnqayi

FM Thusi

SK Ngema

Grading of local authority

Grade 2

Chief Finance Officer (CFO)

C Ngema

Accounting Officer

Mrs M LUBBE

Registered office

25 Bredelia Street

Kwambonambi

KZN

3915

Postal address

P.O Box 96

Mbonami

3915

Bankers

ABSA Bank

Auditors

Auditor-General

Telephone

(035) 580-1421

Fax number

(035) 580-1141

E-mail Address (Accounting Officer)

Lubbea@mbonambi.co.za

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Index

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

| <b>Index</b>                                       | <b>Page</b> |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 3           |
| Report of the Auditor General                      | 4           |
| Accounting Officer's Report                        | 5           |
| Statement of Financial Position                    | 6           |
| Statement of Financial Performance                 | 7           |
| Statement of Changes in Net Assets                 | 8           |
| Cash Flow Statements                               | 9           |
| Accounting Policies                                | 10 - 19     |
| Notes to the Annual Financial Statements           | 20 - 32     |

### Appendixes:

Appendix B: Segmental Analysis of Property, Plant and Equipment

Appendix C: Segmental analysis of Statement of Financial Performance

Appendix D: Statement of Comparitives and Actual Information

### 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)                   |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Officer's Responsibilities and Approval

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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 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place 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, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Equitable Share for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial Treasury has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 32, which have been prepared on the going concern basis, were approved by the 31 August 2012 and were signed on its behalf by:

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**Mrs M LUBBE**  
Acting Municipal Manager



## Report of the Auditor General

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To the Provincial Legislature of Mfolozi Local Municipality  
Report on the financial statements

Auditor-General

31 August 2012

# **Mfolozi Local Municipality**

Annual Financial Statements for the year ended 30 June 2012

## **Accounting Officer's Report**

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The accounting officer submits her report for the year ended 30 June 2012.

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in municipal services and operates principally in South Africa.

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

### **2. Subsequent events**

Contracts for both Section 56 and 57 (Municipal Systems Act) managers expired after the end of the financial year. The municipal manager left the municipality and all those senior manager posts are occupied on an acting basis.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

| Figures in Rand                  | Notes | 2012              | 2011              |
|----------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                    |       |                   |                   |
| <b>Current Assets</b>            |       |                   |                   |
| Trade and other receivables      | 5     | 1 685 834         | 2 413 698         |
| Payment Received in Advance      | 6     | 541 691           | -                 |
| VAT receivable                   | 7     | 978 058           | 1 158 074         |
| Cash and cash equivalents        | 8     | 17 573            | 15 726            |
| <b>Total Current Assets</b>      |       | <b>3 223 156</b>  | <b>3 587 498</b>  |
| <b>Non-Current Assets</b>        |       |                   |                   |
| Property, plant and equipment    | 2     | 61 504 534        | 57 756 594        |
| Intangible assets                | 3     | 141 957           | 104 489           |
|                                  |       | <b>61 646 491</b> | <b>57 861 083</b> |
| <b>Total Assets</b>              |       | <b>64 869 647</b> | <b>61 448 581</b> |
| <b>Liabilities</b>               |       |                   |                   |
| <b>Current Liabilities</b>       |       |                   |                   |
| Payments received in Advance     | 4     | -                 | 645 673           |
| Finance Lease Obligation         | 9     | 126 180           | -                 |
| Trade and other payables         | 11    | 24 185 121        | 23 069 939        |
| Unspent conditional grants       | 10    | 3 874 273         | 4 735 482         |
| Bank overdraft                   | 8     | -                 | 209 905           |
| <b>Total Current Liabilities</b> |       | <b>28 185 574</b> | <b>28 660 999</b> |
| <b>Non-Current Liabilities</b>   |       |                   |                   |
| Finance Lease Obligation         | 9     | 263 334           | -                 |
| <b>Total Liabilities</b>         |       | <b>28 448 908</b> | <b>28 660 999</b> |
| <b>Net Assets</b>                |       | <b>36 420 739</b> | <b>32 787 582</b> |
| <b>Net Assets</b>                |       |                   |                   |
| Accumulated surplus              |       | 36 420 739        | 32 787 582        |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

| Figures in Rand                    |    | 2012                | 2011                |
|------------------------------------|----|---------------------|---------------------|
| <b>Revenue</b>                     |    |                     |                     |
| Property rates                     | 13 | 5 064 819           | 5 380 607           |
| Service charges                    | 14 | 218 465             | 211 048             |
| Rental of facilities and equipment |    | 119 091             | 89 308              |
| Interest received (trading)        |    | 416 561             | 191 601             |
| Fines                              |    | 133 000             | 123 976             |
| Government grants & subsidies      | 15 | 59 874 582          | 57 770 384          |
| Other Income                       |    | 330 340             | 541 527             |
| <b>Total Revenue</b>               |    | <b>66 156 858</b>   | <b>64 308 451</b>   |
| <b>Expenditure</b>                 |    |                     |                     |
| Personnel                          | 17 | (16 183 639)        | (15 263 977)        |
| Remuneration of councillors        | 18 | (6 060 311)         | (4 541 374)         |
| Depreciation and amortisation      |    | (15 997 834)        | (2 630 708)         |
| Finance costs                      | 19 | (495 381)           | (1 041 809)         |
| Provision for bad debts movement   |    | (2 038 474)         | -                   |
| Repairs and maintenance            |    | (1 769 061)         | (2 117 971)         |
| Contracted services                | 21 | (545 234)           | (627 920)           |
| Grant Expenditure                  |    | (45 000)            | (9 593 753)         |
| General Expenses                   | 16 | (19 395 021)        | (22 352 614)        |
| <b>Total Expenditure</b>           |    | <b>(62 550 976)</b> | <b>(58 170 126)</b> |
| <b>Surplus for the year</b>        |    | <b>3 605 882</b>    | <b>6 138 325</b>    |



