

# **MAGARENG**

## **MUNICIPALITY**



### **FINANCIAL STATEMENTS**

**30 JUNE 2012**

# MAGARENG LOCAL MUNICIPALITY

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# MAGARENG LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Magareng Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

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

#### JURISDICTION

The Magareng Municipality includes the following areas:

<i>Warrenton</i>	Molekos Farm
<i>Ikhutseng</i>	Sydneys Hope
<i>Warrenvale</i>	Windsorton Station
<i>Majeng</i>	

#### MUNICIPAL MANAGER

*G.H.Mathobela (Acting)*

#### CHIEF FINANCIAL OFFICER

*Mr HS Oberholzer*

#### REGISTERED OFFICE

*Magrieta Prinsloo Street, Warrenton, 8530*

#### AUDITORS

*Office of the Auditor General (Kimberley)*

#### PRINCIPLE BANKERS

*FIRST NATIONAL Bank, Uys Street, Warrenton,8530*

#### ATTORNEYS

*Towell & Groenewaldt, Rugby House, Roper Street, Kimberley, 8301*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# MAGARENG LOCAL MUNICIPALITY

## MEMBERS OF THE MAGARENG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>E.M. Hans</i>
2	<i>V.M. Ximba</i>
3	<i>G.E. Manopole (Mayor)</i>
4	<i>H.O. Kgadiete</i>
5	<i>J. Potgieter</i>
Proportional	<i>O.M. Majola</i>
Proportional	<i>J. Louw</i>
Proportional	<i>M.R. Moleko</i>
Proportional	<i>S.P. Mnqathula</i>

### APPROVAL OF FINANCIAL STATEMENTS

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

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

---

*G.H.Mathobela (Acting)*  
**Municipal Manager**

21 September 2012  
**Date**

**MAGARENG LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

	Notes	2012 R (Actual)	2011 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>161 569 385</b>	<b>173 903 315</b>
Accumulated Surplus/(Deficit)		161 569 385	173 903 315
<b>Non-Current Liabilities</b>		<b>6 731 952</b>	<b>6 160 781</b>
Employee benefits	2	6 731 952	6 160 781
Non-Current Provisions	3	-	-
<b>Current Liabilities</b>		<b>60 297 096</b>	<b>53 387 385</b>
Consumer Deposits	4	567 846	530 197
Current Employee benefits	5	3 100 651	2 875 991
Payables from exchange transactions	6	36 851 475	32 460 198
Unspent Conditional Government Grants and Receipts	7	19 356 487	16 265 436
Cash and Cash Equivalents	15	420 637	1 255 562
<b>Total Net Assets and Liabilities</b>		<b>228 598 433</b>	<b>233 451 481</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>178 980 149</b>	<b>183 320 281</b>
Property, Plant and Equipment	9	178 425 902	177 284 228
Intangible Assets	10	554 247	633 395
Non-Current Investments	11	-	5 402 659
<b>Current Assets</b>		<b>49 618 284</b>	<b>50 131 200</b>
Inventory	12	34 465	23 986
Receivables from exchange transactions	13	33 132 825	37 412 953
Receivables from non-exchange transactions	14	5 151 115	4 414 193
Unpaid Conditional Government Grants and Receipts	7	1 168 290	1 168 290
Taxes	8	10 090 107	7 110 779
Cash and Cash Equivalents	15	41 482	1 000
<b>Total Assets</b>		<b>228 598 433</b>	<b>233 451 481</b>

MAGARENG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
<b>REVENUE</b>				
<b>Revenue from Non-exchange Transactions</b>	<b>46 470 571</b>	<b>59 845 089</b>	<b>-</b>	<b>59 845 089</b>
<b>Taxation Revenue</b>	<b>3 530 073</b>	<b>2 803 491</b>	<b>-</b>	<b>2 803 491</b>
Property taxes	3 530 073	2 803 491	-	2 803 491
<b>Transfer Revenue</b>	<b>42 468 294</b>	<b>57 014 807</b>	<b>-</b>	<b>57 014 807</b>
Government Grants and Subsidies	42 468 294	57 014 807	-	57 014 807
<b>Other Revenue</b>	<b>472 204</b>	<b>26 790</b>	<b>-</b>	<b>26 790</b>
Actuarial Gains	312 032	-	-	-
Fines	160 172	26 790	-	26 790
<b>Revenue from Exchange Transactions</b>	<b>25 159 788</b>	<b>20 514 514</b>	<b>(2 095 282)</b>	<b>22 609 796</b>
Service Charges	17 865 245	14 562 401	(464 941)	15 027 342
Rental of Facilities and Equipment	32 018	15 983	-	15 983
Interest Earned - external investments	288 343	503 428	-	503 428
Interest Earned - outstanding debtors	6 332 430	4 753 402	-	4 753 402
Licences and Permits	362 879	424 548	-	424 548
Other Income	278 874	254 752	(1 630 341)	1 885 092
<b>Total Revenue</b>	<b>71 630 359</b>	<b>80 359 602</b>	<b>(2 095 282)</b>	<b>82 454 884</b>
<b>EXPENDITURE</b>				
Employee related costs	23 029 717	21 777 102	128 647	21 648 455
Remuneration of Councillors	2 041 825	1 872 422	-	1 872 422
Debt Impairment	16 814 815	4 057 626	(568 068)	4 625 694
Depreciation and Amortisation	10 764 131	10 307 398	302 326	10 005 072
Repairs and Maintenance	1 432 000	507 554	(171 670)	679 224
Actuarial losses	-	24 488	24 488	-
Finance Charges	647 150	131 036	71 859	59 177
Bulk Purchases	15 549 692	11 251 512	-	11 251 512
Contracted services	570 823	477 194	-	477 194
Grants and Subsidies	-	-	(3 658 714)	3 658 714
Operating Grant Expenditure	2 946 873	3 763 166	3 763 166	-
General Expenses	10 167 264	6 849 075	(2 184 630)	9 033 705
Loss on disposal of Property,Plant and Equipment	-	-	-	-
<b>Total Expenditure</b>	<b>83 964 289</b>	<b>61 018 573</b>	<b>(2 292 595)</b>	<b>63 311 168</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(12 333 930)</b>	<b>19 341 029</b>	<b>197 313</b>	<b>19 143 716</b>

MAGARENG LOCAL MUNICIPALITY

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

	Accumulated Surplus/ (Deficit)	Total
	R	R
<b>Balance at 30 JUNE 2010</b>	<b>149 590 975</b>	<b>149 590 975</b>
Correction of error - Refer to note 29.13	4 971 311	4 971 311
<b>Restated Balance at 1 JULY 2010</b>	<b>154 562 286</b>	<b>154 562 286</b>
Net Surplus for the year	19 143 716	19 143 716
Correction of error - Refer to note 29.14	197 313	197 313
<b>Balance at 30 JUNE 2011</b>	<b>173 903 315</b>	<b>173 903 315</b>
Net Deficit for the year	(12 333 930)	(12 333 930)
<b>Balance at 30 JUNE 2012</b>	<b>161 569 385</b>	<b>161 569 385</b>

**MAGARENG LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		3 936 279	2 478 347
Government		45 559 345	57 096 402
Interest		6 620 772	5 256 829
<b>Payments</b>			
Suppliers and employees		(48 207 491)	(40 744 327)
Finance charges	24	(647 150)	(131 036)
<b>Cash generated by operations</b>	<b>30</b>	<b>7 261 756</b>	<b>23 956 216</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(11 826 656)	(30 008 163)
Decrease/(Increase) in Non-current Investments	11	5 402 659	3 696 799
<b>Net Cash from Investing Activities</b>		<b>(6 423 997)</b>	<b>(26 311 364)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		-	(44 586)
Increase in Consumer Deposits		37 649	23 832
<b>Net Cash from Financing Activities</b>		<b>37 649</b>	<b>(20 754)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>875 407</b>	<b>(2 375 901)</b>
Cash and Cash Equivalents at the beginning of the year		(1 254 562)	1 121 339
Cash and Cash Equivalents at the end of the year	31	(379 155)	(1 254 562)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>875 407</b>	<b>(2 375 901)</b>



**INSERT ACCOUNTING POLICY**

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
<b>2</b>	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Benefits - Refer to Note 4.1	5 619 553	5 120 000
	Long Service Awards - Refer to Note 4.2	1 112 399	1 040 781
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>6 731 952</b>	<b>6 160 781</b>
	<b><u>Post Retirement Benefits</u></b>		
	Balance 1 July	5 120 000	5 120 000
	Contribution for the year	415 005	-
	Interest Cost	566 115	-
	Expenditure for the year	(40 498)	-
	Actuarial Loss/(Gain)	(295 425)	-
	<b>Total post retirement benefits 30 June</b>	<b>5 765 197</b>	<b>5 120 000</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(145 644)	-
	<b>Balance 30 June</b>	<b>5 619 553</b>	<b>5 120 000</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	1 143 737	1 009 910
	Contribution for the year	151 175	129 660
	Interest Cost	81 035	71 859
	Expenditure for the year	(13 756)	(92 180)
	Actuarial Loss/(Gain)	(16 607)	24 488
	<b>Total long service 30 June</b>	<b>1 345 584</b>	<b>1 143 737</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(233 185)	(102 956)
	<b>Balance 30 June</b>	<b>1 112 399</b>	<b>1 040 781</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	6 263 737	6 129 910
	Contribution for the year	566 180	129 660
	Interest cost	647 150	71 859
	Expenditure for the year	(54 254)	(92 180)
	Actuarial Loss/(Gain)	(312 032)	24 488
	<b>Total employee benefits 30 June</b>	<b>7 110 781</b>	<b>6 263 737</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(378 829)	(102 956)
	<b>Balance 30 June</b>	<b>6 731 952</b>	<b>6 160 781</b>

**2.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	61	61
In-service (employee) non-members	100	100
Continuation members (e.g. Retirees, widows, orphans)	7	7
<b>Total Members</b>	<b>168</b>	<b>168</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	3 791 660	3 367 326
Continuation members	1 973 537	1 752 674
<b>Total Liability</b>	<b>5 765 197</b>	<b>5 120 000</b>

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

	2010 R	2009 R	2008 R
In-service members	3 367 326	2 793 171	2 257 819
Continuation members	1 752 674	1 453 829	1 175 181
<b>Total Liability</b>	<b>5 120 000</b>	<b>4 247 000</b>	<b>3 433 000</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2 EMPLOYEE BENEFITS (CONTINUE)**

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

Bonitas;  
 LA Health  
 Samwumed; and  
 Keyhealth.

