



Mafikeng Local Municipality
(Registration number NW 383)
Financial statements
for the year ended 30 June 2012

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and the Municipal System Act No. 32 of 2000

Mayoral committee

Executive Mayor

Cllr Miga N L
Cllr Leepile M : MMC (Public Safety)
Cllr Lomo F L : MMC (Community Services)
Cllr Mothupi H R : MMC (Corporate Services)
Cllr Poenyane K A : MMC (Planning and Development)
Cllr Molete E F K : MMC (Local Economic Development)
Cllr Tirano R : MMC (Special Projects)
Cllr Mokgoetsi K K M : MMC (Infrastructure)
Cllr Ngqobe N R : MMC (Finance)
Cllr Jabanyane M D (Speaker)
Cllr Mafete M E (Single Whip of Council)
Cllr Nkoane G J : Chairperson (MPAC)
Cllr Mafabatho A P
Cllr Maloisane S S N
Cllr Mosenogi I S
Cllr Nthutang B J
Cllr Thomas G
Cllr Babedi P
Cllr Ntshabele T
Cllr Mpeneze N
Cllr Diakanyo K B
Cllr Moamogwe N
Cllr Mosikare M D
Cllr Lesejane R S
Cllr Motsamai I S
Cllr Moremedi S D
Cllr Molale P P
Cllr Seepamore L
Cllr Makolomakwa T J
Cllr Tabane P M
Cllr Ngobeni B S
Cllr Johnson O J
Cllr Nkolisa B J
Cllr Novolo G S
Cllr Lolwane A N
Cllr Moeti M E
Cllr Moepi D P
Cllr Nkosi P
Cllr Mathakathaka K G
Cllr Mokolemako M C
Cllr Dintoe M M
Cllr Magogodi M P
Cllr Dingile M E
Cllr Mahura S M

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

General Information

Cllr Mmono C D
Cllr Ngqobe M
Cllr Lekhobe M E
Cllr Chanda M M
Cllr Chili E M
Cllr Africa A
Cllr Selepe T L
Cllr Mthunzi D T
Cllr Motshegoa T
Cllr Matlholwa M R
Cllr Sephothi M W
Cllr Lebelela T W
Cllr Kgaje G K
Cllr Legalatladi G U
Cllr Matlhoko S M
Cllr Theologo J R
Cllr Molete G M
Kgosi Shole G G
Kgosi Seatlholo G A

Grading of local authority

Grade 4

Chief Finance Officer (CFO)

Mr. S S Mmope

Accounting Officer

Mr. K F Rabanye

Registered office

Cnr University Drive & Hector Peterson Road
Mmabatho
2735

Business address

Cnr University Drive & Hector Peterson Road
Mmabatho
2735

Postal address

Private Bag X63
Mmabatho
2735

Bankers

Standard Bank of South Africa
Business Centre, Nelson Mandela Drive, Mafikeng, 2745

Auditors

Auditor-General of South Africa
124 Kock Street
Rustenburg
00030

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the financial statements presented to the Mafikeng Local Municipality's Council:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 24
Notes to the Financial Statements	25 - 60
Appendices: (Do not form part of the Annual Financial Statements)	
Appendix A: Schedule of External loans	61
Appendix B: Analysis of Property, Plant and Equipment	62
Appendix C: Segmental analysis of Property, Plant and Equipment	68
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	69
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	70
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	71

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, I am satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future

The Municipality's operations depend on a number of sources of revenue, ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Although I am primarily responsible for the financial affairs of the Municipality, I am supported by the Municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements. Thus, the Annual Financial Statements will be examined by the Municipality's external auditors, with an objective of expressing an independent opinion on the Annual Financial Statements.

The Annual Financial Statements set out on page 5 to 59, which have been prepared on the going concern basis, were approved and signed by me on 30 August 2012 .

Accounting Officer
Mr. Rabanye K. F.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	8	31,254,771	31,361,287
Receivables from exchange transactions	10	4,802,489	854,984
Other receivables from non-exchange transactions	9	7,188,063	11,535,942
Consumer debtors	11	34,968,690	17,430,050
Shares & Unit Trusts	7	8,786,926	3,711,996
Money Market Investments	45	28,552,928	7,291,658
Cash and cash equivalents	12	16,781	7,413
		115,570,648	72,193,330
Non-Current Assets			
Investment property	2	397,972,720	397,972,720
Property, Plant and Equipment	3	426,846,591	433,647,551
Intangible assets	4	1,135,869	1,446,880
		825,955,180	833,067,151
Non-Current Assets			
Current Assets		825,955,180	833,067,151
Total Assets		115,570,648	72,193,330
		941,525,828	905,260,481
Liabilities			
Current Liabilities			
Other Interest Bearing Liabilities	13	3,822,911	5,431,921
Finance lease obligation	14	1,855,504	2,106,392
Trade and other payables	17	98,965,258	94,042,403
VAT payable	18	11,620,796	15,604,360
Consumer deposits	19	4,905,111	4,115,992
Retirement benefit obligation	6	-	51,000
Unspent conditional grants and receipts	15	33,162,599	14,905,097
Provisions	16	6,648,215	11,352,092
Bank overdraft	12	29,992,590	17,708,509
		190,972,984	165,317,766
Non-Current Liabilities			
Other Interest Bearing Liabilities	13	31,787,606	36,078,771
Finance lease obligation	14	943,838	2,799,932
Retirement benefit obligation	6	22,336,919	19,420,990
Provisions	16	9,235,796	9,235,796
		64,304,159	67,535,489
Non-Current Liabilities			
Current Liabilities		64,304,159	67,535,489
Total Liabilities		190,972,984	165,317,766
		255,277,143	232,853,255
Assets		941,525,828	905,260,481
Liabilities		(255,277,143)	(232,853,255)
Net Assets		686,248,685	672,407,226
Net Assets			
Accumulated surplus		686,248,685	672,407,226

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	21	97,628,211	122,895,745
Service charges	22	91,651,726	70,197,067
Rental of facilities and equipment		3,423,214	3,049,892
Interest received (trading)		29,718,851	26,167,840
Fines		2,419,237	1,512,555
Licences and permits/certificates		5,102,711	4,716,997
Government grants & subsidies	23	150,446,222	125,702,840
Fair value Adjustment	2	-	44,231,594
Miscellaneous other revenue		73,548	351,332
Fees earned		1,117,684	890,037
Commissions received		300,030	240,201
Unwound Interest - Long term Debtor		-	8,009,574
Recoveries		258,741	807,529
Other income		55,439	2,307,028
Building plans fees		302,720	158,844
Blocked drains revenue		149,574	102,922
Interest received - investment	30	2,460,053	1,879,199
Total Revenue		385,107,961	413,221,196
Expenditure			
Personnel	27	(165,179,558)	(172,459,450)
Remuneration of councillors	28	(16,792,206)	(14,933,904)
Depreciation and amortisation	31	(26,182,428)	(25,607,481)
Finance costs	32	(3,893,727)	(4,799,577)
Debt impairment	29	(9,676,324)	(79,409,372)
Collection costs		(1,122,276)	(802,595)
Repairs and maintenance		(24,944,023)	(25,679,072)
Bulk purchases	35	(51,175,554)	(43,489,896)
Contracted services	46	(6,657,126)	-
General Expenses	25	(66,622,890)	(65,491,126)
Total Expenditure		(372,246,112)	(432,672,479)
Revenue		385,107,961	413,221,196
Expenditure		(372,246,112)	(432,672,479)
Other		-	-
Surplus (deficit) for the year		12,861,849	(19,451,283)