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

| Figures in Rand                            | Accumulated surplus | Total net assets  |
|--|---------------------|-------------------|
| Opening balance as previously reported     | 28 873 027          | 28 873 027        |
| Prior year adjustments                     | (2 223 770)         | (2 223 770)       |
| <b>Balance at 01 July 2010 as restated</b> | <b>26 649 257</b>   | <b>26 649 257</b> |
| Surplus for the year                       | 6 138 325           | 6 138 325         |
| <b>Balance at 01 July 2011</b>             | <b>32 787 582</b>   | <b>32 787 582</b> |
| Correction of error                        | 26 27 275           | 27 275            |
| Total Restatement 01 July 2011             | 27 275              | 27 275            |
| Surplus for the year                       | 3 605 882           | 3 605 882         |
| <b>Balance at 30 June 2012</b>             | <b>36 420 739</b>   | <b>36 420 739</b> |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statements

| Figures in Rand   | Notes | 2012                | 2011                |
|---|-------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |       |                     |                     |
| <b>Receipts</b>   |       |                     |                     |
| Sale of land deposits                                       |       | -                   | 2 500 000           |
| Sale of goods and services                                  |       | 5 428 088           | 5 260 595           |
| Grants  |       | 58 845 000          | 59 983 145          |
| Interest income   |       | -                   | 18 778              |
| Other receipts  |       | 300 333             | 665 502             |
| <b>Total receipts</b>                                       |       | <b>64 573 421</b>   | <b>68 428 020</b>   |
| <b>Payments</b>   |       |                     |                     |
| Employee costs  |       | (21 675 996)        | (20 354 280)        |
| Suppliers   |       | (22 823 838)        | (33 470 505)        |
| Finance costs   |       | (495 381)           | -                   |
| <b>Total payments</b>                                       |       | <b>(44 995 215)</b> | <b>(53 824 785)</b> |
| <b>Net cash flows from operating activities</b>             | 22    | <b>19 578 206</b>   | <b>14 603 235</b>   |
| <b>Cash flows from investing activities</b>                 |       |                     |                     |
| Purchase of property, plant and equipment                   | 2     | (19 724 754)        | (15 203 222)        |
| Increase on the Finance Leased Assets                       | 2     | 389 515             | -                   |
| Purchase of other intangible assets                         | 3     | (58 490)            | -                   |
| Other movements-Prior year adjustments                      |       | 27 275              | -                   |
| <b>Net cash flows from investing activities</b>             |       | <b>(19 366 454)</b> | <b>(15 203 222)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>211 752</b>      | <b>(599 987)</b>    |
| Cash and cash equivalents at the beginning of the year      |       | (194 179)           | 405 808             |
| <b>Cash and cash equivalents at the end of the year</b>     | 8     | <b>17 573</b>       | <b>(194 179)</b>    |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below

#### 1.1 Grap Standards Summary

##### Applicable Standards

|          |  |
|----------|--|
| GRAP 1   | - Presentation of Financial Statement                              |
| GRAP 2   | - Cash Flow Statement  |
| GRAP 3   | - Accounting Policies , Changes in Accounting Estimates and Errors |
| GRAP 4   | - The Effects of Changes in Foreign Exchange Rates                 |
| GRAP 5   | - Borrowing Costs  |
| GRAP 6   | - Consolidated and Separate Financial Statements                   |
| GRAP 7   | - Investments in Associates  |
| GRAP 8   | - Investments in Joint Ventures                                    |
| GRAP 9   | - Revenue from Exchange Transactions                               |
| GRAP 10  | - Financial Reporting in Hyperinflationary Economies               |
| GRAP 11  | - Construction Contracts   |
| GRAP 12  | - Inventories  |
| GRAP 13  | - Leases   |
| GRAP 14  | - Events After the Reporting Date                                  |
| GRAP 16  | - Investment Properties  |
| GRAP 17  | - Property, Plant and Equipment                                    |
| GRAP 19  | - Provisions, Contingent Liabilities and Contingent Assets         |
| GRAP 100 | - Non-current Assets Held for Sale and Discontinued Operations     |
| GRAP 101 | - Agriculture  |
| GRAP 102 | - Intangible Assets  |

#### 1.2

##### Presentation Currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality

##### Going Concern Assumption

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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

#### Subsequent Measurement - Cost Model

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

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

#### Depreciation and Impairments

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

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

| Item                      | Average useful life |
|---------------------------|---------------------|
| Infrastructure Assets     | -                   |
| Infrastructure            |                     |
| • Roads and paving        | 30                  |
| • Stormwater Drainage     | 20                  |
| Community                 |                     |
| • Buildings               | 30                  |
| • Recreational facilities | 20-30               |
| • Security - fencing      | 5                   |
| • Community Halls         | 30                  |
| • Libraries               | 30                  |
| • Parks and Gardens       | 10                  |
| • Finance Lease Assets    |                     |
| • Office Equipment        | 4                   |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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

Other assets

|                                      |       |
|--------------------------------------|-------|
| • Buildings                          | 30    |
| • Specialised vehicles               | 10    |
| • Other vehicles                     | 5     |
| • Office equipment                   | 3-7   |
| • Furniture and fittings             | 7-10  |
| • Bins and containers                | 5     |
| • Specialised plant and equipment    | 10-15 |
| • Other items of plant and equipment | 5     |
| • Landfill Sites                     | 15    |
| • Emergency equipment                | 7     |
| • Computer equipment                 | 3     |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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.

#### Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 Intangible assets (continued)

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

#### Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

| Item                     | Useful life |
|--------------------------|-------------|
| Computer software, other | 5 years     |

### 1.5 Financial instruments

#### Initial Recognition

Financial instruments are initially recognised at fair value.

#### Subsequent Measurement

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

#### Investments

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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

#### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

#### Financial Liabilities: Account Payables

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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.6 Leases

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

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

#### 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.

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

Income for leases is disclosed under revenue in cash and other cash equivalents.

#### Operating leases - lessee

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



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Investment Properties

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

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

#### Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period

### 1.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.9 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality 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.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.9 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

### 1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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 recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

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

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

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

#### Revenue From Exchange Transactions

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

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

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

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

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

#### Grants, Transfers and Donations

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

### 1.11 Investment income

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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Borrowing costs

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

### 1.13 Retirement Benefits

#### Post Retirement

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

### 1.14 Comparative figures

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

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.15 Unauthorised expenditure

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

### 1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Irregular Expenditure

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

### 1.18 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.

### 1.19 Budget information

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

2012

2011

### 2. 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                                | 10 404 853        | -   | 10 404 853        | 10 404 853        | -   | 10 404 853        |
| Buildings                           | 7 385 974         | (2 938 901)   | 4 447 073         | 6 546 774         | (1 589 252)   | 4 957 522         |
| Leased-Office equipment             | 472 582           | (98 408)  | 374 174           | -                 | -   | -                 |
| Infrastructure                      | 16 841 180        | (7 238 012)   | 9 603 168         | 16 739 813        | (2 607 355)   | 14 132 458        |
| Community                           | 27 170 208        | (11 269 397)  | 15 900 811        | 27 128 572        | (2 388 720)   | 24 739 852        |
| Other property, plant and equipment | 7 132 557         | (4 443 944)   | 2 688 613         | 6 948 429         | (3 426 522)   | 3 521 907         |
| Assets under construction           | 18 085 842        | -   | 18 085 842        | -                 | -   | -                 |
| <b>Total</b>                        | <b>87 493 196</b> | <b>(25 988 662)</b>                                 | <b>61 504 534</b> | <b>67 768 441</b> | <b>(10 011 849)</b>                                 | <b>57 756 592</b> |

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

|                                     | Opening balance   | Additions         | Depreciation        | Total             |
|-------------------------------------|-------------------|-------------------|---------------------|-------------------|
| Land                                | 10 404 853        | -                 | -                   | 10 404 853        |
| Buildings                           | 4 957 522         | -                 | (510 449)           | 4 447 073         |
| Leased-Office equipment             | -                 | 472 582           | (98 408)            | 374 174           |
| Infrastructure                      | 14 132 458        | -                 | (4 529 290)         | 9 603 168         |
| Community                           | 24 739 852        | 457 042           | (9 296 084)         | 15 900 810        |
| Other property, plant and equipment | 3 521 907         | 709 288           | (1 542 582)         | 2 688 613         |
| Assets under construction           | -                 | 18 085 842        | -                   | 18 085 842        |
|                                     | <b>57 756 592</b> | <b>19 724 754</b> | <b>(15 976 813)</b> | <b>61 504 533</b> |

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

|                | Opening balance   | Additions         | Depreciation       | Total             |
|----------------|-------------------|-------------------|--------------------|-------------------|
| Land           | 10 404 853        | -                 | -                  | 10 404 853        |
| Buildings      | 4 251 009         | 924 739           | (218 226)          | 4 957 522         |
| Infrastructure | 8 030 193         | 6 661 916         | (559 651)          | 14 132 458        |
| Community      | 18 609 010        | 7 114 574         | (983 732)          | 24 739 852        |
| Other assets   | 3 867 993         | 501 993           | (848 079)          | 3 521 907         |
|                | <b>45 163 058</b> | <b>15 203 222</b> | <b>(2 609 688)</b> | <b>57 756 592</b> |

### 3. 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 | 162 978          | (21 021)  | 141 957        | 104 488          | -   | 104 488        |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011

### 3. Intangible assets (continued)

#### Reconciliation of intangible assets - 2012

|                          | Opening<br>balance | Additions | Amortisation | Total   |
|--------------------------|--------------------|-----------|--------------|---------|
| Computer software, other | 104 488            | 58 490    | (21 021)     | 141 957 |

#### Reconciliation of intangible assets - 2011

|                          | Opening<br>balance | Additions | Disposals | Total   |
|--------------------------|--------------------|-----------|-----------|---------|
| Computer software, other | -                  | 210 206   | (105 718) | 104 488 |

### 4. Payments Received in Advance

|                                 |   |         |
|---------------------------------|---|---------|
| Advance<br>Terms and conditions | - | 645 673 |
|---------------------------------|---|---------|

### 5. Trade and other receivables

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Trade debtors           | 3 530 257        | 2 179 724        |
| Provision for Bad debts | (2 038 474)      | -                |
| Other debtors           | 194 051          | 233 974          |
|                         | <b>1 685 834</b> | <b>2 413 698</b> |

#### Trade and other receivables by Category

|               |           |           |
|---------------|-----------|-----------|
| Rates         | 1 491 783 | 2 179 724 |
| Other debtors | 194 051   | 233 974   |

#### Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

|                      |           |           |
|----------------------|-----------|-----------|
| Current ( 0-30 days) | 719 873   | 308 190   |
| 31 to 60 days        | 213 506   | 383 564   |
| 61 to 90 days        | 204 855   | 275 324   |
| 91 to 120 days       | 2 632 646 | 1 520 836 |

#### Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 2 837 500 (2011: R -) were impaired and provided for.