Key actuarial assumptions used:	2012 %	2011 %
<b>i) Rate of interest</b>		
Discount rate	8.03%	8.03%
Health Care Cost Inflation Rate	6.99%	6.99%
Net Effective Discount Rate	0.97%	0.97%

**ii) Mortality rates**

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

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:	2012 R	2011 R
Present value of fund obligations	5 619 553	5 120 000
<b>Total Liability</b>	<b>5 619 553</b>	<b>5 120 000</b>

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	5 120 000	5 120 000
Total expenses	940 622	-
Current service cost	415 005	-
Interest Cost	566 115	-
Benefits Paid	(40 498)	-
Actuarial (gains)/losses	(295 425)	-
Present value of fund obligation at the end of the year	5 765 197	5 120 000
<b>Less:</b> Transfer of Current Portion - Note 5	(145 644)	-
<b>Balance 30 June</b>	<b>5 619 553</b>	<b>5 120 000</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	3.792	1.974	5.765	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	4.668	2.182	6.850	19%
Health care inflation	-1%	3.106	1.794	4.900	-15%
Post-retirement mortality	-1 year	3.927	2.054	5.981	4%
Average retirement age	-1 year	4.184	1.974	6.157	7%
Withdrawal Rate	-50%	4.219	1.974	6.193	7%

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

	2012	2011
	161	161

Key actuarial assumptions used:

	2012	2011
	%	%

**i) Rate of interest**

Discount rate	6.44%	6.44%
General Salary Inflation (long-term)	5.98%	5.98%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.44%	0.44%

	2012	2011
	R	R

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

Present value of fund obligations	1 345 584	1 143 737
<b>Net liability</b>	<b>1 345 584</b>	<b>1 143 737</b>

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

	2010	2009	2008
	R	R	R
<b>Total Liability</b>	<b>1 009 910</b>	-	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 143 737	1 009 910
Total expenses	218 454	109 339
Current service cost	151 175	129 660
Interest Cost	81 035	71 859
Benefits Paid	(13 756)	(92 180)
Actuarial (gains)/losses	(16 607)	24 488
Present value of fund obligation at the end of the year	1 345 584	1 143 737
<b>Less:</b> Transfer of Current Portion - Note 5	(233 185)	(102 956)
<b>Balance 30 June</b>	<b>1 112 399</b>	<b>1 040 781</b>

Sensitivity Analysis on the Unfunded Accrued Liability

	Change	Liability (R)	% change
Assumption			
Central assumptions		1.346	
General salary inflation	+1%	1.431	6%
General salary inflation	-1%	1.269	-6%
Average retirement age	-2 year	1.226	-9%
Average retirement age	+2 year	1.518	13%
Withdrawal rates	-50%	1.591	18%

**2 EMPLOYEE BENEFITS (CONTINUE)**

**2.3 Retirement funds**

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

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

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**CAPE JOINT PENSION FUND**

**2012**                      **2011**  
**R**                                      **R**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

Contributions paid recognised in the Statement of Financial Performance

193 292.67

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**DEFINED CONTRIBUTION FUNDS**

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

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund  
SAMWU National Provident Fund

841 555.35  
1 300 974.18  


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2 142 529.53

**3 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites  
Leave Provision

-                                      -  
-                                      -

Balance previously reported  
Correction of error - Refer to note 29.07

2 196 426  
(2 196 426)

**Total Non-current Employee Benefit Liabilities**

-                                      -

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No provision for reclamation of refuse landfill sites was made as the permit holder is Frances Baard District Municipality and they are liable for the rehabilitation. The municipality is in a process with Frances Baard District Municipality to transfer the permit back to the Municipality, whereafter the necessary provisions will be made.

**4 CONSUMER DEPOSITS**

**2012**                      **2011**  
**R**                                      **R**

Consumer Deposits

567 846                      530 197

**Total Consumer Deposits**

**567 846                      530 197**

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**5 CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 2  
Current Portion of Long-Service Provisions - Note 2  
Staff Leave

145 644                      -  
233 185                      102 956  
2 105 032                      2 196 426

Balance previously reported  
Correction of error - Refer to note 29.09

-  
2 196 426

Staff Bonuses accrued

616 790                      576 609

Balance previously reported  
Correction of error - Refer to note 29.09

-  
576 609

**Total Current Employee Benefits**

**3 100 651                      2 875 991**

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The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year  
Contribution to current portion  
Expenditure incurred  
Balance at end of year

2 196 426                      1 673 017  
47 366                      523 409  
(138 760)                      -  


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**2 105 032                      2 196 426**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**Staff Bonuses accrued**

Balance at beginning of year  
Contribution to current portion  
Expenditure incurred  
Balance at end of year

576 609                      489 134  
40 181                      87 475  
-                                      -  


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**616 790                      576 609**

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b><u>Total Current Employee Benefits</u></b>		
Balance at beginning of year	2 773 035	2 162 151
Contribution to current portion	87 547	610 884
Expenditure incurred	(138 760)	-
Balance at end of year	<b><u>2 721 822</u></b>	<b><u>2 773 035</u></b>

**6 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	31 927 172	26 881 327
Balance previously reported		27 034 201
Correction of error - Refer to note 29.06		(152 874)
Payments received in advance	1 594 062	1 309 182
Deposits received	13 666	15 522
Sundry Creditors	3 316 575	4 254 166
<b>Total Trade Payables</b>	<b><u>36 851 475</u></b>	<b><u>32 460 198</u></b>

All payables are unsecured.

**7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	19 356 487	16 265 436
National Government Grants	11 246 321	6 597 880
Balance previously reported		5 818 736
Correction of error - Refer to note 29.01		779 144
Provincial Government Grants	6 559 202	7 704 768
Balance previously reported		7 315 622
Correction of error - Refer to note 29.01		389 146
District Municipality	578 725	990 549
Other Grant Providers	972 239	972 239
<b>Less: Unpaid Grants</b>	<b>1 168 290</b>	<b>1 168 290</b>
National Government Grants	779 144	779 144
Balance previously reported		-
Correction of error - Refer to note 29.02		779 144
Provincial Government Grants	389 146	389 146
Balance previously reported		-
Correction of error - Refer to note 29.02		389 146
<b>Total Conditional Grants and Receipts</b>	<b><u>18 188 197</u></b>	<b><u>15 097 146</u></b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**8 TAXES**

**8.1 VAT PAYABLE**

VAT Payable	14 893 493	12 423 120
Total Vat payable	<b><u>14 893 493</u></b>	<b><u>12 423 120</u></b>

**8.2 VAT RECEIVABLE**

VAT receivable	18 900 064	15 804 437
Total VAT receivable	<b><u>18 900 064</u></b>	<b><u>15 804 437</u></b>

**8.3 VAT DEBT IMPAIRMENT**

VAT Debt Impairment	6 083 535	3 729 461
Total VAT Debt Impairment - Refer to note 29.12	<b><u>6 083 535</u></b>	<b><u>3 729 461</u></b>

**8.4 NET VAT RECEIVABLE/(PAYABLE)**

	<b><u>10 090 107</u></b>	<b><u>7 110 779</u></b>
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VAT is receivable/payable on the cash basis.

9 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

9	<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUE)</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>
	<b>Third party payments received for losses incurred:</b>		
	Payments received (Excluding VAT)		
	Carrying value of assets written off/lost	-	-
	Surplus/Deficit	-	-
		<u>          </u>	<u>          </u>
	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	-	-
	Infrastructure	-	-
	Community Assets	-	-
	Lease Assets	-	-
	Heritage	-	-
	Other	-	-
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>
	<b>Reversal of impairment charges on property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	-	-
	Infrastructure	-	-
	Community Assets	-	-
	Lease Assets	-	-
	Heritage	-	-
	Other	-	-
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>
	<b>Cumulative impairment charges included in major balances</b>		
	Land and Buildings	-	-
	Infrastructure	-	-
	Community Assets	-	-
	Lease Assets	-	-
	Heritage	-	-
	Other	-	-
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>
	<b>Effect of changes in accounting estimates</b>		
	There were no change in accounting estimate as GRAP 17 was only fully implemented during the current year and review due to Directive 4.		
		<b>2012</b> <b>R</b>	<b>2013</b> <b>R</b>
		<b>2014</b> <b>R</b>	
	Effect on Property, plant and equipment	<u>          </u> -	<u>          </u> -
		<u>          </u>	<u>          </u>



**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
<b>10</b>	<b>INTANGIBLE ASSETS</b>		
	<b>Computer Software</b>		
	<b>Net Carrying amount at 1 July</b>	<b>633 395</b>	<b>712 542</b>
	Cost	791 472	791 472
	Balance previously reported		-
	Correction of error - Refer to note 29.110		791 472
	Accumulated Amortisation	(158 078)	(78 930)
	Balance previously reported		-
	Correction of error - Refer to note 29.110		(78 930)
	Additions	-	-
	Amortisation	(79 147)	(79 147)
	Balance previously reported		-
	Correction of error - Refer to note 29.110		(79 147)
	Disposals	-	-
	<b>Net Carrying amount at 30 June</b>	<b>554 247</b>	<b>633 395</b>
	Cost	791 472	791 472
	Accumulated Amortisation	(237 225)	(158 078)

The municipality did not measure the Intangible Assets in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

	<b>2011</b>
	<b>R</b>
Computer software;	791 472
Accumulated amortisation on computer software	(158 078)
Total not previously recognised now restated retrospectively	<b>633 395</b>

The following material intangible assets are included in the carrying value above