Mafikeng Local Municipality
 Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	713,452,674	713,452,674
Changes in net assets		
Surplus for the year	(19,451,283)	(19,451,283)
Prior year Adjustment (note 51)	(20,678,542)	(20,678,542)
Total changes	(59,815,436)	(59,815,436)
Balance at 01 July 2011	672,407,226	672,407,226
Changes in net assets		
Surplus for the year	12,861,849	12,861,849
Prior year Adjustment	915,631	915,631
Insurance reserve	63,979	63,979
Total changes	13,841,459	13,841,459
Balance at 30 June 2012	686,248,685	686,312,672

Note(s)

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		268,002,607	180,014,664
Grants		120,687,370	120,761,283
Interest income		2,460,053	1,879,199
Other receipts		1,416,190	33,631,303
		392,566,220	336,286,449
Payments			
Employee costs		(181,971,764)	(170,795,645)
Suppliers		(165,625,607)	(113,158,221)
Finance costs		(3,893,727)	(4,799,577)
		(351,491,098)	(288,753,444)
Total receipts		392,566,220	336,286,449
Total payments		(351,491,098)	(288,753,444)
Net cash flows from operating activities	36	41,075,122	47,533,005
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	3	(19,070,456)	(42,818,302)
Purchase of other intangible assets	4	-	(1,500,414)
Increase in shares & unit trusts		(157,424)	(150,654)
Increase in money market investments		(26,178,776)	(2,423,115)
Movement in reserves		64,281	-
Net cash flows from investing activities		(45,342,375)	(46,892,485)
Cash flows from financing activities			
Repayment of other interest bearing liabilities		(5,900,177)	(5,786,970)
Finance lease payments		(2,106,982)	(2,420,784)
Net cash flows from financing activities		(8,007,159)	(8,207,754)
Net increase/(decrease) in cash and cash equivalents		(12,274,713)	(7,567,232)
Cash and cash equivalents at the beginning of the year		(17,701,096)	(10,133,864)
Cash and cash equivalents at the end of the year	12	(29,975,809)	(17,701,096)

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Financial Statements

1.1 Statement of Compliance

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

STATEMENT AND INTERPRETATION NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers))
- GRAP 24 - Presentation of Budget Information
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers

1.1 Accounting estimates and judgements

Key source of estimation and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on managements best knowledge of the current events and actions they may undertake in the future actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the municipality's policies, management has made the following significant accounting judgments , estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

Impairment of Trade and Other Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their payment history. This was performed per debtor.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Accounting Policies

1.1 Accounting estimates and judgements (continued)

Provisions and other post-retirement benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.2 Investment property

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

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

Investment property is held at fair value.

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

Fair value

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

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll.

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

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

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair value where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

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

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

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease, and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

The useful lives of items of have been assessed as follows:

Item	Average useful life
Buildings	30
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Emergency Equipment	5-10
Refuse Tankers	5-10
Infrastructure	10-40
• Roads and Stormwater	5-150
• Refuse	20-50
• Electricity	10-100
• Water	10-200
• Sewerage	10-200
• Housing	20-100
Community	15-30
• Buildings	20-100
• Recreational facilities	20-30
• Security	5-10
• Halls	20-30
• Libraries	20-30
• Parks and gardens	15-20
• Other assets	15-30

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

Other property, plant and equipment	4-20
• Building	20-100
• Specialist vehicles	10-35
• Other vehicles	5-30
• Office furniture	3-15
• Furniture and fittings	5-20
• Watercraft	15-30
• Bins and containers	5-15
• Specialised plant and equipment	5-35
• Other plant and equipment	2-25
• Landfill sites	20-100
• Quarries	20-100
• Emergency equipment	5-25
• Computer equipment	3-15

Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.4 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

1.5 Site restoration and dismantling cost

Where the municipality has an obligation to dismantle, remove and restore items of property, plant and equipment, such obligations are referred to as 'decommissioning, restoration and similar liabilities'. These costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The costs are capitalised to the cost of the relevant assets.

1.6 Financial instruments

Classification

The Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability:

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Financial instruments designated as at fair value through surplus or deficit

All financial instruments are initially measured at fair value. The financial instruments are subsequently recognised at fair value through profit and loss

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the Municipality. Liabilities for goods and services rendered to the municipality before yearend are accrued based on management's estimate if the invoice or statement have not been issued.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months and are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categories cash and cash equivalents as financial assets, loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

Bank overdraft and borrowings

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

Derivatives

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

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

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

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

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the municipality loses control of contractual rights that comprise the assets.

Financial liabilities

A financial liability is derecognised when the obligation under the contract is discharged, cancelled or expires.

1.7 Leases

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

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Leases (continued)

Finance leases - municipality lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

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

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessor

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

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

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

Operating leases -municipality as lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.8 Inventories

Inventories consist of raw materials, work in progress, consumables finished goods and unsold properties. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to Valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.9 Non-current assets held for sale and disposal groups

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

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

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Employee benefits (continued)

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality provides certain post- retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees have already reached the prescribed milestones but payments for the equivalent leave days accrued has not been made by year- end, the amount is recognised as accruals.

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are not recognised for future operating deficits.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Site Restoration, Onerous contracts, Reimbursements, Restructuring, Long Service Award

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future .The provision is discounted using a reasonable discounting rate.

1.13 Revenue

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

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

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality; and ;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 Revenue (continued)

Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis. Consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

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

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest, royalties and dividends

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Other

Tariff charges

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

Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

Rates and Taxes

Assesment Rates and fixed property valuations are conducted in terms of the Loca Govenment: Municipal Property Rates Act No. 6 of 2004.

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

The charges are based on the approved value of the land and buildings multiplied by the approved tariff (cents in the rand) Assesment Rates is levied in July for the entire financial year end and payable by the 30 September, alternatively levied at proportionately 1/12 per month end payable monthly.

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

Fines

Revenue from the issuing of fines is recognised on receipt.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable, which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.16 Consumer deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.18 Unauthorised expenditure

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

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

1.22 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.23 Budget information

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

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

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

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

1.24 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

- The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Accounting Policies

1.25 Net reserves

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

1.26 Borrowing costs

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

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

1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.28 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

2. Investment property

	2012		2011	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	397,972,720	-	397,972,720	-

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	397,972,720	397,972,720

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	353,741,126	44,231,594	397,972,720
Fair value of investment properties			397,972,720

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

3. Property, plant and equipment

	2012		2011			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	34,466,370	-	34,466,370	34,466,370	-	34,466,370
Buildings	33,931,917	(4,261,427)	29,670,490	33,825,051	(3,130,363)	30,694,688
Plant and machinery	1	-	1	1	-	1
Furniture and fixtures	6,632,899	(3,434,155)	3,198,744	6,504,308	(2,502,138)	4,002,170
Motor vehicles	20,607,441	(11,438,731)	9,168,710	20,607,440	(8,494,811)	12,112,629
Office equipment	1,418,283	(666,655)	751,628	1,389,083	(464,695)	924,388
IT equipment	1,502,948	(903,818)	599,130	1,502,948	(603,228)	899,720
Bridges	48,188,375	(6,164,462)	42,023,913	48,188,375	(4,558,183)	43,630,192
Community Buildings	3,771,081	(406,332)	3,364,749	3,771,081	(280,629)	3,490,452
Other Assets	3,531,737	(1,656,183)	1,875,554	3,531,737	(1,214,716)	2,317,021
Roads, Storm Drains & Pavements	145,323,115	(18,481,273)	126,841,842	145,323,115	(13,526,864)	131,796,251
Bins and containers	1,260,029	(720,017)	540,012	1,260,029	(540,013)	720,016
Capital work in progress	37,083,128	-	37,083,128	18,476,711	-	18,476,711
Reservoirs	4,824,702	(38,334)	4,786,368	4,824,702	(19,167)	4,805,535
Emergency Equipment	1,262,898	(802,306)	460,592	1,262,898	(549,726)	713,172
Sanitation Skips	178,200	(71,280)	106,920	178,200	(53,460)	124,740
High Mast Lights	53,788,945	(9,521,309)	44,267,636	53,788,945	(6,792,700)	46,996,245
Refuse Tanker	209,544	(125,149)	84,395	209,544	(104,195)	105,349
Recreational Facilities	1,125,603	(182,908)	942,695	926,221	(126,628)	799,593
Landfill Site	1,831,645	(269,359)	1,562,286	1,831,645	(161,615)	1,670,030
Stadiums	6,410,965	(1,281,094)	5,129,871	6,410,965	(960,546)	5,450,419
Farms	20,428,214	-	20,428,214	20,428,214	-	20,428,214
Heritage	913,750	-	913,750	913,750	-	913,750
Sewerage, Water Network & Piping	95,303,022	(36,723,429)	58,579,593	95,303,022	(27,193,127)	68,109,895
Total	523,994,812	(97,148,221)	426,846,591	504,924,355	(71,276,804)	433,647,551