The amount of the provision was R 2 038 474 as of 30 June 2012 (2011: R -)

#### Reconciliation of provision for impairment of trade and other receivables

|                          |             |   |
|--------------------------|-------------|---|
| Provision for impairment | (2 038 474) | - |
|--------------------------|-------------|---|

### 6. Payment Received in Advance

|                             |         |   |
|-----------------------------|---------|---|
| Payment Received in advance | 541 691 | - |
|-----------------------------|---------|---|

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand                       | 2012          | 2011             |
|---------------------------------------|---------------|------------------|
| <b>7. VAT receivable</b>              |               |                  |
| VAT                                   | 978 058       | 1 158 071        |
| <b>8. Cash and cash equivalents</b>   |               |                  |
| Cash and cash equivalents consist of: |               |                  |
| Cash and Bank                         | 17 159        | -                |
| Traffic fines account                 | 414           | 15 726           |
| Bank overdraft                        | -             | (209 905)        |
|                                       | <b>17 573</b> | <b>(194 179)</b> |
| Current assets                        | 17 573        | 15 726           |
| Current liabilities                   | -             | (209 905)        |
|                                       | <b>17 573</b> | <b>(194 179)</b> |

The municipality had the following bank accounts

| Account number / description                         | Bank statement balances |                  | Cash book balances |               |                  |          |
|--|-------------------------|------------------|--------------------|---------------|------------------|----------|
|  | 30 June 2012            | 30 June 2011     | 30 June 2012       | 30 June 2011  |                  |          |
| ABSA BANK - Account Type -<br>Cheque-40-5385-7155    | 207 842                 | (209 905)        | -                  | 17 159        | (209 905)        | -        |
| ABSA BANK - Account Type-<br>Housing 40-5905-5268    | 414                     | -                | -                  | -             | -                | -        |
| ABSA BANK - Account Type -<br>Traffic - 40-7854-4599 | 9 845                   | 15 726           | -                  | 414           | 15 726           | -        |
| ABSA BANK - Account Type<br>Traffic- 40-6506-2322    | 271                     | -                | -                  | 271           | -                | -        |
| <b>Total</b>   | <b>218 372</b>          | <b>(194 179)</b> | <b>-</b>           | <b>17 844</b> | <b>(194 179)</b> | <b>-</b> |

### 9. Finance Lease Obligation

|  |                |          |
|--|----------------|----------|
| <b>Minimum lease payments due</b>                  |                |          |
| - within one year                                  | 154 448        | -        |
| - in second to fifth year inclusive                | 292 667        | -        |
|  | 447 115        | -        |
| less: future finance charges                       | (57 601)       | -        |
| <b>Present value of minimum lease payments</b>     | <b>389 514</b> | <b>-</b> |
| <b>Present value of minimum lease payments due</b> |                |          |
| - within one year                                  | 126 180        | -        |
| - in second to fifth year inclusive                | 263 334        | -        |
|  | <b>389 514</b> | <b>-</b> |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>10. Unspent conditional grants</b>  |                   |                   |
| Unspent conditional grants and receipts comprises of:  |                   |                   |
| <b>Unspent conditional grants and receipts</b>   |                   |                   |
| MIG grant  | 372 594           | 1 133 993         |
| MAP - admin capacity   | 804 149           | 54 149            |
| Map - salgina crescent   | 842 680           | 1 727 363         |
| Housing grant  | 1 819 977         | 1 819 977         |
| MFMA Grant   | 34 873            | -                 |
|  | <b>3 874 273</b>  | <b>4 735 482</b>  |
| <b>Movement during the year</b>  |                   |                   |
| Balance at the beginning of the year   | 4 735 482         | 4 133 015         |
| Additions during the year  | 20 965 000        | 28 741 856        |
| Income recognition during the year   | (21 826 209)      | (28 139 389)      |
|  | <b>3 874 273</b>  | <b>4 735 482</b>  |
| The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. |                   |                   |
| See note 15 for reconciliation of grants from National/Provincial Government.  |                   |                   |
| <b>11. Trade and other payables</b>  |                   |                   |
| Trade payables   | 9 405 802         | 9 613 481         |
| Leave and bonus accrual  | 683 792           | 649 019           |
| Other creditors  | 14 095 525        | 12 807 433        |
|  | <b>24 185 121</b> | <b>23 069 934</b> |
| <b>12. Revenue</b>   |                   |                   |
| Property rates   | 5 064 819         | 5 380 607         |
| Refuse removal   | 218 465           | 211 048           |
| Rental of facilities & equipment   | 119 091           | 89 308            |
| Interest received  | 416 561           | 191 601           |
| Fines  | 133 000           | 123 976           |
| Government grants & subsidies  | 59 874 582        | 57 770 384        |
| Sundry Income  | 330 340           | 541 527           |
|  | <b>66 156 858</b> | <b>64 308 451</b> |