	<u>Remaining Amortisation</u>	<u>Carrying Value</u>	
<u>Description</u>	<u>Period</u>	<u>2012</u>	<u>2011</u>
		R	R
E-Venus Financial Management System	7	554 247	633 395

No Intangible Asset Were Assessed Having An Indefinite Useful Life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

		2012 R	2011 R
<b>11</b>	<b>NON-CURRENT INVESTMENTS</b>		
	ABSA	-	5 402 659
	<b>Total Non-Current Investments</b>	<b>-</b>	<b>5 402 659</b>
	Fixed deposits consist out of the following accounts		
	ABSA - Acc.no.: 2066073855 - 8 Day Call Account	-	5 402 659
		<b>-</b>	<b>5 402 659</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

12	INVENTORY	2012 R	2011 R
	Water – at cost	34 465	23 986
	<b>Total Inventory</b>	<b>34 465</b>	<b>23 986</b>

13	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	7 789 710	7 553 044
	Water	17 785 784	17 680 254
	Refuse	12 016 002	11 728 564
	Sewerage	13 025 568	12 742 412
	Other	23 547 420	10 299 187
	<b>Total Receivables from Exchange Transactions</b>	<b>74 164 485</b>	<b>60 003 461</b>
	Less: Allowance for Doubtful Debts	(41 031 661)	(22 590 508)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>33 132 825</b>	<b>37 412 953</b>

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

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)	1 220 141	787 072
31 - 60 Days	282 181	650 637
61 - 90 Days	222 031	435 189
+ 90 Days	6 065 357	5 680 146
<b>Total</b>	<b>7 789 710</b>	<b>7 553 044</b>

**(Water): Ageing**

Current (0 - 30 days)	548 007	338 684
31 - 60 Days	242 001	272 219
61 - 90 Days	262 496	334 078
+ 90 Days	16 733 280	16 735 273
<b>Total</b>	<b>17 785 784</b>	<b>17 680 254</b>

**(Refuse): Ageing**

Current (0 - 30 days)	336 459	254 036
31 - 60 Days	159 315	240 202
61 - 90 Days	155 099	230 919
+ 90 Days	11 365 129	11 003 407
<b>Total</b>	<b>12 016 002</b>	<b>11 728 564</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	328 550	250 831
31 - 60 Days	157 999	243 498
61 - 90 Days	155 253	232 870
+ 90 Days	12 383 766	12 015 213
<b>Total</b>	<b>13 025 568</b>	<b>12 742 412</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

13	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
	<b><i>(Other): Ageing</i></b>		
	Current (0 - 30 days)	1 611 167	582 109
	31 - 60 Days	712 591	560 845
	61 - 90 Days	689 278	9 945
	+ 90 Days	20 534 385	9 146 288
	<b>Total</b>	<b>23 547 421</b>	<b>10 299 187</b>
	<b><i>(Total): Ageing</i></b>		
	Current (0 - 30 days)	4 044 324	2 212 732
	31 - 60 Days	1 554 087	1 967 401
	61 - 90 Days	1 484 157	1 243 001
	+ 90 Days	67 081 917	54 580 327
	<b>Total</b>	<b>74 164 485</b>	<b>60 003 461</b>
	<b>Reconciliation of Provision for Bad Debts</b>		
	Balance at beginning of year	22 590 508	19 383 147
	Contribution to provision/(Reversal of provision)	18 441 153	3 207 361
	Bad Debts Written Off	-	-
	<b>Balance at end of year</b>	<b>41 031 661</b>	<b>22 590 508</b>
	The Provision for Impairment could be allocated between the different classes of receivables as follows:		
	Electricity	2 819 281	2 783 172
	Water	11 326 991	8 954 093
	Refuse	10 328 685	4 950 558
	Sewerage	11 847 219	5 767 163
	Other	4 709 484	135 522
		<b>41 031 661</b>	<b>22 590 508</b>
	Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
14	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
	Rates	12 451 080	11 404 801
	Other Receivables	1 205 733	787 353
	<b>Total Receivables from Non-Exchange Transactions</b>	<b>13 656 813</b>	<b>12 192 154</b>
	Less: Allowance for Doubtful Debts	(8 505 698)	(7 777 961)
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>5 151 115</b>	<b>4 414 193</b>

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

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

14	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
	Ageing of Receivables from Non-Exchange Transactions:		
	<u>(Rates): Ageing</u>		
	Current (0 - 30 days)	493 258	249 188
	31 - 60 Days	184 204	250 918
	61 - 90 Days	174 000	199 742
	+ 90 Days	11 599 618	10 704 953
	<b>Total</b>	<b>12 451 080</b>	<b>11 404 801</b>
	<b>Reconciliation of Provision for Bad Debts</b>		
	Balance at beginning of year	7 777 961	6 359 628
	Contribution to provision/(Reversal of provision)	727 737	1 418 333
	Bad Debts Written Off	-	-
	<b>Balance at end of year</b>	<b>8 505 698</b>	<b>7 777 961</b>
	The entire provision for bad debts relates to the outstanding rates balance.		
	Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
15	<b>CASH AND CASH EQUIVALENTS</b>		
	<u>Assets</u>		
	Call Investments Deposits	-	-
	Primary Bank Account	40 482	-
	Cash Floats	1 000	1 000
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>41 482</b>	<b>1 000</b>
	<u>Liabilities</u>		
	Primary Bank Account	420 637	1 255 562
	<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>420 637</b>	<b>1 255 562</b>
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	ABSA Bank - Cheque Account - 2290000036:	40 482	(1 255 562)
	First National Bank - Account - 62314181075:	(420 637)	-
		<b>(380 155)</b>	<b>(1 255 562)</b>
	<b>ABSA Bank - Cheque Account - 2290000036:</b>		
	Cash book balance at beginning of year	(1 255 562)	1 120 339
	Cash book balance at end of year	40 482	(1 255 562)
	Bank statement balance at beginning of year	1 540 152	2 656 865
	Bank statement balance at end of year	241 491	1 540 152
	<b>First National Bank - Account - 62314181075:</b>		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	(420 637)	-
	Bank statement balance at beginning of year	-	-
	Bank statement balance at end of year	856 971	-

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
16	<b>PROPERTY TAXES</b>		
	<u>Actual</u>		
	<b>Rateable Land and Buildings</b>	4 133 498	3 378 894
	Residential	2 594 335	2 438 217
	Commercial Property	863 228	264 708
	State	431 729	442 704
	Other	244 206	233 265
	Less: Rebates	(603 425)	(575 402)
	<b>Total Assessment Rates</b>	<b>3 530 073</b>	<b>2 803 491</b>
	<u>Valuations - 1 JULY 2011</u>		
	<b>Rateable Land and Buildings</b>		
	Residential	277 183 500	279 833 400
	Commercial	57 787 800	48 407 800
	State	27 178 900	27 871 900
	Municipal	7 385 340	9 464 522
	Small holdings and farms	619 816 575	383 419 567
	<b>Total Assessment Rates</b>	<b>989 352 115</b>	<b>748 997 189</b>
	Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2011.		
	<b>Rates:</b>		
	Residential	0.945c	0.900c
	Commercial	1.575c	1.500c
	Agricultural	0.0394c	0.0375c
	Rates are levied monthly and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates		
17	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>25 546 000</b>	<b>22 648 393</b>
	Equitable Share	25 546 000	22 648 393
	<b>Conditional Grants</b>	<b>16 922 294</b>	<b>34 366 414</b>
	Finance Management Grant	1 500 000	1 250 000
	Municipal Infrastructure Grant	6 149 559	8 577 524
	Municipal Systems Improvement Grant	790 000	750 000
	Frances Baard	512 249	2 773 034
	DWAF	332 418	633 325
	Provincial Infrastructure Grant	7 195 317	8 724 263
	Library Development Fund	265 249	209 597
	DBSA	-	150 094
	Department of Economic Affairs - Bakery	177 502	-
	EPWP - Paving Project	-	11 298 577
	<b>Total Government Grants and Subsidies</b>	<b>42 468 294</b>	<b>57 014 807</b>
	Government Grants and Subsidies - Capital	13 482 388	-
	Government Grants and Subsidies - Operating	28 985 906	-
		<b>42 468 294</b>	<b>-</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
<b>17</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	25 546 000	22 648 393
	Executive & Council	790 000	900 094
	Budget & Treasury	1 500 000	1 591 190
	Community & Social Services	265 249	209 597
	Waste Water Management	7 195 317	8 724 263
	Road Transport	6 661 808	19 876 101
	Water	332 418	3 065 170
		<b>42 468 294</b>	<b>57 014 807</b>
	The municipality does not expect any significant changes to the level of grants.		
<b>17.01</b>	<b>Equitable share</b>		
	Opening balance	-	-
	Grants received	25 546 000	22 648 393
	Conditions met - transferred to revenue	(25 546 000)	(22 648 393)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>17.02</b>	<b>Finance Management Grant</b>		
	Opening balance	-	-
	Grants received	1 500 000	1 250 000
	Conditions met - transferred to revenue	(1 500 000)	(1 250 000)
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>17.03</b>	<b>Municipal Infrastructure Grant</b>		
	Opening balance	6 597 880	6 197 404
	Grants received	10 798 000	8 978 000
	Conditions met - transferred to revenue	(6 149 559)	(8 577 524)
	Conditions still to be met	11 246 321	6 597 880
	The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.		
<b>17.04</b>	<b>Municipal Systems Improvement Grant</b>		
	Opening balance	(1)	(1)
	Grants received	790 000	750 000
	Conditions met - transferred to revenue	(790 000)	(750 000)
	Grant expenditure to be recovered	(1)	(1)
	The Municipal Systems Improvement Grant (MSIG) is a conditional grant directed to selected Local and District municipalities. The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry mandated functions effectively.		