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

3. Property, plant and equipment (continued)

Reconciliation of - 2012

	Opening balance	Additions	Depreciation	Total
Land	34,466,370	-	-	34,466,370
Buildings	30,694,688	106,866	(1,131,064)	29,670,490
Plant and machinery	1	-	-	1
Furniture and fixtures	4,002,170	128,591	(932,017)	3,198,744
Motor vehicles	12,112,630	-	(2,943,920)	9,168,710
Office equipment	924,388	29,200	(201,960)	751,628
IT equipment	899,720	-	(300,590)	599,130
Bridges	43,630,192	-	(1,606,279)	42,023,913
Community Buildings	3,490,452	-	(125,703)	3,364,749
Other Assets	2,317,021	-	(441,467)	1,875,554
Roads, Storm Drains & Pavements	131,796,251	-	(4,954,409)	126,841,842
Bins and containers	720,016	-	(180,004)	540,012
Capital work in progress	18,476,711	18,606,417	-	37,083,128
Reservoirs	4,805,535	-	(19,167)	4,786,368
Emergency equipment	713,172	-	(252,580)	460,592
Sanitation Skips	124,740	-	(17,820)	106,920
High Mast Lights	46,996,245	-	(2,728,609)	44,267,636
Refuse Tanker	105,349	-	(20,954)	84,395
Recreational Facilities	799,593	199,382	(56,280)	942,695
Landfill Site	1,670,030	-	(107,744)	1,562,286
Stadiums	5,450,419	-	(320,548)	5,129,871
Farms	20,428,214	-	-	20,428,214
Heritage	913,750	-	-	913,750
Sewerage, Water Network & Piping	68,109,895	-	(9,530,302)	58,579,593
	433,647,552	19,070,456	(25,871,417)	426,846,591

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

3. Property, plant and equipment (continued)

Reconciliation of - 2011

	Opening balance	Additions	Transfers	Depreciation	Total
Land	34,466,370	-	-	-	34,466,370
Buildings	31,419,737	390,485	-	(1,115,534)	30,694,688
Plant and machinery	-	1	-	-	1
Furniture and fixtures	4,264,632	610,874	-	(873,336)	4,002,170
Motor vehicles	15,056,550	-	-	(2,943,921)	12,112,629
Office equipment	947,974	157,864	-	(181,450)	924,388
IT equipment	788,838	374,592	-	(263,710)	899,720
Bridges	41,698,365	3,511,556	-	(1,579,729)	43,630,192
Community Buildings	3,616,158	-	-	(125,706)	3,490,452
Other Assets	2,580,605	168,794	-	(432,378)	2,317,021
Roads, Storm Drains & Pavements	136,640,354	-	-	(4,844,103)	131,796,251
Bins and containers	900,021	-	-	(180,005)	720,016
Capital work in progress	12,713,066	23,372,255	(17,608,610)	-	18,476,711
Reservoirs	-	4,824,702	-	(19,167)	4,805,535
Emergency Equipment	826,271	134,827	-	(247,926)	713,172
Sanitation Skips	142,560	-	-	(17,820)	124,740
High Mast Lights	40,371,269	9,272,352	-	(2,647,376)	46,996,245
Refuse Tanker	126,303	-	-	(20,954)	105,349
Recreational Facilities	845,907	-	-	(46,314)	799,593
Landfill Site	1,777,773	-	-	(107,743)	1,670,030
Stadiums	5,770,964	-	-	(320,545)	5,450,419
Farms	20,428,214	-	-	-	20,428,214
Heritage	913,750	-	-	-	913,750
Sewerage, Water Network & Piping	77,640,197	-	-	(9,530,302)	68,109,895
	433,935,878	42,818,302	(17,608,610)	(25,498,019)	433,647,551

Pledged as security

Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them. Carrying value of assets pledged as security:

Motor vehicles	2,450,185	4,444,438
The terms of the agreement are that the lessor retains ownership of the vehicles until the loan is fully paid. More details of the loan are disclosed under finance leases.		

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 14.

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,450,185	4,444,438
----------------	-----------	-----------

4. Intangible assets

	2012		2011	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software	1,555,054	(419,185)	1,135,869	1,555,054
				(108,174) 1,446,880

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

4. Intangible assets (continued)

Reconciliation of capital commitments - 2012

	Opening balance	Amortisation	Total
Computer software	1,446,880	(311,011)	1,135,869

Reconciliation of capital commitments - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	44,655	1,500,414	(98,189)	1,446,880

Pledged as security

There are no intangible assets pledged as security.

5. Financial assets by category

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

2012

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Receivables from exchange transactions (note 10)	4,802,489	-	-	4,802,489
Other receivables from non-exchange transactions	7,188,063	-	-	7,188,063
Cash and cash equivalents	-	16,781	-	16,781
Shares in unit trust	-	-	3,869,420	3,869,420
Money Market Investments (note 45)	-	33,470,434	-	33,470,434
	11,990,552	33,487,215	3,869,420	49,347,187

2011

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Receivables from exchange transactions (note 10)	854,984	-	-	854,984
Other receivables from non-exchange transactions	11,535,942	-	-	11,535,942
Cash and cash equivalents	-	7,413	-	7,413
Shares in unit trusts	-	-	3,711,996	3,711,996
Money Market Investments (note 45)	-	7,291,658	-	7,291,658
	12,390,926	7,299,071	3,711,996	23,401,993

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

6. Retirement benefit obligations

Defined benefit plan

Post Retirement Medical Aid Benefit

The municipality operates a funded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Samwumed, Discovery and Hosmed medical schemes.

We did not perform actuaries on the Post retirement medical aid provision for the financial year 2012, for this reason we inflated the valuations for the last financial year with the Consumer price index rate of 5.5%.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the unfunded net liabilities in excess of plan assets	(22,336,919)	(19,471,990)
Non-current liabilities	(22,336,919)	(19,420,990)
Current liabilities	-	(51,000)
	(22,336,919)	(19,471,990)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	19,471,990	16,840,000
Benefits paid	-	(101,583)
Net expense recognised in the statement of financial performance	2,864,929	2,733,583
Closing balance	22,336,919	19,472,000

Net expense recognised in the statement of financial performance

Current service cost	1,229,075	1,165,000
Interest cost	1,597,270	1,514,000
Actuarial (gains) losses	38,584	54,583
Total included in employee related costs	2,864,929	2,733,583

Calculation of actuarial gains and losses

Expected benefit payments	123,360	(116,929)
Actual benefit payments	(84,776)	43,000
Total	38,584	(73,929)

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

6. Retirement benefit obligations (continued)

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2012 were as follows:

Discount rates used	- %	9.00 %
Net discount rate	- %	0.93 %
Expected increase in salaries	- %	7.25 %
Expected increase in healthcare costs	- %	8.00 %

The expense for the current year was derived and discounted to determine the valuation for the financial period 2011/2012 which is an acceptable practice when valuing such defined plans. As such there are no key assumptions for the comparative period.