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand             | 2012               | 2011               |
|-----------------------------|--------------------|--------------------|
| <b>13. Property rates</b>   |                    |                    |
| <b>Rates received</b>       |                    |                    |
| Property Rates Levied       | 8 594 277          | 7 927 076          |
| Less: Income forgone        | (3 529 458)        | (2 546 469)        |
|                             | <b>5 064 819</b>   | <b>5 380 607</b>   |
| <b>Valuations</b>           |                    |                    |
| Residential                 | 22 885 000         | 22 885 000         |
| Commercial                  | 937 600            | 937 600            |
| State                       | 75 877 575         | 75 877 575         |
| Municipal ( Ngonyama Trust) | 38 604 000         | 38 604 000         |
| Agriculture                 | 136 436 000        | 136 436 000        |
|                             | <b>274 740 175</b> | <b>274 740 175</b> |
| <b>14. Service charges</b>  |                    |                    |
| Refuse removal              | 218 465            | 211 048            |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>15. Government grants and subsidies</b>                     |                   |                   |
| Equitable share  | 37 880 000        | 31 241 289        |
| MAP - saligna crescent   | -                 | 430 705           |
| MFMA   | 1 415 127         | 1 724 863         |
| MSIG   | 790 000           | 750 000           |
| MIG  | 15 236 399        | 10 952 883        |
| Housing grant  | -                 | 10 936 878        |
| Library Grant  | 168 573           | -                 |
| MAP Grant  | 4 384 683         | 1 733 766         |
|  | <b>59 874 782</b> | <b>57 770 384</b> |
| <b>MIG grant</b>   |                   |                   |
| Balance unspent at beginning of year                           | 1 133 993         | 51 876            |
| Current-year receipts  | 14 475 000        | 12 035 000        |
| Conditions met - transferred to revenue                        | (15 236 399)      | (10 952 883)      |
|  | <b>372 594</b>    | <b>1 133 993</b>  |
| Conditions still to be met - remain liabilities (see note 10). |                   |                   |
| <b>FMG Grant</b>   |                   |                   |
| Current-year receipts  | 1 450 000         | 1 200 000         |
| Conditions met - transferred to revenue                        | (1 415 127)       | (1 200 000)       |
|  | <b>34 873</b>     | <b>-</b>          |
| Conditions still to be met - remain liabilities (see note 10). |                   |                   |
| <b>MAP - admin capacity</b>                                    |                   |                   |
| Balance unspent at beginning of year                           | 54 149            | 484 854           |
| Current-year receipts  | 750 000           | -                 |
| Conditions met - transferred to revenue                        | -                 | (430 705)         |
|  | <b>804 149</b>    | <b>54 149</b>     |
| Conditions still to be met - remain liabilities (see note 10). |                   |                   |
| <b>MAP - saligna crescent</b>                                  |                   |                   |
| Balance unspent at beginning of year                           | 1 727 363         | 1 461 129         |
| Current-year receipts  | 3 500 000         | 2 000 000         |
| Conditions met - transferred to revenue                        | (4 384 683)       | (1 733 766)       |
|  | <b>842 680</b>    | <b>1 727 363</b>  |
| Conditions still to be met - remain liabilities (see note 10). |                   |                   |
| <b>Housing grant</b>   |                   |                   |
| Balance unspent at beginning of year                           | 1 819 977         | -                 |
| Current-year receipts  | -                 | 12 756 856        |
| Conditions met - transferred to revenue                        | -                 | (10 936 879)      |
|  | <b>1 819 977</b>  | <b>1 819 977</b>  |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand   | 2012      | 2011      |
|---|-----------|-----------|
| <b>15. Government grants and subsidies (continued)</b>        |           |           |
| <b>Sport and recreation</b>                                   |           |           |
| Balance unspent at beginning of year                          | -         | 524 863   |
| Conditions met - transferred to revenue                       | -         | (524 863) |
|   | -         | -         |
| Conditions still to be met - remain liabilities (see note 10) |           |           |
| <b>MSIG Grant</b>   |           |           |
| Current-year receipts   | 750 000   | 750 000   |
| Conditions met - transferred to revenue                       | (750 000) | (750 000) |
|   | -         | -         |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand                  | 2012              | 2011              |
|----------------------------------|-------------------|-------------------|
| <b>16. General expenses</b>      |                   |                   |
| Audit committee                  | 38 628            | 101 713           |
| Advertising                      | 251 258           | 260 795           |
| Auditors remuneration            | 1 566 910         | 1 091 874         |
| Bank charges                     | 108 769           | 142 064           |
| Cleaning                         | 413 893           | 175 261           |
| Poverty alleviation              | 571 061           | 845 939           |
| Internal audit                   | 716 004           | 848 961           |
| Professional fees                | 3 828 894         | 5 251 929         |
| Stores and material              | 32 762            | 24 369            |
| Publicity                        | 107 350           | 350 226           |
| Mayoral cup                      | 150 620           | 143 187           |
| Entertainment & receptions       | 180 334           | 82 313            |
| Zulu dance                       | 110 440           | 47 569            |
| Mayoral project                  | 548 735           | 3 023 971         |
| Purchase of books                | 15 362            | 20 217            |
| Insurance                        | 255 687           | 217 209           |
| Conferences and seminars         | 181 612           | 22 700            |
| Street lighting                  | 527 029           | 613 052           |
| Legal fees                       | 89 227            | 81 146            |
| Rent - vehicles                  | 612 498           | 583 740           |
| Rent - copier                    | 267 419           | 310 462           |
| Traffic Management Fees          | 639 395           | 328 947           |
| Medical examinations             | 6 368             | 6 491             |
| Sample testing                   | -                 | 54 588            |
| Fuel and oil                     | 596 484           | 543 683           |
| Small tools                      | 51 778            | 1 673             |
| Postal services                  | 15 395            | 83 012            |
| Printing and stationery          | 512 905           | 300 204           |
| Protective clothing              | 21 363            | -                 |
| Licenses                         | 4 023             | 93 369            |
| Refreshments - council           | 218 083           | 107 521           |
| Refreshments                     | 123 580           | 262 162           |
| Levies & membership fees         | 127 602           | 30 810            |
| Telephone                        | 882 803           | 727 196           |
| Training councillors             | -                 | 170 614           |
| Training                         | 139 196           | 44 640            |
| Subsistence and travelling       | 1 117 768         | 770 047           |
| Youth skills                     | 27 000            | -                 |
| Assets expensed                  | -                 | 805 602           |
| Electricity and water services   | 1 588 523         | 1 260 574         |