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
<b>17</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
	<b>17.05 Frances Baard</b>		
	Opening balance	990 549	-
	Grants received	100 425	3 763 583
	Conditions met - transferred to revenue	(512 249)	(2 773 034)
	Conditions still to be met	<u>578 725</u>	<u>990 549</u>
	The Frances Baard Grant is paid by Frances Baard District Municipality to the municipality to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.		
	<b>17.06 Department of Water and Forestry (DWAF)</b>		
	Opening balance	-	-
	Grants received	332 418	633 325
	Conditions met - transferred to revenue	(332 418)	(633 325)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The Department of Water and Forestry grant was used for water personnel salaries in the Magareng area.		
	<b>17.07 Provincial Infrastructure Grant</b>		
	Opening balance	4 270 040	7 637 634
	Grants received	5 931 000	5 356 669
	Conditions met - transferred to revenue	(7 195 317)	(8 724 263)
	Conditions still to be met	<u>3 005 723</u>	<u>4 270 040</u>
	The Department of Public Works grant was used for the upgrading of the sewer network in the Magareng area.		
	<b>17.08 Library Development Fund</b>		
	Opening balance	293 066	242 663
	Grants received	384 000	260 000
	Conditions met - transferred to revenue	(265 249)	(209 597)
	Conditions still to be met	<u>411 817</u>	<u>293 066</u>
	The Department of Sport, Arts & Culture grant was used for the development of libraries in the Magareng area.		
	<b>17.09 Development Bank of South Africa Grant (DBSA)</b>		
	Opening balance	-	150 094
	Grants received	-	-
	Conditions met - transferred to revenue	-	(150 094)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The DBSA grant was used for debt collection and cleaning of the debtor system.		
	<b>17.10 Expanded Public Works Program (EPWP) - Paving Project</b>		
	Opening balance	2 157 854	-
	Grants received	-	13 456 431
	Conditions met - transferred to revenue	-	(11 298 577)
	Conditions still to be met	<u>2 157 854</u>	<u>2 157 854</u>
	The EPWP grant was used for road infrastructure development in the Magareng area.		

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
<b>17</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
17.11	<b>Other Grants</b>		
	Opening balance	787 758	787 758
	Grants received	177 502	-
	Conditions met - transferred to revenue	(177 502)	-
	Conditions still to be met	<u>787 758</u>	<u>787 758</u>
	Other grants include grants like Peanut Oil Project, Expanded Public Works Program (EPWP):Hospital Road, Sport Facilities (LOTTO), Department of Economic Affairs - Bakery and Expanded Public Works Program (EPWP):Taxi Rank		
17.12	<b>Total Grants</b>		
	Opening balance	15 097 146	15 015 552
	Grants received	45 559 345	57 096 401
	Conditions met - transferred to revenue	(42 468 294)	(57 014 807)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>18 188 197</u>	<u>15 097 146</u>
<b>18</b>	<b>SERVICE CHARGES</b>		
	Electricity	9 822 562	8 614 395
	Water	3 749 209	2 175 128
	Refuse removal	2 993 793	2 817 676
	Sewerage and Sanitation Charges	3 332 460	3 050 484
		<u>19 898 025</u>	<u>16 657 683</u>
	Less: Rebates	(2 032 780)	(2 095 282)
	<b>Total Service Charges</b>	<u><u>17 865 245</u></u>	<u><u>14 562 401</u></u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>19</b>	<b>OTHER INCOME</b>		
	Commonage	39 445	78 290
	Photocopies	104 918	2 320
	Sale of land	-	125 627
	Rendering of Services	30 847	41 141
	Bursaries Paid Back	15 297	-
	Sundry income	88 367	7 374
	<b>Total Other Income - Restated 2011</b>	<u><u>278 874</u></u>	<u><u>254 752</u></u>
	Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)		



**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

20	<b>EMPLOYEE RELATED COSTS</b>	<b>2012 R</b>	<b>2011 R</b>
	Basic Salary	14 252 191	13 526 635
	Bonus	1 014 898	925 990
	Contributions for UIF, pensions and medical aids	3 390 785	3 084 002
	Travel, motor car, telephone, assistance and other allowances	486 559	404 083
	Housing Subsidy	25 742	36 005
	Leave Reserve Fund	253 647	627 853
	Overtime	2 318 843	2 064 893
	Acting Allowance	426 096	52 370
	Standby Allowance	94 571	54 747
	Skills Development Levy	193 256	150 395
	Industrial Council	6 950	6 712
	Termination Benefits	566 180	198 973
	Worksmen's Compensation	-	644 444
		<b>23 029 717</b>	<b>21 777 102</b>
	<b>Less:</b> Employee Costs allocated elsewhere	-	-
	<b>Total Employee Related Costs</b>	<b>23 029 717</b>	<b>21 777 102</b>
	<b>KEY MANAGEMENT PERSONNEL</b>		
	<p>The post of the HOD Planning and Development became vacant October 2011 and remains vacant. The post of Municipal Manager became vacant May 2011, with G.H.Mathobela acting in the post. The post of the HOD Technical Services became vacant May 2011, with O.S. Mothusiemang acting from 1 July 2011. There are no post-employment or termination benefits payable to them at the end of the contract period.</p>		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<b>Remuneration of the Municipal Manager - K.S. Mere (Contract ended March 2012)</b>		
	Annual Remuneration	332 312	502 353
	Travel Allowance	40 000	60 000
	Contributions to UIF, Medical and Pension Funds	35 475	16 228
	Telephone allowance	8 000	12 000
	Leave Pay	80 074	-
	<b>Total</b>	<b>495 861</b>	<b>590 581</b>
	<b>Remuneration of the Director Financial Services - H.S. Oberholzer</b>		
	Annual Remuneration	549 902	494 559
	Telephone allowance	9 000	9 000
	<b>Total</b>	<b>558 902</b>	<b>503 559</b>
	<b>Remuneration of the HOD Technical Services - R. Peters (Contract ended May 2011)</b>		
	Annual Remuneration	-	426 852
	Travel Allowance	-	5 000
	Contributions to UIF, Medical and Pension Funds	-	21 494
	Telephone allowance	-	8 250
	Leave Pay	-	51 181
	<b>Total</b>	<b>-</b>	<b>512 777</b>
	<b>Remuneration of the HOD Technical Services - O.S. Mothusiemang (Acting from 1 July 2011)</b>		
	Annual Remuneration	201 206	-
	Travel Allowance	-	-
	Contributions to UIF, Medical and Pension Funds	28 929	-
	Telephone allowance	6 000	-
	Acting Allowance	134 488	-
	Bonus	16 791	-
	Leave Pay	-	-
	<b>Total</b>	<b>387 414</b>	<b>-</b>
	<b>Remuneration of the HOD Planning and Development - MA Moremi (Contract ended June 2011 and acting from July 2011 till September 2011)</b>		
	Annual Remuneration	114 785	404 295
	Travel Allowance	15 000	60 000
	Contributions to UIF, Medical and Pension Funds	-	30 264
	Leave Pay	31 153	-
	Telephone allowance	2 250	9 000
	Acting Allowance	-	15 022
	<b>Total</b>	<b>163 188</b>	<b>518 581</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>21</b>	<b>REMUNERATION OF COUNCILLORS</b>		
	Mayor	593 397	552 732
	Councillors	963 559	688 373
	Councillors' Medical contributions	47 085	-
	Councillors' Pension contributions	-	68 700
	Travelling Allowance	343 800	452 774
	Cellphone Allowance	93 984	109 843
	<b>Total Councillors' Remuneration</b>	<b>2 041 825</b>	<b>1 872 422</b>
	<b><i>In-kind Benefits</i></b>		
	The Mayor is full-time. She is provided with an office and secretarial support at the cost of the Council.		
<b>22</b>	<b>DEBT IMPAIRMENT</b>		
	Receivables from exchange transactions - Note 13	18 441 153	3 207 361
	Receivables from non-exchange transactions - Note 14	727 737	1 418 333
	<b>Total Contribution to Debt Impairment</b>	<b>19 168 889</b>	<b>4 625 694</b>
	Less: Portion Relating to VAT - Refer to note 29.12	(2 354 074)	(568 068)
	<b>Debt impairment recognised in statement of financial performance</b>	<b>16 814 815</b>	<b>4 057 626</b>
<b>23</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	10 684 983	10 228 251
	Investment Property	-	-
	Intangible Assets	79 147	79 147
		<b>10 764 131</b>	<b>10 307 398</b>
<b>24</b>	<b>FINANCE CHARGES</b>		
	Non-current borrowings	-	1 465
	Actuarial Interest	647 150	71 859
	Creditors	-	57 712
	<b>Total finance charges</b>	<b>647 150</b>	<b>131 036</b>
<b>25</b>	<b>BULK PURCHASES</b>		
	Electricity	11 130 498	8 631 004
	Water	4 419 193	2 620 508
	<b>Total Bulk Purchases</b>	<b>15 549 692</b>	<b>11 251 512</b>
<b>26</b>	<b>GRANTS AND SUBSIDIES</b>		
	Other subsidies	-	-
	<b>Total Grants and Subsidies - Restated 2011</b>	<b>-</b>	<b>-</b>
<b>27</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Municipal Systems Improvement Grant	724 036	750 000
	Finance Management Grant	1 500 000	1 193 988
	O & M Grant - Frances Baard	512 249	517 446
	Other National Grants	210 589	104 452
	Other Provincial Grants	-	1 197 280
	<b>Total Operating grant expenditure - Restated 2011</b>	<b>2 946 873</b>	<b>3 763 166</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

28	GENERAL EXPENSES	2012 R	2011 R
	Advertising	155 350	112 996
	Affiliation fees	124 086	100 000
	Auditors Remuneration	1 961 303	676 020
	Bank Charges	106 537	189 235
	Cleaning Materials and Consumables	26 173	128 802
	Chemicals	627 363	550 578
	Consulting and Professional Fees	475 023	248 486
	Entertainment	127 255	27 132
	Fuel and oil	786 548	631 724
	Insurance	531 130	434 002
	Postage and courier	37 984	55 865
	Printing and Stationery	245 341	260 842
	Protective Clothing	104 589	5 055
	SEBATA	65 991	-
	Special Programs	2 808 076	987 268
	Telephone and fax	877 292	705 606
	Traffic Fines Paid	106 790	-
	Training	230 977	252 137
	Travelling	482 479	411 146
	Other	286 979	1 072 181
	<b>General Expenses - Restated 2011</b>	<b><u>10 167 264</u></b>	<b><u>6 849 075</u></b>

29 **CORRECTION OF ERROR IN TERMS OF GRAP 3**

The municipality utilised the Transitional Provisions in Directive 4, issued by the Accounting Standards Board, in prior years. Information for the measurement of the applicable items for which the Transitional Provisions were utilised was since obtained and now restated retrospectively. In addition certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below.