Demographic Assumptions: Normal Retirement Age (65 years); Fully accrued age (65 years); Age between husband and wife (Active members - 4 years, Pensioners 4 years); Proportion married (Active members - 90%, Pensioners actual married status used).

Decrement Assumptions: Mortality [Active members: SA85 - 90, Pensioners: PA(90 - 2)]

Data Assumption: The actual date of birth for pensioners spouses were not provided. As such the age difference between the husband and wife was assumed to be four years.

Continuation percentages: It was assumed that 100% of the deceased pensioners' spouses will continue with their membership.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The total economic entity contribution to pension schemes	14,543,752	14,390,632
The amount recognised as an expense for medical aid contributions	6,350,644	6,034,836

Included in defined contribution plan information above, is the Multi- Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

7. Shares & Unit Trusts

The municipality has shares in Sanlam, which were obtained through the demutualisation process. Furthermore, other investments in unit trusts are also maintained at Investec.

Sanlam	605,177	605,177
Investec	8,181,748	3,106,819
	8,786,925	3,711,996

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
8. Inventories		
Land	28,804,255	28,804,255
Consumable stores	2,450,516	2,557,032
	31,254,771	31,361,287

Inventory pledged as security

There were no security pledges made against inventory during the current and prior financial period.

9. Other receivables from non-exchange transactions

Property Rates	166,963,241	190,919,347
Provision for bad debts	(159,775,178)	(179,383,405)
	7,188,063	11,535,942

Movement in Provision

Balance at beginning of year	(179,383,405)	(192,702,408)
Expenditure during the year	19,608,227	13,319,003
	(159,775,178)	(179,383,405)

Other receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011, and at 30 June 2012 there were no amounts impaired in respect of debts less than 3 months overdue.

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

1 month past due	5,570,791	3,984,675
2 months past due	1,108,752	3,702,850
3 months past due	508,519	3,848,416

Other receivables from non-exchange transactions impaired

As of 30 June 2012, Other Receivables from Non-Exchange transactions of R159, 775, 178 (2011: R179 383 405) were impaired and provided for.

10. Receivables from exchange transactions

Accrued Income	55,948	24,281
Other debtors	3,843,588	422,100
Health Subsidy Debtors	2,000	2,000
Staff Debtors	4,068	2,369
Sundry debtors	7,827,954	7,250,929
Civil Contract Sessions	(768,661)	-
Staff Contra	684,287	-
Provision for bad debts	(6,846,695)	(6,846,695)
	4,802,489	854,984

The debt is greater than 90 days.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
11. Consumer debtors		
Gross balances		
Water	101,358,101	92,992,863
Sewerage	41,240,310	39,653,597
Refuse	42,420,325	33,773,689
Interest Levied (on Consumer Debtors)	134,230,620	121,226,123
	319,249,356	287,646,272
Less: Provision for debt impairment		
Water	(89,789,152)	(87,363,826)
Sewerage	(35,752,774)	(37,246,020)
Refuse	(38,315,861)	(31,723,019)
Interest Levied (on Consumer Debtors)	(120,422,879)	(113,883,357)
	(284,280,666)	(270,216,222)
Net balance		
Water	11,568,949	5,629,037
Sewerage	5,487,536	2,407,577
Refuse	4,104,464	2,050,670
Interest Levied (on Consumer Debtors)	13,807,741	7,342,766
	34,968,690	17,430,050
Water		
Current (0 -30 days)	7,592,468	3,135,780
31 - 60 days	1,837,636	1,234,419
61 - 90 days	2,138,845	1,258,838
	11,568,949	5,629,037
Sewerage		
Current (0 -30 days)	1,582,335	922,360
31 - 60 days	1,274,712	758,533
61 - 90 days	2,630,489	726,684
	5,487,536	2,407,577
Refuse		
Current (0 -30 days)	1,538,111	778,100
31 - 60 days	1,321,813	655,832
61 - 90 days	1,244,540	616,738
	4,104,464	2,050,670
Interest (On Consumer debtor)		
Current (0 -30 days)	3,239,967	2,521,933
31 - 60 days	2,914,264	2,447,591
61 - 90 days	7,653,510	2,373,242
	13,807,741	7,342,766
Reconciliation of debt impairment provision		
Balance at beginning of the year	(270,216,222)	(251,021,651)
Net contributions to provision	(14,064,444)	(19,194,571)
	(284,280,666)	(270,216,222)

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

11. Consumer debtors (continued)

Consumer debtors pledged as security

There were no pledges made against consumer debtors.

Consumer debtors past due but not impaired

As of 30 June 2012, consumer debtors of R284, 280, 665 (2011: R270 216 222) were impaired and provided for.

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

1 month past due	13,952,881	7,358,173
2 months past due	7,348,425	5,096,375
3 months past due	13,667,384	4,975,502

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	16,781	7,413
Bank overdraft	(29,992,590)	(17,708,509)
	(29,975,809)	(17,701,096)
Current assets	16,781	7,413
Current liabilities	(29,992,590)	(17,708,509)
	(29,975,809)	(17,701,096)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Standard Bank - current account	5,658,854	1,567,895	924,606	(29,992,590)	(17,708,509)	10,133,864
Account number 030852595						
Petty Cash	-	-	-	16,781	7,413	5,110
Total	5,658,854	1,567,895	924,606	(29,975,809)	(17,701,096)	10,138,974

13. Other Interest Bearing Liabilities

Held at amortised cost

DBSA Loans (Long Term Portion)	15,966,584	18,959,476
The loans carry interest rates varying between 5% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2012 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The Loans are secured bover the rental income form one of the municipality's investment property.		
DBSA Loans (Short Term Portion)	2,524,638	4,172,812
The terms and conditions are as described above.		
INCA Loans (Long Term Portion)	15,821,022	17,119,295
The loans carry interest rates varying between 10% and 15% per annum and are repayable over period ranging between 10 - 20 years. As at 30 June 2011 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured by the municipality's income from assessment rates.		
INCA Loans (Short Term Portion)	1,298,273	1,259,109
IThe terms and conditions are as described above		
	35,610,517	41,510,692

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
13. Other Interest Bearing Liabilities (continued)		
Non-current liabilities at amortised cost		
Development bank of South Africa	15,966,584	18,959,476
INCA	15,821,022	17,119,295
	31,787,606	36,078,771
Current liabilities at amortised cost		
Development bank of South Africa	2,524,638	4,172,812
INCA	1,298,273	1,259,109
	3,822,911	5,431,921
Fair value of the financial liabilities carried at amortised cost		
Bank loans	35,187,857	415,102
14. Finance lease obligation		
Minimum lease payments due		
- within one year	2,025,174	2,437,762
- in second to fifth year inclusive	983,891	3,009,157
	3,009,065	5,446,919
less: future finance charges	(209,723)	(540,595)
Present value of minimum lease payments	2,799,342	4,906,324
Present value of minimum lease payments due		
- within one year	1,855,504	2,106,392
- in second to fifth year inclusive	943,838	2,799,932
	2,799,342	4,906,324
It is the municipality policy to lease certain property, plant and equipment under finance leases.		
The average lease term was 5 years and the average effective borrowing rate was 10% (2011: 10%).		
Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.		
Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them.		
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	31,151,731	14,795,777
Rural Water Grant	67,560	67,560
Finance Management Grant (FMG)	51,139	41,760
Municipal System Improvement Grant (MSIG)	218,319	-
Library Grant	(219,150)	-
Satelite: First Ottoshoop	1,200,000	-
National Lottery Grant	693,000	-
	33,162,599	14,905,098

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
15. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	14,905,097	10,212,508
Net additions during the year (Receipts net of adjustments)	43,975,342	31,837,000
Income recognition during the year including VAT (expenditure)	(25,717,840)	(27,144,411)
	33,162,599	14,905,097