| Sanitation                       | 237 767           | 129 348           |
| Uniforms and protective clothing | 31 528            | 44 221            |
| Archiving                        | 23 780            | 15 838            |
| Bursaries                        | 531 978           | 42 940            |
| Community bursaries              | 202 763           | 352 932           |
| Contribution to research         | -                 | 400 088           |
| Disaster fund                    | 832 510           | 257 528           |
| HIV awareness campaign           | 41 655            | 65 360            |
| IDP operating projects           | 190 534           | -                 |
| LED                              | 141 220           | 352 600           |
| Grants & donations               | 165 915           | 219 316           |
| Sundries                         | 17 393            | 59 604            |
| KwaNaloga games                  | 352 241           | 257 077           |
| Farming only                     | -                 | 325 932           |
|                                  | <b>19 416 042</b> | <b>22 352 614</b> |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand                                     | 2012              | 2011              |
|---|-------------------|-------------------|
| <b>17. Employee related costs</b>                   |                   |                   |
| Basic   | 10 634 951        | 10 284 071        |
| Bonus   | 589 541           | 583 420           |
| Medical aid - company contributions                 | 703 909           | 612 489           |
| SDL   | 185 977           | 160 992           |
| Other payroll levies                                | 1 191 209         | 1 062 985         |
| Leave pay provision charge                          | 34 773            | (19 562)          |
| Relief and overtime payments                        | 733 044           | 556 757           |
| Night allowances                                    | 104 828           | 33 218            |
| Travel allowance                                    | 1 605 192         | 1 577 938         |
| Housing benefits and allowances                     | 40 240            | 40 240            |
| Funeral scheme                                      | 59 917            | 21 792            |
| Group life insurance                                | 213 781           | 268 426           |
| Unemployment insurance                              | 82 673            | 77 648            |
| Bargaining council                                  | 3 604             | 3 563             |
|   | <b>16 183 639</b> | <b>15 263 977</b> |
| <b>Remuneration of municipal manager</b>            |                   |                   |
| Annual Remuneration                                 | 676 475           | 612 149           |
| Car Allowance                                       | 289 918           | 425 824           |
| Contributions to UIF, Medical and Pension Funds     | 1 497             | 1 497             |
|   | <b>967 890</b>    | <b>1 039 470</b>  |
| <b>Remuneration of chief finance officer</b>        |                   |                   |
| Annual Remuneration                                 | 574 514           | 519 883           |
| Car Allowance                                       | 143 628           | 273 283           |
| Contributions to UIF, Medical and Pension Funds     | 1 497             | 1 497             |
|   | <b>719 639</b>    | <b>794 663</b>    |
| <b>Remuneration of corporate services directors</b> |                   |                   |
| Annual Remuneration                                 | 574 514           | 519 883           |
| Car Allowance                                       | 143 628           | 231 960           |
| Contributions to UIF, Medical and Pension Funds     | 1 497             | 1 497             |
|   | <b>719 639</b>    | <b>753 340</b>    |
| <b>Remuneration of technical services directors</b> |                   |                   |
| Annual Remuneration                                 | 574 514           | 519 883           |
| Car Allowance                                       | 143 628           | 282 174           |
| Contributions to UIF, Medical and Pension Funds     | 1 497             | 1 497             |
|   | <b>719 639</b>    | <b>803 554</b>    |
| <b>PAYE, UIF &amp; SDL</b>                          |                   |                   |
| Opening balance                                     | 7 414 710         | 6 857 537         |
| Council subscriptions                               | 3 655 293         | 3 904 866         |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand                               | 2012             | 2011             |
|---|------------------|------------------|
| <b>17. Employee related costs (continued)</b> |                  |                  |
| Amount paid - previous years                  | (4 545 755)      | (3 347 993)      |
| <b>Balance unpaid (included in payables)</b>  | <b>6 524 248</b> | <b>7 414 710</b> |
| <b>Pension and Medical Aid</b>                |                  |                  |
| Opening balance                               | 132 110          | 202 482          |
| Council subscriptions                         | 2 090 327        | 1 675 473        |
| Amount paid - current                         | (1 720 044)      | (1 543 363)      |
| Amount paid - previous years                  | -                | (202 482)        |
| <b>Balance unpaid (included in payables)</b>  | <b>502 393</b>   | <b>132 110</b>   |
| <b>18. Remuneration of councillors</b>        |                  |                  |
| Executive Mayor                               | 213 832          | 205 049          |
| Cellphone Allowances                          | 319 086          | 261 610          |
| Councillors Allowances                        | 4 334 761        | 3 012 079        |
| Travel Allowances                             | 1 192 632        | 1 062 636        |
|   | <b>6 060 311</b> | <b>4 541 374</b> |
| <b>19. Finance costs</b>                      |                  |                  |
| Other interest paid                           | 495 381          | 1 041 809        |
| <b>20. Auditors' remuneration</b>             |                  |                  |
| Opening for previous year                     | 248              | 438 437          |
| Amount paid previous years                    | -                | (438 437)        |
| Current year Audit Fees                       | 1 610 803        | 1 092 121        |
| Current year fees paid                        | (1 566 910)      | (1 091 874)      |
| <b>Balance unpaid ( Included on Payables)</b> | <b>44 141</b>    | <b>247</b>       |
| <b>21. Contracted services</b>                |                  |                  |
| Specialist Services                           | -                | 25 036           |
| Other Contractors                             | 545 234          | 602 884          |
|   | <b>545 234</b>   | <b>627 920</b>   |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand                                  | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>22. Cash generated from operations</b>        |                   |                   |
| Surplus  | 3 626 903         | 6 138 325         |
| <b>Adjustments for:</b>                          |                   |                   |
| Depreciation and amortisation                    | 15 976 813        | 2 630 708         |
| Debt impairment                                  | 2 038 474         | -                 |
| <b>Changes in working capital:</b>               |                   |                   |
| Trade and other receivables                      | 727 864           | (475 727)         |
| Other receivables from non-exchange transactions | (1 187 364)       | -                 |
| Consumer debtors                                 | (2 038 474)       | -                 |
| Trade and other payables                         | 1 115 186         | 2 315 600         |
| VAT  | 180 013           | 1 902 059         |
| Unspent conditional grants                       | (861 209)         | 2 212 759         |
| Consumer deposits                                | -                 | (120 489)         |
|  | <b>19 578 206</b> | <b>14 603 235</b> |