29.01	Unspent Government Grants and Subsidies	2011 R
	<b>Balance previously reported</b>	<b>15 097 146</b>
	Incorrectly classified in AFS 2011 as Unspent and not Unpaid Government Grants and Subsidies - Refer to note 29.02	1 168 290
		<b><u>16 265 436</u></b>
	<b>29.02 Unpaid Government Grants and Subsidies</b>	
	<b>Balance previously reported</b>	-
	Incorrectly classified in AFS 2011 as Unspent and not Unpaid Government Grants and Subsidies - Refer to note 29.01	1 168 290
		<b><u>1 168 290</u></b>
	<b>29.03 Trade and other receivables from exchange transactions</b>	
	<b>Balance previously reported</b>	<b>4 060</b>
	Incorrectly classified in AFS 2011 - Corrected to Other receivables from non-exchange transactions - Refer to note 29.04	(4 060)
	Incorrectly classified in AFS 2011 - Corrected from Consumer debtors - Refer to note 29.05	60 003 460
	Incorrectly classified in AFS 2011 - Corrected Provision for Bad Debts from Consumer debtors - Refer to note 29.05	(22 590 508)
		<b><u>37 412 952</u></b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>29.04</b>	<b>Other receivables from non-exchange transactions</b>	
	<b>Balance previously reported</b>	<b>783 293</b>
	Incorrectly classified in AFS 2011 - Corrected from Trade and other receivables from exchange transactions - Refer to note 29.03	4 060
	Incorrectly classified in AFS 2011 - Corrected from Consumer debtors - Refer to note 29.05	11 404 801
	Incorrectly classified in AFS 2011 - Corrected Provision for Bad Debts from Consumer debtors - Refer to note 29.05	(7 777 961)
		<u><b>4 414 193</b></u>
<b>29.05</b>	<b>Consumer debtors</b>	
	<b>Balance previously reported</b>	<b>41 039 792</b>
	Incorrectly classified in AFS 2011 - Corrected to Other receivables from non-exchange transactions - Refer to note 29.04	(11 404 801)
	Incorrectly classified in AFS 2011 - Corrected to Trade and other receivables from exchange transactions - Refer to note 29.03	(60 003 460)
	Incorrectly classified in AFS 2011 - Corrected Provision for Bad Debts to Other receivables from non-exchange transactions - Refer to note 29.04	7 777 961
	Incorrectly classified in AFS 2011 - Corrected Provision for Bad Debts to Trade and other receivables from exchange transactions - Refer to note 29.03	22 590 508
		<u><b>-</b></u>
<b>29.06</b>	<b>Payables from exchange transactions</b>	
	<b>Balance previously reported</b>	<b>27 034 201</b>
	Payables from exchange transactions incorrectly created in 2011 after the expense was already paid in 2011 - Corrected to expenditure votes in Statement of Financial Performance - Refer to note 29.14	(152 874)
		<u><b>26 881 327</b></u>
<b>29.07</b>	<b>Non-current Provisions</b>	
	<b>Balance previously reported</b>	<b>2 196 426</b>
	Staff Leave incorrectly classified in AFS 2011 as Non-current Provision and not Current Employee Benefits - Refer to note 29.09	(2 196 426)
		<u><b>-</b></u>
<b>29.08</b>	<b>Employee benefits</b>	
	<b>Balance previously reported</b>	<b>5 120 000</b>
	Transferred from Accumulated Surplus (Correction of Long Service Bonus opening balance as at 30 June 2010 not provided for) - Refer to note 29.13	1 009 910
	Transferred from Statement of Financial Performance - Employee Related Cost (Correction of Long Service Bonus not provided for) - Refer to note 29.14	37 480
	Transferred from Statement of Financial Performance - Finance Charges (Correction of Long Service Bonus not provided for) - Refer to note 29.14	71 859
	Transferred from Statement of Financial Performance - Actual Losses (Correction of Long Service Bonus not provided for) - Refer to note 29.14	24 488
		<u><b>6 263 737</b></u>
<b>29.09</b>	<b>Current Employee Benefits</b>	
	<b>Balance previously reported</b>	<b>-</b>
	Staff Leave incorrectly classified in AFS 2011 as Non-current Provision and not Current Employee Benefits - Refer to note 29.07	2 196 426
	Transferred from Accumulated Surplus (Correction of annual bonus opening balance as at 30 June 2010 not provided for) - Refer to note 29.13	489 134
	Transferred from Statement of Financial Performance (Correction of annual bonus not provided for) - Refer to note 29.14	87 475
		<u><b>2 773 035</b></u>
<b>29.10</b>	<b>Property, Plant and Equipment</b>	
	<b>Balance previously reported</b>	<b>174 910 987</b>
	Transferred from Accumulated Surplus (PPE previously not identified- Restate opening balance of cost 30 June 2010) - Refer to note 29.13	2 868 275
	Transferred to Accumulated Surplus (PPE previously not identified- Restate opening balance of accumulated depreciation 30 June 2010) - Refer to note 29.13	(271 855)
	Transferred to Statement of Financial Performance (PPE previously not identified- Restate movement of depreciation 2010/11) - Refer to note 29.14	(223 179)
		<u><b>177 284 228</b></u>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>29.11 Intangible Assets</b>	
<b>Balance previously reported</b>	-
Transferred from Accumulated Surplus (Intangible Assets previously not identified- Restate opening balance of cost 30 June 2010) - Refer to note 29.13	791 472
Transferred to Accumulated Surplus (Intangible Assets previously not identified- Restate opening balance of accumulated amortisation 30 June 2010) - Refer to note 29.13	(78 930)
Transferred to Statement of Financial Performance (Intangible Assets previously not identified- Restate movement of amortisation 2010/11) - Refer to note 29.14	(79 147)
	<u><b>633 395</b></u>
<b>29.12 Taxes</b>	
<b>Balance previously reported</b>	<b>3 381 318</b>
VAT Impairment recognised for opening balance from Surplus - Refer to note 29.13	3 161 393
VAT Impairment recognised for the year 2010/11 from St. of Fin Performance - Refer to note 29.14	568 068
	<u><b>7 110 779</b></u>
<b>29.13 Accumulated Surplus/(Deficit)</b>	
<b>Balance previously reported</b>	<b>149 590 975</b>
Transferred to Current Employee Benefits (Correction of annual bonus opening balance as at 30 June 2010 not provided for) - Refer to note 29.09	(489 134)
Transferred to Property, Plant & Equipment (PPE previously not identified- Restate opening balance of cost 30 June 2010) - Refer to note 29.10	2 868 275
Transferred from Property, Plant & Equipment (PPE previously not identified- Restate opening balance of accumulated depreciation 30 June 2010) - Refer to note 29.10	(271 855)
VAT Impairment recognised for opening balance from Surplus - Refer to note 29.12	3 161 393
Transferred from Accumulated Surplus (Correction of Long Service Bonus opening balance as at 30 June 2010 not provided for) - Refer to note 29.08	(1 009 910)
Transferred to Intangible Assets (Intangible Assets previously not identified- Restate opening balance of cost 30 June 2010) - Refer to note 29.11	791 472
Transferred from Intangible Assets (Intangible Assets previously not identified- Restate opening balance of accumulated amortisation 30 June 2010) - Refer to note 29.11	(78 930)
	<u><b>154 562 286</b></u>
<b>29.14 Statement of Financial Performance</b>	
<b>Balance previously reported</b>	<b>19 143 716</b>
Transferred from General Expenses (Correction of Classification) - Refer to note 29.14	104 452
Transferred to Operating Grant Expenditure (Correction of Classification) - Refer to note 29.14	(104 452)
Transferred from General Expenses (Correction of Classification) - Refer to note 29.14	2 095 282
Transferred to Service Charges (Correction of Classification) - Refer to note 29.14	(2 095 282)
Transferred from Other Income (Correction of Classification) - Refer to note 29.14	1 630 341
Transferred to Service Charges (Correction of Classification) - Refer to note 29.14	(1 630 341)
Transferred from Grants and Subsidies (Correction of Allocation) - Refer to note 29.14	3 658 714
Transferred to Operating Grant Expenditure (Correction of Classification) - Refer to note 29.14	(3 658 714)
Transferred to Current Employee Benefits (Correction of annual bonus not provided for) - Refer to note 29.09	(87 475)
Payables from exchange transactions incorrectly created in 2011 after the expense was already paid - Corrected to employee related costs in Statement of Financial Performance - Refer to note 29.06	(3 692)
Payables from exchange transactions incorrectly created in 2011 after the expense was already paid - Corrected to general expenses in Statement of Financial Performance - Refer to note 29.06	(15 104)
Payables from exchange transactions incorrectly created in 2011 after the expense was already paid - Corrected to repairs and maintenance in Statement of Financial Performance - Refer to note 29.06	171 670
VAT Impairment recognised for the year 2010/11 from St. of Fin Performance - Refer to note 29.12	568 068
Transferred from Statement of Financial Performance - Employee Related Cost (Correction of Long Service Bonus not provided for) - Refer to note 29.08	(37 480)
Transferred from Statement of Financial Performance - Finance Charges (Correction of Long Service Bonus not provided for) - Refer to note 29.08	(71 859)
Transferred from Statement of Financial Performance - Actual Losses (Correction of Long Service Bonus not provided for) - Refer to note 29.08	(24 488)
Transferred from Property, Plant & Equipment (PPE previously not identified- Restate movement of depreciation 2010/11) - Refer to note 29.10	(223 179)
Transferred from Property, Plant & Equipment (Intangible Assets previously not identified- Restate movement of amortisation 2010/11) - Refer to note 29.11	(79 147)
	<u><b>19 341 029</b></u>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>30 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(12 333 930)	19 341 029
<u>Adjustments for:</u>		
Depreciation	10 684 984	10 228 251
Amortisation of Intangible Assets	79 147	79 147
Debt Impairment	19 168 889	4 625 694
Contribution to staff leave	(91 394)	523 409
Contribution to Annual Bonuses	40 181	87 475
Contribution from/to employee benefits	1 159 076	109 339
Actuarial Gains/Losses	(312 032)	24 488
Amounts written off against Accumulated Surplus	-	(3 331 268)
Grants Received	45 559 345	57 096 402
Grant Expenditure	(42 468 294)	(57 014 808)
Operating Surplus/(Deficit) before changes in working capital	21 485 972	31 769 158
Changes in working capital	(14 224 216)	(7 812 942)
Increase/(Decrease) in Trade and Other Payables	4 391 277	4 474 326
Increase/(Decrease) in Taxes	(2 979 328)	(3 034 819)
(Increase)/Decrease in Inventory	(10 480)	(8 919)
(Increase)/Decrease in Trade and other receivables	(15 625 686)	(9 243 530)
<b>Cash generated/(absorbed) by operations</b>	<b>7 261 756</b>	<b>23 956 216</b>
<b>31 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Note 15	1 000	1 000
Bank - Note 15	40 482	-
Bank overdraft - Note 15	(420 637)	(1 255 562)
<b>Total cash and cash equivalents</b>	<b>(379 155)</b>	<b>(1 254 562)</b>
<b>32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 31	(379 155)	(1 254 562)
Investments - Note 11	-	5 402 659
Less:	(379 155)	4 148 097
19 356 487	19 356 487	16 265 436
Unspent Committed Conditional Grants - Note 7	19 356 487	16 265 436
<b>Resources available for working capital requirements</b>	<b>(19 735 642)</b>	<b>(12 117 339)</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**33 BUDGET COMPARISONS**