See note 23 for reconciliation of grants from National/Provincial Government.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

16. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Interest cost	Current service costs	Total
Environmental rehabilitation-Landfill Site	2,428,458	243,449	-	-	2,671,907
Legal proceedings	7,967,520	-	(7,967,520)	-	-
Training fund reserve	-	704,304	-	-	704,304
Long Service Award	10,191,910	-	-	2,315,890	12,507,800
	20,587,888	947,753	(7,967,520)	2,315,890	15,884,011

Reconciliation of provisions - 2011

	Opening Balance	Additions	Interest cost	Current service costs	Actuarial (gains)/losses	Actual benefit payments	Total
Environmental rehabilitation-Landfill Site	2,197,699	230,759	-	-	-	-	2,428,458
Legal proceedings	-	7,967,520	-	-	-	-	7,967,520
Long Service Award	9,600,930	-	823,967	658,495	1,251,444	(2,142,926)	10,191,910
	11,798,629	8,198,279	823,967	658,495	1,251,444	(2,142,926)	20,587,888
Non-current liabilities		9,235,796	9,235,796				
Current liabilities		6,648,215	11,352,092				
		15,884,011	20,587,888				

Landfil sites

The environmental rehabilitation landfill site provision as at 30 June 2012 was based on the prior year's balance plus 10%.

Long Service Award

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

16. Provisions (continued)

The municipal employees, excluding those with fixed term contracts, who have been with the employer for a certain period of time are entitled to additional leave days (in addition to normal leave) as recognition for service at the same employer. The additional leave (long service awards) is paid out when the employee has reached the required continued period of service.

The Long Service Award computations were calculated for the first as at 30 June 2011. To determine the liability values as at 30 June 2009 and 2010, the projected liability as 30 June 2011 was discounted backwards. As such there are no comparative figures for the key assumptions and sensitivity analysis.

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

Service Milestone

10 years	10	10
15 years	20	20
20 years	30	30
25 years	30	30
30 years	30	30
35 years	30	30
40 years	30	30
45 years	30	30

The following key assumptions were used in the valuation.

Assumptions

Discount rate (%)	9	-
Award inflation (%)	7	-
Mortality (SA-aggregate)	88	-
Normal retirement age (years)	65	-
Average number of resignations per 1000 members	73	-
Average number of ill-healthy retirement per 1000 members	3	-

17. Trade and other payables

Debtors with credit balances	21,394,191	28,296,457
Accrued bonus	-	4,936,671
Accrued Long Service Award	11,205,962	11,617,764
Sundry creditors	4,790,142	2,192,693
Accrued leave pay	14,674,860	14,620,920
Trade payables	42,639,823	31,501,551
Unallocated receipts	4,260,280	876,347
	98,965,258	94,042,403

18. VAT payable

Balance due	11,620,796	15,604,360
-------------	------------	------------

19. Consumer deposits

Other deposits	3,396,307	2,608,494
Water	1,508,804	1,507,498
	4,905,111	4,115,992

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
20. Revenue		
Property rates	97,628,211	122,895,745
Service charges	91,651,726	70,197,067
Rental of facilities & equipment	3,423,214	3,049,892
Interest received – trading	29,718,851	26,167,840
Fines	2,419,237	1,512,555
Licences and permits	5,102,711	4,716,997
Government grants & subsidies	150,446,222	125,702,840
Other income	4,644,241	14,395,334
Fair Value Adjustment	-	44,231,594
Miscellaneous other revenue	73,548	351,332
	385,107,961	413,221,196

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

Service charges	91,651,726	70,197,067
Rental of facilities & equipment	3,423,214	3,049,892
Interest received – trading	29,718,851	26,167,840
Licences and permits	5,102,711	4,716,997
Other income	4,644,241	14,395,334
Miscellaneous other revenue	73,548	351,332
	134,614,291	118,878,462

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

Taxation revenue		
Property rates	97,628,211	122,895,745
Fines	2,419,237	1,512,555
Transfer revenue		
Grants and Subsidies	150,446,222	125,702,840
Fair Value Adjustment	-	44,231,594
	250,493,670	294,342,734

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

21. Property rates

Rates received

Residential	98,407,639	123,421,753
Less: Income forgone	(779,428)	(526,008)
	97,628,211	122,895,745

Valuations

Residential	3,634,966,734	1,627,015,184
Commercial	963,234,644	650,091,894
State	1,477,106,326	1,080,025,111
Industrial	304,568,215	129,697,564
Small holdings and farms	1,069,407,845	349,273,126
Creche	8,400,000	2,293,945
Guest Houses	55,190,000	18,434,609
Other	723,491,962	1,274,615,232
	8,236,365,726	5,131,446,665

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2011. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.105 cents per rand (2011: 0.105 cents per rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) (2011: 85% (Residential), 60% (Business/Commercial), 80% (Industrial) and 85% (Agricultural)). Qualifying pensioners were granted a further 80 - 85% rebate (2011: 9%) are granted to residential and state property owners. For residential properties, the R40,000 is non-rateable (rebate). Thus, the discount for such properties is calculated after deducting the rebate.

Rates are levied on a monthly basis. Interest is levied on rates not paid by the due date using the effective interest rate method (current prime rate plus 1%).

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
22. Service charges		
Water sales	56,611,892	39,222,320
Sewerage	17,749,816	15,779,129
Refuse removal	17,290,018	15,195,618
	91,651,726	70,197,067

The following general rates have been approved by Council:

Differentiated rates were applied as follows. Impermissible rate for residential was first R 40,000,00 for all residential properties.

	Description	Rate	Discount %	Rebate
(1)	Residential	0.005	100%	R 40,000,00
(2)	RDP	0.005	100%	-
(3)	Pensioners	0.005	80%	-
(4)	Agricultural Residential	0.005	80%	-
(5)	Farms	0.00125	75%	-
(6)	Government (Business, Office Ottoshop, Park and Residential)	0.045	100%	-
(7)	Church	0.018	100%	-
(8)	Business	0.018	-	-
(9)	Creche	0.018	-	-
(10)	Industrial	0.018	-	-
(11)	Guesthouse 1, 2, 3	0.018	25%	-
(12)	Municipal	0.045	100%	-

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
23. Government grants and subsidies		
Equitable share	109,725,000	96,350,746
EPWP Grant	4,047,000	113,000
Government training subsidies	-	396,474
Health Subsidy - District Municipality	712,564	1,577,671
Library Grant	889,150	692,863
Municipal System Improvement Grant (MSIG)	-	1,256,937
Finance Management Grant (FMG)	1,990,828	1,701,077
Municipal Infrastructure Grant (MIG)	19,025,044	22,946,994
Rural Water Support Grant	-	546,842
Health Service Subsidy	-	73,472
Special Projects Subsidy	-	29,604
Parks Amenities Subsidy	56,636	17,160
Subsidy District Municipality	2,500,000	-
Rural Water Grant	3,500,000	-
Rural Waste	4,798,863	-
Health Service	3,201,137	-
	150,446,222	125,702,840

Equitable Share

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

All registered indigents receive a monthly subsidy of 12 kilolitres of water per month (2011 12 kilolitres), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	14,795,776	8,325,769
Current-year receipts	35,381,000	29,417,000
Conditions met - transferred to revenue	(19,025,044)	(20,128,941)
Conditions met - VAT	-	(2,818,052)
31,151,732 14,795,776		

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities (see note 15).

No grant was held during the current period.