### 23. Commitments

#### Commitments in respect of Capital Expenditure

##### Already contracted for and Approved

|                  |                  |                  |
|------------------|------------------|------------------|
| • Community      | 2 845 933        | 2 194 465        |
| • Other          | 954 768          | 522 122          |
| • Infrastructure | 430 717          | 2 231 153        |
|                  | <b>4 231 418</b> | <b>4 947 740</b> |

##### Approved but not yet contracted for

|                  |                   |                   |
|------------------|-------------------|-------------------|
| • Infrastructure | 17 558 000        | 2 722 500         |
| • Community      | -                 | 11 751 500        |
| • Other          | -                 | 3 150 000         |
|                  | <b>17 558 000</b> | <b>17 624 000</b> |

### 24. Contingencies

#### Litigation Details

|                              |        |   |
|------------------------------|--------|---|
| Nhlangothi Construction      | 50 000 | - |
| Ulwazi Consulting Associates | 75 000 | - |

### 25. Change in Accounting Estimates

During the financial year management reviewed the conditions of all assets. During the review process useful lives of assets were reviewed from prior year. The revision of estimated resulting in an increase in current year charge of depreciation by of R 13,879,400. The breakdown per asset class below;

|                  | Opening<br>Acc Dep | Closing<br>Acc Dep | Effect of review<br>of estimated |
|------------------|--------------------|--------------------|----------------------------------|
| Buildings        | 1 589 252          | 2 730 073          | 1 140 821                        |
| Infrastructure   | 2 607 355          | 6 785 832          | 4 178 477                        |
| Community Assets | 2 388 720          | 10 552 353         | 8 163 633                        |
| Other PPE        | 3 426 522          | 3 822 991          | 396 469                          |
| <b>Total</b>     | <b>10 011 849</b>  | <b>23 891 249</b>  | <b>13 879 400</b>                |

### 26. Correction of an Error

During the current year and adjustment of R 27,275 was made to the Accumulated Surplus. This relates to the stale cheques that were not presented for payment in the previous financial year.

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand   | 2012                    | 2011                     |
|---|-------------------------|--------------------------|
| <b>26. Correction of an Error (continued)</b>   |                         |                          |
| <b>26.1 Trade and other receivables</b>   |                         |                          |
| Balance previously reported   | -                       | 2 107 575                |
| Restatement   | -                       | <u>(169 163)</u>         |
| <b>Restated Balance</b>   | -                       | <b><u>1 937 972</u></b>  |
| The balance for Trade and other receivables was restated due to the unreconciling Age Analysis and debtors control account. |                         |                          |
| <b>26.2 Trade and other payables</b>  |                         |                          |
| Balance previously reported   | -                       | 9 493 249                |
| Restatement   | -                       | <u>1 113 773</u>         |
| <b>Restated Balance</b>   | -                       | <b><u>10 607 022</u></b> |
| The balance for Trade and other payables was restated due to understatement of SARS amount payable                          |                         |                          |
| <b>26.3 Property Plant and Equipment at cost</b>  |                         |                          |
| Balance previously reported   | -                       | 43 503 870               |
| Restatement   | -                       | <u>(1 150 601)</u>       |
| <b>Restated Balance</b>   | -                       | <b><u>42 353 270</u></b> |
| <b>26.4 Intangible Assets at cost</b>   |                         |                          |
| Balance previously reported   | -                       | -                        |
| Restatement   | -                       | <u>210 206</u>           |
| <b>Restated Balance</b>   | -                       | <b><u>210 206</u></b>    |
| <b>26.5 Amortisation of Intangible Assets</b>   |                         |                          |
| Balance previously reported   | -                       | -                        |
| Restatement   | -                       | <u>84 697</u>            |
| <b>Restated Balance</b>   | -                       | <b><u>84 697</u></b>     |
| <b>26.6 Accumulated Surplus/(Deficit)</b>   |                         |                          |
| Balance previously reported   | -                       | 28 872 027               |
| Property Plant and Equipment  | -                       | (940 394)                |
| Trade and other receivables   | -                       | (169 603)                |
| Trade and other payables  | -                       | <u>(1 113 773)</u>       |
| <b>Restated Balance</b>   | -                       | <b><u>26 649 257</u></b> |
| <b>Cash Flow Statements</b>   |                         |                          |
| <b>Cash and Other Cash Equivalents</b>  |                         |                          |
| Balance previously reported   | (194 179)               | -                        |
| Restatement   | 27 275                  | -                        |
| <b>Restated Balance</b>   | <b><u>(166 904)</u></b> | -                        |
| <b>Impact of change on accumulated Surplus Bank</b>   | <b>27 275</b>           | -                        |

## 27. Going concern

Management acknowledges the unfavourable financial health of the Municipality, characterised by Payables (Note 11) of R 24 196 247, grants not cashed back and penalties and interests due to non-payment of P.A.Y.E , SDL, and UIF. Despite this the guaranteed equitable share allocations that inject cash on continuous basis.



# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

| Figures in Rand  | 2012              | 2011             |
|--|-------------------|------------------|
| <b>28. Unauthorised and Irregular expenditure</b>                  |                   |                  |
| Opening Balance  | 4 735 482         | 3 440 006        |
| Current year irregular expenditure                                 | 9 834 776         | -                |
| Conditional grants not cash backed                                 | 3 874 273         | 4 735 482        |
| Condoned or written off by Council                                 | (4 735 482)       | (3 440 006)      |
| <b>Unauthorised and irregular expenditure awaiting condonement</b> | <b>13 709 049</b> | <b>4 735 482</b> |
| <b>29. Fruitless and wasteful expenditure</b>                      |                   |                  |
| Opening Balance  | 1 890 885         | 295 934          |
| Current year   | -                 | 849 076          |
| Interests and Penalties-SARS                                       | 873 107           | 1 041 809        |
| Condoned or written off by Council                                 | (1 890 885)       | (295 934)        |
| <b>Fruitless and wasteful expenditure awaiting condonement</b>     | <b>873 107</b>    | <b>1 890 885</b> |

# Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2012

## Appendix B

June 2012

### Analysis of property, plant and equipment as at 30 June 2010

| Cost/Revaluation | Accumulated depreciation |
|------------------|--------------------------|
|------------------|--------------------------|

|  | Opening Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|-------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>  |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)                                   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Landfill Sites (Separate for AFS purposes)                         | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Quarries (Separate for AFS purposes)                               | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buildings (Separate for AFS purposes)                              | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
|  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Infrastructure</b>  |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Roads, Pavements & Bridges   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Storm water  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Generation   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Transmission & Reticulation  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Street lighting  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Dams & Reservoirs  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Water purification   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Reticulation   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Sewerage purification  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Housing  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Waste Management   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Gas  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other (fibre optic, WIFI infrastrucur)                             | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other 1  | 53 342                  | -                 | -                 | -                 | -                    | -                                   | 53 342                     | (11 446)                   | -                 | -                 | -                    | -                       | (11 446)                   | 41 896                    |
|  | <b>53 342</b>           | -                 | -                 | -                 | -                    | -                                   | <b>53 342</b>              | <b>(11 446)</b>            | -                 | -                 | -                    | -                       | <b>(11 446)</b>            | <b>41 896</b>             |
| <b>Community Assets</b>  |                         |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Parks & gardens  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Sportsfields and stadium   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Swimming pools   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Community halls  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Libraries  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Recreational facilities  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Clinics  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Museums & art galleries  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Social rental housing  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Cemeteries   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Fire, safety & emergency   | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Security and policing  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buses  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
|  | -                       | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |

# Appendix B

June 2012

## Analysis of property, plant and equipment as at 30 June 2010

### Cost/Revaluation Accumulated depreciation

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>                         |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Buildings                                      | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Specialised vehicles</b>                    |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Refuse   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Fire   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Conservancy                                    | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Ambulances                                     | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buses  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Other assets</b>                            |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| General vehicles                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Plant & equipment                              | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Computer Equipment                             | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Computer Software (part of computer equipment) | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Furniture & Fittings                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Office Equipment                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Office Equipment - Leased                      | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Abattoirs                                      | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Markets  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Airports                                       | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Security measures                              | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Civic land and buildings                       | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other buildings                                | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other land                                     | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Bins and Containers                            | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Work in progress                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other Assets - Leased                          | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Surplus Assets - (Investment or Inventory)     | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Housing development                            | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Total property plant and equipment</b>      |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land and buildings                             | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Infrastructure                                 | 53 342                     | -                 | -                 | -                 | -                    | -                                   | 53 342                     | (11 446)                   | -                 | -                 | -                    | -                       | (11 446)                   | 41 896                    |
| Community Assets                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Heritage assets                                | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Specialised vehicles                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other assets                                   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |





**Segmental analysis of property, plant and equipment as at 30 June 2010**  
**Cost/Revaluation** **Accumulated Depreciation**

| Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment deficit<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------------|---------------------------|
| -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                          | -                          | -                         |
| -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                          | -                          | -                         |





**Appendix D**

June 2012

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

| Actual<br>Income<br>Rand | Actual<br>Expenditure<br>Rand | Surplus<br>/(Deficit)<br>Rand | Rand         | Actual<br>Income<br>Rand | Actual<br>Expenditure<br>Rand | Surplus<br>/(Deficit)<br>Rand |
|--------------------------|-------------------------------|-------------------------------|--------------|--------------------------|-------------------------------|-------------------------------|
| -                        | -                             | -                             |              | -                        | -                             | -                             |
| -                        | -                             | -                             |              | -                        | -                             | -                             |
| -                        | -                             | -                             |              | -                        | -                             | -                             |
| -                        | -                             | -                             |              | -                        | -                             | -                             |
| -                        | -                             | -                             |              | -                        | -                             | -                             |
| -                        | -                             | -                             | <b>Total</b> | -                        | -                             | -                             |