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>33.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	3 530 073	5 293 365	(1 763 292)	-33%
Government Grants and Subsidies	42 468 294	71 573 267	(29 104 973)	-41%
Fines	160 172	767 550	(607 378)	-79%
Service Charges	17 865 245	24 005 909	(6 140 664)	-26%
Rental of Facilities and Equipment	32 018	45 000	(12 982)	-29%
Interest Earned - external investments	288 343	502 500	(214 157)	-43%
Interest Earned - outstanding debtors	6 332 430	6 200 000	132 430	2%
Licences and Permits	362 879	426 500	(63 621)	-15%
Agency Services	-	12 500	(12 500)	-100%
Other Income	278 874	70 800	208 074	294%
	<u>71 630 359</u>	<u>108 897 391</u>	<u>(37 267 031)</u>	<u>-34%</u>
<b>Expenditure by nature</b>				
Employee Related Costs	23 029 717	25 101 661	2 071 944	-8%
Remuneration of Councillors	2 041 825	2 185 365	143 540	-7%
Debt Impairment	16 814 815	5 275 616	(11 539 199)	219%
Depreciation and Amortisation	10 764 131	10 169 376	(594 755)	6%
Repairs and Maintenance	1 432 000	-	(1 432 000)	-100%
Finance Charges	647 150	50 000	(597 150)	1194%
Bulk Purchases	15 549 692	12 750 000	(2 799 692)	22%
Contracted services	570 823	2 209 019	1 638 196	-74%
Operating Grant Expenditure	2 946 873	42 577 267	39 630 394	-93%
General Expenses	10 167 264	19 504 981	9 337 717	-48%
	<u>83 964 289</u>	<u>119 823 285</u>	<u>35 858 996</u>	<u>-30%</u>
<b>Net Surplus for the year</b>	<b><u>(12 333 930)</u></b>	<b><u>(10 925 895)</u></b>	<b><u>(1 408 036)</u></b>	<b><u>13%</u></b>

**Details of material variances**

Depreciation and Amortisation - Asset Register was only updated during 2011/12 to be fully GRAP 17 compliance and to calculate final depreciation for budget.  
Debt Impairment - Provision for bad debt under budgeted.  
Finance Charges - Actuarial interest not budgeted for.  
Bulk Purchases - Made more bulk purchases during the year than budgeted for.  
Repairs and Maintenance - Repairs & Maintenance was budgeted under Employee related cost,

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>33.2 Expenditure by Vote</b>				
Executive & Council	20 436 495	16 489 121	3 947 375	24%
Budget & Treasury	14 253 205	11 690 913	2 562 292	22%
Corporate Services	3 375 391	4 258 182	(882 791)	-21%
Planning & Development	1 727 399	4 433 867	(2 706 468)	-61%
Community & Social Services	826 946	1 580 117	(753 172)	-48%
Public Safety	2 205 969	2 550 671	(344 702)	-14%
Sport & Recreation	649 928	1 296 930	(647 002)	-50%
Waste Management	6 797 990	4 739 045	2 058 945	43%
Waste Water Management	6 703 342	23 230 161	(16 526 819)	-71%
Road Transport	3 973 684	25 948 016	(21 974 331)	-85%
Water	10 659 260	9 856 806	802 454	8%
Electricity	12 354 680	13 749 457	(1 394 777)	-10%
	<u>83 964 289</u>	<u>119 823 285</u>	<u>(35 858 996)</u>	<u>-30%</u>

**Details of material variances**

Executive & Council - Special Programmes was overspend and Asset Register was only updated during 2011/12 to be fully GRAP 17 compliance and to calculate final depreciation for budget.  
Water - Made more bulk purchases during the year than budgeted for.  
Waste Management - Provision for bad debt under budgeted.  
Budget & Treasury - Provision for bad debt under budgeted.

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>33.3 Capital expenditure by vote</b>				
Executive & Council	11 455 088	-	11 455 088	100%
Budget & Treasury	20 421	-	20 421	100%
Corporate Services	3 316	-	3 316	100%
Planning & Development	1 579	-	1 579	100%
Community & Social Services	21 693	-	21 693	100%
Waste Management	-	1 350 000	(1 350 000)	-100%
Waste Water Management	162 280	8 692 000	(8 529 720)	-98%
Road Transport	-	10 798 000	(10 798 000)	-100%
Electricity	162 280	300 000	(137 720)	-46%
	<b>11 826 656</b>	<b>21 140 000</b>	<b>(9 313 344)</b>	<b>-44%</b>

**Details of material variances**

Asset Register was only updated during 2011/12 to be fully GRAP 17 compliance, but some department allocations are still not correct. That is why the current year allocations are not in line with the budget, although the total capital budget was not overspent.

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2011 R	2010 R
<b>34.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	13 798 300	-
Unauthorised expenditure current year - capital	11 502 096	-
Unauthorised expenditure current year - operating	9 371 066	13 798 300
Written off by council	-	-
Unauthorised expenditure awaiting authorisation	<b>34 671 462</b>	<b>13 798 300</b>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None



**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)</b>		
<b>34.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	74 198	
Fruitless and wasteful expenditure current year	401 866	74 198
Written off by council	-	-
Transfer to receivables for recovery	-	-
	<b>476 064</b>	<b>74 198</b>

Incident	Disciplinary steps/criminal proceedings		
<i>Interest on late payment of Eskom - 2011</i>	<i>None</i>	-	50 222
<i>Interest on late payment of Auditor General - 2011</i>	<i>None</i>	-	17 846
<i>Interest on late payment of Sol Plaatjie - 2011</i>	<i>None</i>	-	1 583
<i>Interest on late payment of Gestetner Northern Cape - 2011</i>	<i>None</i>	-	602
<i>Interest on late payment of VEC Elektriese Groothandelaars - 2011</i>	<i>None</i>	-	1 700
<i>Interest on late payment of Telkom - 2011</i>	<i>None</i>	-	352
<i>Interest on late payment of Posrmaster - 2011</i>	<i>None</i>	-	1 893
<i>Interest on late payment of Eskom - 2012</i>	<i>None</i>	93 584	-
<i>Interest on late payment of Auditor General - 2012</i>	<i>None</i>	69 599	-
<i>Interest on late payment of Telkom - 2012</i>	<i>None</i>	4 852	-
<i>Modise and setlhabi civil construction was paid for upgradeing of public facilities in Warrenton without meeting tender requirments.</i>	<i>None</i>	38 832	-
<i>Never received a multi-purpose container purchased from My store.</i>	<i>None</i>	195 000	-
		<b>401 866</b>	<b>74 198</b>

<b>34.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	229 601	-
Irregular expenditure current year	-	229 601
Condonement supported by council	-	-
Transfer to receivables for recovery	-	-
	<b>229 601</b>	<b>229 601</b>

Irregular expenditure awaiting condonement from National Treasury		
	-	229 601

Incident	Disciplinary steps/criminal proceedings		
<i>Irregular expenditure will be submitted to council for consideration. - 2011</i>	<i>None</i>	-	229 601
		-	229 601

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

<b>34.4 Material Losses</b>		
<b>Water distribution losses</b>		
- Kilo litres disinfected/purified/purchased	-	
- Kilo litres lost during distribution	-	
- Percentage lost during distribution	#DIV/0!	#DIV/0!
<b>Electricity distribution losses</b>		
- Units purchased (Kwh)	-	-
- Units lost during distribution (Kwh)	-	-
- Percentage lost during distribution	#DIV/0!	#DIV/0!