Rural Water Support Grant

Balance unspent at beginning of year	67,560	614,402
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(479,686)
Conditions met - VAT	-	(67,156)
67,560 67,560		

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

This is mainly used in assisting municipalities in supplying water to the rural areas. This includes the purchase and installation of equipment used in supplying water to the various communities.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

23. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Balance unspent at beginning of year	41,760	742,837
Current-year receipts	2,000,207	1,000,000
Conditions met - transferred to revenue	(1,990,828)	(1,632,077)
Conditions met - VAT	-	(69,000)
	51,139	41,760

The grant is mainly used for promoting and supporting reforms in financial management by building capacities in municipalities to implement the MFMA and improve progressive financial reporting for municipalities.

Conditions still to be met are included in current liabilities.

No grants were withheld during the year.

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	506,937
Current-year receipts	830,000	750,000
Conditions met - transferred to revenue	(611,681)	(1,131,111)
Conditions met - Vat	-	(125,826)
	218,319	-

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

The grant is meant to assisting municipalities in the improvement of system related transactions.

Library Grant

Balance unspent at beginning of year	-	22,863
Current-year receipts	670,000	670,000
Conditions met - transferred to revenue	(889,150)	(692,863)
	(219,150)	-

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

This is mainly used in assisting municipalities with services they offer at public libraries. The services covers capacitating them with human capital and computer hardware/software.

Satelite:Fire Ottoshoop

Current-year receipts	1,200,000	-
-----------------------	-----------	---

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

This is mainly used to provide satelite fire station at Ottoshoop.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

23. Government grants and subsidies (continued)

National Lottery Grant

Current-year receipts	693,000	-
-----------------------	---------	---

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

This is mainly used in assisting the municipalities on sports development.

Changes in level of government grants

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

24. Other revenue

Fees earned	1,117,684	890,037
Commissions received	300,030	240,201
Unwound interest income - Long term debtors	-	8,009,574
Recoveries	258,741	807,529
Other income	55,439	2,307,028
Building plans fees	302,720	158,844
Blocked drains revenue	149,574	102,922
	2,184,188	12,516,135

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
25. General expenses		
Advertising	998,307	1,689,748
Auditors remuneration	2,804,286	1,337,185
Bank charges	969,186	796,016
Chemicals	598,031	712,121
Cleaning	449,690	83,800
Consulting and professional fees	2,732,373	6,154,545
Delivery expenses	81,173	130,470
Disaster Management	486,851	2,188,592
Disposal site Expenditure	1,997,709	1,651,657
Donations	6,579	-
Finance Management Grant	1,676,005	-
Electricity	4,348,896	3,863,451
Entertainment	614,365	583,905
Extended public works programme	8,234,496	3,832,757
Fines and penalties	24	-
System Improvement	422,493	-
Free Basic Water	4,535,059	5,793,383
Fuel and oil	2,693,476	2,656,343
Insurance	431,985	1,284,479
Laboratory related costs	45,000	56,005
Lease rentals on operating lease	1,005,184	1,118,494
Library Grant	889,150	-
License vehicles	300,050	242,618
Magazines, books and periodicals	123,510	189,525
Materials	365,360	431,340
Medical expenses	115,293	86,854
Meter Reading	567,510	462,088
Other expenses	2,818,650	2,570,440
Post Employment Benefit	3,856,373	4,350,139
Postage and courier	640,389	535,879
Printing and stationery	1,338,878	1,316,519
Project maintenance costs	342,856	688,846
Promotions	2,712,263	1,830,092
Protective clothing	670,168	231,477
Royalties and license fees	1,448,623	698,961
Security (Guarding of municipal property)	4,555,098	2,772,988
Skills Development Levy	825	447,350
Staff welfare	-	788,722
Subscriptions and membership fees	3,293,786	3,426,729
Telephone and fax	3,132,553	2,645,308
Training	777,484	1,963,047
Travel - local	985,282	1,564,284
MIG Info System Support	10,797	-
Unwound interest	243,450	230,758
Valuation Roll	100,366	2,877,752
Ward Committee Expenses	2,203,008	1,206,459
	66,622,890	65,491,126

Botshelo Water amount not yet paid is: R 34,954,800 in respect of Bulk Purchases from Jan-June 2012 has been accrued - despite registered.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

26. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Lease rentals on operating lease - Other

• Contractual amounts	1,005,184	1,118,494
-----------------------	-----------	-----------

Depreciation on property, plant and equipment

Employee costs	26,182,428	25,607,481
	181,971,764	187,393,354

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
27. Personnel		
Basic	125,298,043	121,707,910
Bonus	6,394,035	5,830,677
Medical aid - company contributions	6,335,479	5,948,913
UIF	597,343	599,970
Post Retirement Benefit - Actuarial loss	762,468	1,306,028
Long service award -current	-	11,205,962
Post Retirement Benefit -Interest	2,471,517	3,386,967
Post Retirement Benefit - Current service costs	1,946,834	774,495
Overtime payments	5,975,928	6,152,323
Allowances locomotion	192,463	123,008
Housing benefits and allowances	646,531	1,048,224
Pension Funds	14,558,917	14,374,973
	165,179,558	172,459,450
Remuneration of municipal manager		
Annual Remuneration	345,661	813,504
Car Allowance	56,098	150,000
Other	303,617	223,107
	705,376	1,186,611
Remuneration of chief finance officer		
Annual Remuneration	233,475	748,578
Car Allowance	-	153,979
Other	515,687	40,871
	749,162	943,428
Remuneration of corporate service directors		
Annual Remuneration	507,468	728,136
Car Allowance	85,200	85,200
Other Allowance	249,053	31,284
	841,721	844,620
Remuneration of planning & development service director		
Annual Remuneration	330,179	667,785
Car Allowance	-	108,000
Other Allowance	416,176	56,136
	746,355	831,921
Remuneration of infrastructure service director		
Annual Remuneration	330,179	507,920
Car Allowance	-	170,519
Other Allowance	298,085	161,770
	628,264	840,209

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

27. Personnel (continued)

Remuneration of community services director

Annual Remuneration	732,630	836,186
Other Allowance	94,018	32,053
	826,648	868,239

Remuneration of public safety

Annual Remuneration	394,129	613,237
Car Allowance	113,465	110,413
Other Allowance	324,808	150,389
	832,402	874,039

28. Remuneration of councillors

Executive Mayor	685,111	631,828
Mayoral Committee Members	3,889,316	3,633,809
Speaker	536,723	501,730
Councillors	11,325,399	10,166,537
Chief Whip	355,657	-
	16,792,206	14,933,904

In-kind benefits

The Executive Mayor, Speaker, Chief Whip, Single Whip of Council and Mayoral Committee Members are full-time and are provided office space at the cost of the council. In addition, they are paid travelling allowances for trips outside Mafikeng. The Executive Mayor, Speaker, Chief Whip and Single Whip of Council are also provided with secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.

29. Debt impairment / (Correction of Impairment)

Debts impaired	9,676,324	79,409,372
----------------	-----------	------------

Debtors written off during the year amounted to R 0.00 (2011: R 8,791,235)

30. Investment revenue

Interest revenue

Interest earned (bank & investment accounts)	2,460,053	1,879,199
--	-----------	-----------

31. Depreciation and amortisation

26,182,428	25,607,481
------------	------------

32. Finance costs

Other interest paid	3,893,727	4,799,577
---------------------	-----------	-----------

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
33. Auditors' remuneration		
Fees	<u>2,804,286</u>	<u>1,337,185</u>
34. Rental of facilities and equipment		
Premises		
Rental of offices and halls	<u>3,423,214</u>	<u>3,049,892</u>
35. Bulk purchases		
Water	<u>51,175,554</u>	<u>43,489,896</u>
36. Cash generated from operations		
Surplus (deficit)	12,861,849	(19,451,277)
Adjustments for:		
Depreciation and amortisation	26,182,428	25,607,481
Impairment deficit	-	-
Debt impairment	9,676,324	79,409,372
Movements in retirement benefit assets and liabilities	2,864,929	1,630,000
Movements in provisions	(5,408,181)	8,789,258
Other non-cash items	915,631	4,389,979
Changes in working capital:		
Inventories	106,516	(547,740)
Receivables from exchange transactions	(3,947,505)	5,899,591
Other receivables from non-exchange transactions	4,347,879	3,109,244
Consumer debtors	(27,214,964)	(77,762,033)
Trade and other payables	4,922,855	14,854,182
VAT	(3,983,564)	(3,531,803)
Unspent conditional grants and receipts	18,961,806	4,692,289
Consumer deposits	789,119	444,462
	<u>41,075,122</u>	<u>47,533,005</u>

37. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	<u>7,422,760</u>	<u>11,960,084</u>
Not yet contracted for but authorised		
• Property, plant and equipment	<u>32,873,755</u>	<u>45,309,225</u>

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants from provincial and national government.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

38. Contingencies

Balances from Attorneys Correspondences

Service provider cases	89,376	200,000
Labour related cases	162,805	5,030,000
Eviction cases	25,280	-
Property loss / damage cases	1,486,033	-
Malicious proceedings	100,000	-
	1,863,494	5,230,000

(1) Contingent Liabilities - Service provider cases

(a) Africansom Building & Civil / MLM

The municipality was lodged with a claim to the amount of R 89,376 for recovery of monies arising out of a tender, the matter was still pending on the 22 of August 2012.

(2) Contingent Liabilities - Labour related cases

G.D. Madumo / MLM

The municipality was lodged with a claim to the amount of R 342,061,50 for arbitration still in process, the hearing is to be held on the 04th - 05th of October 2012. The amount still to be paid by the municipality is R 162,805,45.

(3) Contingent Liabilities - Eviction cases

(a) Illegal Occupants: Erf / MLM

The municipality was lodged with a claim of R 25,280,00 for eviction and the case is still pending.

(4) Contingent Liabilities - Property loss / damage cases

(a) Manuel V. Pestana / MLM :

A claim of R 1,486,033,20 was lodged against the municipality for unprevented fire (damages). Filed Rule 35 (14) notice requesting technical documents from the plaintiff still waiting for police report.

(5) Contingent liabilities - Malicious proceedings

(a) Pule Morobi // Disang Isacc Moleme & 3 Others

The municipality and 3 of its employees were lodged with a claim of R100,000 for malicious proceedings. The matter is still pending.

(6) Service Delivery cases

(a) The Crossing Shopping Mall, / MLM

Appeal before the Townships Board over rezoning of Erven 1172, 3370 and remainder of Erf 1410, Mafikeng. Appeal was heard on 1 July 2011 and judgement was reserved as the Board ruled against the rezoning.

39. Related parties

During the year, there were no related parties transactions. The municipality has various processes in place to identify and note any related party transactions. These range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, this is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the municipality under policies approved by the Municipal Manager.

Liquidity risk

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

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

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain borrowings in fixed and variable rate instruments, all denominated in the Rand.

Sensitivity analysis to interest rate changes

The calculations below are based on the 30 June 2012 balances on Leases and Debtors (Receivables from Exchange and Non-exchange transactions):

- All Loans are charged at fixed interest rates. Interest rate fluctuations will therefore have no impact on expenditure.
- Leases are subject to interest rates changes. An increase or decrease between 1% -to 2% will result in an increase or decrease in expenditure of R27,993 to R55,986 per annum, respectively.
- A 1% to 2% Interest increases or decrease on outstanding debtors will amount to increased or decreased interest revenue of R421,568 to R843,156 per annum.
- The surplus (if increased) or deficit (if decreased) will vary between R393,575 to R787,170 per annum.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services. Credit control measures are therefore implemented within the approved municipal policies and relevant acts governing municipal operations.

Cash and Cash Equivalents

Mafikeng local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Investments

It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

Financial instrument

	2012	2011
Receivables from exchange transactions	4,802,489	854,984
Consumer debtors	34,968,690	17,430,050
Shares & Unit Trusts	3,869,420	3,711,996
Money Market Investments	33,470,434	7,291,658
Cash and cash equivalents	16,781	7,413

41. Unauthorised expenditure

Opening Balance	87,457,118	87,457,118
Current Year Expenditure - Employee Costs	-	16,101,325
Current Year Expenditure: Debt Impairment	-	79,409,372
Current Year Expenditure: Depreciation	17,696,742	19,325,495
Current Year Expenditure: Bulk purchases	6,655,554	1,489,896
Prior Year Unauthorised Expenditure	-	-
Less Amount Condoned	-	(116,326,088)
	111,809,414	87,457,118

The foregoing expenditure was approved by Council for condonement in its meeting held on the 28th of February 2012.

Comparative information could not be disclosed on a line by line basis as in the prior year, the basis used to prepare the budget was different from the basis used to prepare the annual financial statements. As such, a reconciliation statement of the budgeted position and the actual performance was disclosed (as required by GRAP Framework in the previous period).

Measures are in place to seek council approval for the condonement of prior year unauthorised expenditure.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
42. Fruitless and wasteful expenditure		
Opening balance	22,686	22,686
Add: Fruitless and Wasteful Expenditure- current year: SARS PAYE Penalties	-	136,045
SARS Penalties interest	-	39,084
SARS UIF Penalties	-	15,004
SARS UIF Penalties interest	-	614
SARS SDL Penalties	-	3,080
SARS SDL Penalties interest	-	3,375
Interest Eskom	50,517	9,350
Contruction work	4,369,005	-
Less: Amounts condoned	-	(206,552)
	4,442,208	22,686

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure

(1) Construction Industry Development Board (CIBD):

Enquiry against municipality on allegations of having failed to comply CIBD Regulations in the procurement process relating to a tender resulting in a claim of R 106,476.00 which was paid after a plea of guilty. A fine of R 30,000,00 was imposed and this matter was finalised.

(2) Africanism Building & Civils Versus Mafikeng Local Municipality:

Action for recovery of monies arising out of a tender amounting to R 89,376.00 is still to be paid. This matter was defended . At this stage there is consultation scheduled for drawing of plea. This matter is still pending.

43. Irregular expenditure

Opening balance	52,183,967	11,887,095
Add: Irregular Expenditure - current year	23,104,594	43,690,425
Less: Amounts condoned	-	(3,393,553)
	75,288,561	52,183,967

44. Additional disclosure in terms of Municipal Finance Management Act

Water Losses

Units bought (kl)	12,104,011	11,543,020
Units sold (kl)	(11,132,277)	(10,502,148)
Units lost in distribution revenue		
	971,734	1,040,872
Units lost in distribution	971,734	1,040,872
Average cost per kl sold	4	4
Loss in distribution (revenue)		
	4,353,368	3,921,619

Percentage loss	8	9
Revenue per (kl) sold	8	7
No. of metres	14,151	14,151
No. of stands	19,265	19,265
	33,432	33,432

The municipality purchases water from the local water service authority and sells to its residents. During the current year they bought 12 104 011 kilolitres (2011: 11 543 020) and sold 11 132 277 (2011: 10 502 148) resulting in water losses of 971 734 in kilolitres. The losses are attributable to illegal connections and burst pipes.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

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

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

Audit fees

Opening balance	3,207	779,071
Current year subscription / fee	2,804,286	1,337,185
Amount paid - current year	(1,999,631)	(2,113,049)
	807,862	3,207

PAYE and UIF

Opening balance	1,750,078	1,367,117
Current year subscription / fee	23,480,233	20,007,260
Amount paid - current year	(23,649,592)	(19,624,299)
	1,580,719	1,750,078

Pension and Medical Aid Deductions

Current year subscription / fee	20,894,396	21,025,438
Amount paid - current year	(20,894,396)	(21,025,438)
	-	-

VAT

VAT payable	11,620,796	15,604,360
-------------	------------	------------

The municipality is registered for VAT on a cash basis. As such VAT is claimed or paid on receipt of payment or settlement of the transaction, respectively.