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>35.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Opening balance	-	-
Council subscriptions	107 086	100 000
Amount paid - current year	(107 086)	(100 000)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>35.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	1 715 502	1 876 990
Current year audit fee	1 027 831	1 074 220
Amount paid - current year	-	(702 925)
Amount paid - previous year	(799 213)	-
Amount subsidised	-	(532 783)
<b>Balance unpaid (included in creditors)</b>	<b>1 944 120</b>	<b>1 715 502</b>
<b>35.3 VAT - [MFMA 125 (1)(b)]</b>		
VAT Receivable	<b>10 090 107</b>	<b>7 110 779</b>
<p>VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.</p>		
<b>35.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 612 324	2 262 267
Amount paid - current year	(2 612 324)	(2 262 267)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>35.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 394 909	4 556 914
Amount paid - current year	-5 371 725	(4 556 914)
<b>Balance unpaid (included in creditors)</b>	<b>23 184</b>	<b>-</b>
<b>35.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>		
<p>The following Councillors had arrear accounts for more than 90 days as at 30 June 2012:</p>		
	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
	<b>Outstanding</b>	<b>Outstanding</b>
	<b>more than 90</b>	<b>more than 90</b>
	<b>days</b>	<b>days</b>
Councillor G.A. Manopole	-	2 103
Councillor L. Louw	1 898	2 092
Councillor M.R. Moleko	17 207	16 460
Councillor E.V. Hans	11 323	21 132
Councillor B.V. Ximba	9 781	19 963
Councillor H.O. Kgadiete	18 326	-
Councillor S.P. Mngqathula	25 784	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>84 319</b>	<b>61 750</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)**

**35.7 Other non-compliance (MFMA 125(2)(e))**

Money owing by the municipality was not always paid within 30 days of receiving an invoice, as required by section 65(2)(e) of the MFMA.

Payments were made without the approval of the accounting officer or a properly authorised official, as required by section 11(1) of the MFMA.

The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65 (2)(a) of the MFMA.

Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.

A credit control and debt collection policy was not implemented, as required by section 96(b) of the MSA.

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank

where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

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

The municipality did not approve their adjustment budget before 25 January 2012 as required by Section 72 of the MFMA.

**36 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Already contracted for but not provided for:

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Already contracted for but not provided for:	<u>11 246 321</u>	<u>369 998</u>
Not yet contracted for and authorised by accounting officer:	<u>-</u>	<u>983 808</u>
This expenditure will be financed from:		
Government Grants	<u>11 246 321</u>	<u>1 353 806</u>
	<b><u>11 246 321</u></b>	<b><u>1 353 806</u></b>

This expenditure will be financed from:

Government Grants

**37 FINANCIAL RISK MANAGEMENT**

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

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

37

**FINANCIAL RISK MANAGEMENT (CONTINUE)**

**2012**  
**R**

**2011**  
**R**

**(c) Interest Rate Risk**

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

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

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

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

0.5% (2011 - 0.5%) Increase in interest rates	(1 901)	20 735
0.5% (2011 - 0.5%) Decrease in interest rates	1 901	(20 735)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 and 14 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	%	R	%	R
<b><u>Non-Exchange Receivables</u></b>				
Rates	100.00%	3 452 124	100.00%	3 377 652
<b><u>Exchange Receivables</u></b>				
Electricity	12.89%	3 750 288	11.31%	3 982 800
Water	20.32%	5 910 786	23.83%	8 387 477
Refuse	4.64%	1 350 858	18.53%	6 523 970
Sewerage	2.92%	849 799	19.10%	6 724 418
Other	59.22%	17 226 770	27.22%	9 581 556
	100.00%	29 088 501	100.00%	35 200 221

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

37

**FINANCIAL RISK MANAGEMENT (CONTINUE)**

**2012**  
**R**

**2011**  
**R**

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>%</b>	<b>R</b>	<b>%</b>	<b>R</b>
<u>Non-Exchange Receivables</u>				
Rates	100.00%	8 505 698	100.00%	7 777 961
<u>Exchange Receivables</u>				
Electricity	12.48%	2 819 281	12.32%	2 783 172
Water	50.14%	11 326 991	39.64%	8 954 093
Refuse	45.72%	10 328 685	21.91%	4 950 558
Sewerage	52.44%	11 847 219	25.53%	5 767 163
Other	20.85%	4 709 484	0.60%	135 522
	<u>281.63%</u>	<u>49 537 358</u>	<u>100%</u>	<u>22 590 508</u>

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>	<u>-</u>

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

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

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

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

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Receivables from exchange transactions	33 132 825	37 412 953
Receivables from non-exchange transactions	1 205 733	787 353
Cash and Cash Equivalents	41 482	1 000
Non-Current Investments	-	5 402 659
Unpaid conditional grants and subsidies	1 168 290	1 168 290
	<u>35 548 330</u>	<u>44 772 255</u>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

37 **FINANCIAL RISK MANAGEMENT (CONTINUE)** 2012  
R 2011  
R

**(e) Liquidity Risk**

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2012</b>				
Trade and Other Payables	35 257 413	-	-	-
Unspent conditional government grants and receipts	19 356 487	-	-	-
Cash and Cash Equivalents	420 637	-	-	-
	55 034 538	-	-	-
<b>2011</b>				
Trade and Other Payables	31 151 016	-	-	-
Unspent conditional government grants and receipts	16 265 436	-	-	-
Cash and Cash Equivalents	1 255 562	-	-	-
	48 672 014	-	-	-

38 **FINANCIAL INSTRUMENTS** 2012  
R 2011  
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

38.1 <u>Financial Assets</u>	<u>Classification</u>		
<b>Investments</b>			
Non-current Investments	Financial instruments at amortised cost	-	5 402 659
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	33 132 825	37 412 953
<b>Other Receivables</b>			
Government Subsidies and Grants	Financial instruments at amortised cost	1 168 290	1 168 290
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	40 482	-
Cash Floats and Advances	Financial instruments at amortised cost	1 000	1 000
		<b>34 342 597</b>	<b>43 984 901</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Financial instruments at amortised cost		34 342 597	43 984 901
<b>At amortised cost</b>		<b>34 342 597</b>	<b>43 984 901</b>

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>38</b>	<b>FINANCIAL INSTRUMENTS (CONTINUE)</b>		<b>2012</b>	<b>2011</b>
			<b>R</b>	<b>R</b>
<b>38.2</b>	<b>Financial Liability</b>	<b>Classification</b>		
	<b>Payables from exchange transactions</b>			
	Trade creditors	Financial instruments at amortised cost	31 927 172	26 881 327
	Deposits	Financial instruments at amortised cost	13 666	15 522
	Other	Financial instruments at amortised cost	3 316 575	4 254 166
	<b>Other Payables</b>			
	Government Subsidies and Grants	Financial instruments at amortised cost	19 356 487	16 265 436
			<b>54 613 901</b>	<b>47 416 452</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost		<b>54 613 901</b>	<b>47 416 452</b>

**39 EVENTS AFTER THE REPORTING DATE**

The municipality has no events after reporting date during the financial year ended 2011/2012.

**40 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

**41 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**42 CONTINGENT LIABILITY**

Contractor, Skill full 1146, did not complete a tender according to tender specifications. The contractor were then not paid the full tender amount that led to the contractor making a legal claim against the Magareng municipality for the outstanding amount. The court case is on-going and the outcome is unclear.

**43 RELATED PARTIES**

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

**43.1 Related Party Transactions**

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
<b>Year ended</b>				
<b>Councillors</b>	<b>5 292</b>	<b>13 874</b>	<b>49</b>	<b>19 560</b>
O.M. Majola	-	1 616	-	-270
M.R. Moleko	132	-	-	18 503
W.J. Potgieter	5 160	12 258	49	1 327
<b>Municipal Manager and Section 57 Employees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**43 RELATED PARTIES (CONTINUE)**

**43.2 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note to the Annual Financial Statements.

**43.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 20 to the Annual Financial Statements.

**43.4 Other related party transactions**

	2012 R	2011 R
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The following purchases were made during the year where Councillors or staff have an interest:

<i>Dirisonang Mmogo Construction and catering, in which Councillor B.V. Ximba have an interest.</i>	850	-
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**44 GOING CONCERN**

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

**45 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES**

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

**2011  
R**

**45.1 GRAP 17 - Property, Plant and Equipment**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008, in the previous financial year.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment	2 868 275	
Accumulated depreciation on Property, Plant and Equipment	(495 034)	
Total not previously recognised now restated retrospectively	2 373 241	

**45.2 GRAP 102 - Intangible Assets**

The municipality did not measure Intangible Assets in the past in terms of Directive 4, issued by the Accounting Standards Board.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software:	791 472	
Accumulated amortisation on computer software	(158 078)	
Total not previously recognised now restated retrospectively	633 395	



**MAGARENG MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**9 PROPERTY, PLANT AND EQUIPMENT**

30 JUNE 2012

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Closing Balance R	Accumulated Depreciation and Impairment Losses Opening Balance R	Depreciation Charge R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>27 364 656</b>	<b>54 661</b>	<b>27 419 317</b>	<b>1 106 677</b>	<b>371 717</b>	<b>1 478 394</b>	<b>25 940 923</b>
Land	16 282 834	-	16 282 834	-	-	-	16 282 834
Buildings	11 081 822	54 661	11 136 483	1 106 677	371 717	1 478 394	9 658 089
<b>Infrastructure</b>	<b>309 193 463</b>	<b>11 381 472</b>	<b>320 574 934</b>	<b>162 564 532</b>	<b>9 219 362</b>	<b>171 783 894</b>	<b>148 791 041</b>
Electricity	18 921 289	-	18 921 289	11 459 967	455 516	11 915 483	7 005 806
Roads	173 624 228	5 394 350	179 018 578	91 940 552	5 190 202	97 130 754	81 887 824
Sewerage	116 647 946	5 987 122	122 635 067	59 164 013	3 573 644	62 737 657	59 897 410
<b>Other Assets</b>	<b>8 684 310</b>	<b>390 524</b>	<b>9 074 833</b>	<b>4 286 991</b>	<b>1 093 904</b>	<b>5 380 895</b>	<b>3 693 938</b>
Computer Equipment	1 267 945	43 534	1 311 479	703 174	205 053	908 228	403 251
Furniture & Fittings	860 478	22 430	882 907	535 811	123 391	659 202	223 705
Motor Vehicles	4 129 105	324 560	4 453 665	2 360 861	560 825	2 921 686	1 531 979
Plant And Equipment	2 426 782	-	2 426 782	687 144	204 636	891 780	1 535 002
	<b>345 242 429</b>	<b>11 826 656</b>	<b>357 069 085</b>	<b>167 958 200</b>	<b>10 684 983</b>	<b>178 643 183</b>	<b>178 425 902</b>

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Closing Balance R	Accumulated Depreciation and Impairment Losses Opening Balance R	Depreciation Charge R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>27 364 656</b>	<b>-</b>	<b>27 364 656</b>	<b>737 723</b>	<b>368 954</b>	<b>1 106 677</b>	<b>26 257 979</b>
Balance previously reported	27 364 656	-	27 364 656	738 284	369 141	1 107 425	26 257 231
Correction of Error - Note 29.10	-	-	-	-561	-187	-748	748
<b>Infrastructure</b>	<b>279 358 533</b>	<b>29 834 929</b>	<b>309 193 462</b>	<b>153 727 603</b>	<b>8 836 929</b>	<b>162 564 532</b>	<b>146 628 930</b>
Balance previously reported	279 358 533	29 834 929	309 193 462	153 740 196	8 837 644	162 577 840	146 615 622
Correction of Error - Note 29.10	-	-	-	-12 593	-715	-13 308	13 308
<b>Other Assets</b>	<b>8 511 076</b>	<b>173 234</b>	<b>8 684 310</b>	<b>3 264 624</b>	<b>1 022 367</b>	<b>4 286 991</b>	<b>4 397 319</b>
Balance previously reported	5 642 801	173 234	5 816 035	2 979 615	798 286	3 777 901	2 038 134
Correction of Error - Note 29.10	2 868 275	-	2 868 275	285 009	224 081	509 090	2 359 185
	<b>315 234 265</b>	<b>30 008 163</b>	<b>345 242 428</b>	<b>157 729 950</b>	<b>10 228 250</b>	<b>167 958 200</b>	<b>177 284 228</b>

**9 PROPERTY, PLANT AND EQUIPMENT**

**GRAP 17 - Property, Plant and Equipment**

The municipality did not measure the Property, Plant and Equipment in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment	2 868 275
Accumulated depreciation on Property, Plant and Equipment	(495 034)
Total not previously recognised now restated retrospectively	<u><u>2 373 241</u></u>

**APPENDIX A - Unaudited  
MAGARENG LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2011</b>	<b>Correction</b>	<b>Balance at 30 JUNE 2011 Restated</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2012</b>
<b>ANNUITY LOANS</b>					-	-	-	-	-
<b>Total Annuity Loans</b>				-	-	-	-	-	-
<b>LEASE LIABILITY</b>					-	-	-	-	-
<b>Total Lease Liabilities</b>				-	-	-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>				-	-	-	-	-	-

**APPENDIX B - Unaudited  
MAGARENG LOCAL MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012  
MUNICIPAL VOTES CLASSIFICATION**

<b>2011 Actual Income R</b>	<b>2011 Actual Expenditure R</b>	<b>2011 Surplus/ (Deficit) R</b>		<b>2012 Actual Income R</b>	<b>2012 Actual Expenditure R</b>	<b>2012 Surplus/ (Deficit) R</b>
23 548 487	(5 995 073)	17 553 414	Council & Executive Admin	26 673 329	(19 496 590)	7 176 739
3 997	(1 088 051)	(1 084 055)	Office of the Municipal Manager	161 949	(939 905)	(777 956)
9 079 199	(9 799 732)	(720 533)	Finance	8 224 523	(14 253 205)	(6 028 681)
125 627	(1 048 642)	(923 015)	Planning & Development	-	(422 737)	(422 737)
-	(523 440)	(523 440)	Local Economic Development	177 502	(986 880)	(809 378)
-	(662 399)	(662 399)	Integrated Delvelopment Plan	-	(317 782)	(317 782)
-	(99 100)	(99 100)	Land Use	-	-	-
-	(459 695)	(459 695)	Admin & Legal	-	(1 135 099)	(1 135 099)
-	(1 414 523)	(1 414 523)	Corporate Administration	-	(1 293 846)	(1 293 846)
-	(1 000 022)	(1 000 022)	Human Resources	-	(946 445)	(946 445)
-	(1 864 625)	(1 864 625)	Technical Admin	-	(1 636 439)	(1 636 439)
19 977 012	(10 141 515)	9 835 497	Roads and Storm Water	6 733 469	(2 337 245)	4 396 223
3 031 104	(2 399 717)	631 387	Solid Waste Management	4 211 192	(6 797 990)	(2 586 798)
9 912 409	(3 427 517)	6 484 893	Sanitation	9 821 764	(6 703 342)	3 118 422
5 269 108	(7 404 827)	(2 135 718)	Water	4 282 602	(10 659 260)	(6 376 659)
8 693 739	(10 465 335)	(1 771 597)	Electricity	10 492 394	(12 354 680)	(1 862 286)
41 141	(18 570)	22 571	Cemetery	30 847	(8 824)	22 023
210 543	(614 202)	(403 659)	Library	266 037	(818 122)	(552 085)
451 338	(719 266)	(267 927)	Traffic	523 050	(952 762)	(429 712)
15 898	(619 446)	(603 548)	Parks & Recreation	31 700	(649 928)	(618 228)
-	(1 252 877)	(1 252 877)	Safety	-	(1 253 207)	(1 253 207)
80 359 602	(61 018 573)	19 341 029	Sub Total	71 630 359	(83 964 289)	(12 333 930)
-	-	-		-	-	-
80 359 602	(61 018 573)	19 341 029	<b>Total</b>	71 630 359	(83 964 289)	(12 333 930)

**APPENDIX C - Unaudited  
MAGARENG LOCAL MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
23 552 484	(7 083 125)	16 469 359	Executive & Council	26 835 279	(20 436 495)	6 398 783
9 079 199	(9 799 732)	(720 533)	Budget & Treasury	8 224 523	(14 253 205)	(6 028 681)
-	(2 874 240)	(2 874 240)	Corporate Services	-	(3 375 391)	(3 375 391)
125 627	(2 333 582)	(2 207 955)	Planning & Development	177 502	(1 727 399)	(1 549 897)
251 684	(632 772)	(381 088)	Community & Social Services	296 884	(826 946)	(530 061)
451 338	(1 972 143)	(1 520 804)	Public Safety	523 050	(2 205 969)	(1 682 919)
15 898	(619 446)	(603 548)	Sport & Recreation	31 700	(649 928)	(618 228)
3 031 104	(2 399 717)	631 387	Waste Management	4 211 192	(6 797 990)	(2 586 798)
9 912 409	(3 427 517)	6 484 893	Waste Water Management	9 821 764	(6 703 342)	3 118 422
19 977 012	(12 006 139)	7 970 872	Road Transport	6 733 469	(3 973 684)	2 759 785
5 269 108	(7 404 827)	(2 135 718)	Water	4 282 602	(10 659 260)	(6 376 659)
8 693 739	(10 465 335)	(1 771 597)	Electricity	10 492 394	(12 354 680)	(1 862 286)
-	-	-	Other	-	-	-
80 359 602	(61 018 573)	19 341 029	<b>Total</b>	71 630 359	(83 964 289)	(12 333 930)

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

Grant Description	Balance 1 JULY 2011	Correction of error	Balance 1 JULY 2011	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
	R	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
Equitable Share	-	-	-	25 546 000	25 546 000	-	-	-	-
Municipal Infrastructure Grant (MIG)	6 597 880	-	6 597 880	10 798 000	-	6 149 559	11 246 321	11 246 321	-
Municipal Systems Improvement Grant (MSIG)	(1)	-	(1)	790 000	714 801	75 199	(1)	-	(1)
Finance Management Grant (FMG)	-	-	-	1 500 000	1 500 000	-	-	-	-
Sports Facilities	(779 143)	-	(779 143)	-	-	-	(779 143)	-	(779 143)
Department of Water and Forestry (DWAF)	-	-	-	332 418	332 418	-	-	-	-
<b>Total National Government Grants</b>	<b>5 818 736</b>	<b>-</b>	<b>5 818 736</b>	<b>38 966 418</b>	<b>28 093 220</b>	<b>6 224 758</b>	<b>10 467 177</b>	<b>11 246 321</b>	<b>(779 144)</b>
<b><u>Provincial Government Grants</u></b>									
Library Development Fund	293 066	-	293 066	384 000	202 936	62 313	411 817	411 817	-
Expanded Public Works Program (EPWP) : Hospital Road	(389 146)	-	(389 146)	-	-	-	(389 146)	-	(389 146)
Expanded Public Works Program (EPWP) - Taxi Rank	983 808	-	983 808	-	-	-	983 808	983 808	-
Expanded Public Works Program (EPWP) - Paving Project	2 157 854	-	2 157 854	-	-	-	2 157 854	2 157 854	-
Provincial Infrastructure Grant	4 270 040	-	4 270 040	5 931 000	-	7 195 317	3 005 723	3 005 723	-
Department of Economic Affairs - Bakery	-	-	-	177 502	177 502	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>7 315 622</b>	<b>-</b>	<b>7 315 622</b>	<b>6 492 502</b>	<b>380 438</b>	<b>7 257 630</b>	<b>6 170 056</b>	<b>6 559 202</b>	<b>(389 146)</b>
<b><u>District Municipality Grants</u></b>									
Frances Baard	990 549	-	990 549	100 425	512 249	-	578 725	578 725	-
<b>Total District Municipality Grants</b>	<b>990 549</b>	<b>-</b>	<b>990 549</b>	<b>100 425</b>	<b>512 249</b>	<b>-</b>	<b>578 725</b>	<b>578 725</b>	<b>-</b>
<b><u>Other Grant Providers</u></b>									
Peanut Oil Project	972 239	-	972 239	-	-	-	972 239	972 239	-
<b>Total Other Grant Providers</b>	<b>972 239</b>	<b>-</b>	<b>972 239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>972 239</b>	<b>972 239</b>	<b>-</b>
<b>Total</b>	<b>15 097 146</b>	<b>-</b>	<b>15 097 146</b>	<b>45 559 345</b>	<b>28 985 906</b>	<b>13 482 388</b>	<b>18 188 197</b>	<b>19 356 487</b>	<b>(1 168 290)</b>