All VAT returns have been submitted by the due date throughout the year.

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012 2011

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

Councillors' arrear consumer accounts

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

30 June 2012	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
	R	R	
Councillor Mtunzi D	216	951	1,167
Councillor Molete G M	489	32,407	32,896
Councillor Sephoti M W	855	40,031	40,886
Councillor Ngqobe M	1,679	96,572	98,251
Councillor Ngqobe M	506	23,290	23,796
	3,745	193,251	196,996

30 June 2011	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
	R	R	
Councillor Africa AJ	147	4,533	4,680
Councillor Chilli (Kekana)	247	4,998	5,245
Councillor Sephoti M W	336	59,410	59,746
Councillor Molete G M	746	72,792	73,538
Councillor Ngqobe M	475	33,594	34,069
Councillor Ngqobe M	1,400	97,872	99,272
Councillor Ntshabele T	183	3,857	4,040
Councillor Selepe T L	276	3,763	4,039
	3,810	280,819	284,629

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

30 June 2012	Highest	Aging
	outstanding	(in days)
	amount	
Councillor Sephoti M W	40,031	90
Councillor Molete G M	32,407	90
Councillor Ngqobe M	23,290	90
Councillor Ngqobe M	96,572	90
Councillor Mtunzi D	951	90
	193,251	450

30 June 2011	Highest	Aging
	outstanding	(in days)
	amount	
Councillor Africa A J	4,533	90
Councillor Chilli (Kekana)	4,998	90
Councillor Sephoti M W	59,410	90
Councillor Molete G M	72,792	90
Councillor Ngqobe M	33,594	90
Councillor Ngqobe M	97,872	90
Councillor Ntshabele T	3,857	90
Councillor Selepe T L	3,763	90
	280,819	720

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand	2012	2011
45. Money Market Investments		
INVESTMENTS		
ABSA	20,065	-
FNB	24,048	-
Standard	8,644,827	315,378
Nedbank	19,111,179	6,250,179
ABSA (Collateral Security)	130,231	124,367
Nedbank (Collateral Security)	622,578	601,733
	28,552,928	7,291,657

Collateral deposits for staff housing loans

Included in other fixed deposits above are fixed deposits with a carrying value of R0,073 million (2011: R0,073 million), which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The Entity's exposure to risk is minimised by an assurance policy taken out by the employee and ceded to the Entity to cover the guaranteed deposit

46. Contracted services

Other Contractors	6,657,126	-
-------------------	-----------	---

47. Domestic Waste Removal Project

The municipality entered into an agreement with the Department of Environmental Affairs and Tourism (DEAT) to jointly waste removal services to the surrounding communities. In terms of the agreement signed in June 2009 DEAT will initially fund the project in full. Their funding component will reduce on an equal graduating scale to no funding by the end of the third year. To be awarded -refer to contract

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

48. Prior Year Adjustments and Errors

Operating Expenditure

There was also a difference of R 431,642 between the 2010/2011 Trial Balance and Statement of Financial Position. The amount of R 431,642 in respect of Probida (vote no: 1000/00/1/16/4501) was disclosed as Revenue instead of Expenditure.

	Financial Statements	Trial Balance	Difference
Expenditure	432,240,836	432,672,479	431,642
Revenue	(412,789,553)	(413,221,196)	(431,642)
Deficit	<u>19,451,283</u>	<u>19,451,283</u>	<u>0</u>

Repairs and Maintenance and General Expenses

In the 2010/2011 financial year the classification in respect of Repairs and Maintenance and General Expenses were not done according to the financial system, Budget Trial Balance. This is now corrected.

	Orginal 2010/2011 AFS	Change (TB)	Difference
Repairs and Maintenance	5,108,870	25,679,072	20,570,202
General Expenses	85,629,693	65,491,126	(20,138,567)
Total	<u>90,738,563</u>	<u>91,170,198</u>	<u>431,635</u>
Prior year adjustment			-
Prior year consumer billing intergration			564,172
Prior year corrections on MSIG			539,233
Other prior year correction: Trade creditors / accruals			1,103,405
			(2,019,028)
			<u>(915,623)</u>

Bulk Purchases

The Municipality has registered a dispute with Botshelo Water on the Bulk Water Purchases. An amount of R 34,954,800 has been accrued in respect of invoices for the period January - June 2012.

A number of corrections were made as a result of prior period errors and/or changes in the reporting framework (Changes in Accounting Policies). Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated. These corrections/changes resulted in the following adjustments:

Statement of financial position

Investment property	-	305,768,406
Intangible assets	-	42,360
Post employment liability	-	(16,840,000)
Other interest bearing liabilities	-	(3,763,399)
Sundry debtors	-	8,033,289
Unspent conditional grants	-	(1,422,614)
Provision for bad debts	-	(46,050,725)
Depreciation expensed	-	8,472
Fair value adjustment	-	(42,266,770)
Post employment liability expenses	-	2,446,929
Medical aid	-	(116,929)
Bad debts written off	-	70,273,624
	-	<u>276,112,643</u>

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

48. Prior Year Adjustments and Errors (continued)

Statement of Financial Position

Investment Property: The prior year figure has been restated due to land which belongs to the municipality which was previously recognised at a provisional amount of R1 on GRAP conversion as the land had not yet been valued
Intangible Assets: The restatement refers to Caseware Software which was previously not recognised by the municipality though it had been acquired in the prior year.

Post Employment Liability: In the prior periods, the municipality did not perform a valuation exercise of its Post Retirement Medical Aid (PRMA) benefit. This was performed during the current year, covering the prior periods as well. Prior periods amounts have therefore been restated.

Staff Debtors: The prior year amount was adjusted for long outstanding balances that the municipality considers to be amounts already recovered but not cleared.

Sundry Debtors: The prior year amount was adjusted by amounts that had been written off in error in the prior year
Sundry Creditors: The amount was restated by amounts that have been long outstanding and the municipality considers these amounts to have been settled but not cleared in the account.

Provision for Bad Debts: In the prior year, provision for bad debts was understated by R46,050,725. This was mainly due to incorrect calculation of the provision. The restatement has resulted in increase in both provision for bad debts and bad debts by the same amount.

Accumulated Depreciation: The restatement is due to the accumulated depreciation of the intangible asset Statement of Financial Performance.

Post Employment Liability related costs: As mentioned above, actuarial valuations were performed during the current year. However, the transactions valuation results were adjusted in retrospective. This resulted in the recognition of the following amount

Interest	1,304,000
Service costs	1,069,000
Actuarial loss	73,929
Total	2,446,929

Depreciation: The amount was restated with the depreciation for the intangible asset mentioned above.

Fair Value Adjustment: The restatement relates to the fair value adjustment done for the land recognised as investment property mentioned above.

Medical Aid: The amount was adjusted by payments made to employees on the Post Employment Benefit scheme.

Bad debts written off: The amount was adjusted by long outstanding debts the municipality considers to be impaired and were not adjusted for in the prior year.

Statement of Financial Performance

Net changes in current assets	- 41,780,835
Net changes in non current assets	- 305,810,766
Net changes in current liabilities	- 1,422,614
	<hr/>
	- 262,607,317

Statement of Financial Position

Net change in income	- 42,266,770
Net change in expenses	- 76,051,096
	<hr/>
	- 33,784,326

Mafikeng Local Municipality

Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

49. New standards and interpretations

49.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 6: Consolidated and Separated Financial Statements	Unknown	No significant impact is expected
• GRAP 7: Investment in Associate	01 April 2013	No significant impact is expected
• GRAP 8: Interest in Joint Ventures	Unknown	No significant impact is expected
• GRAP 18: Segment Reporting	Unknown	No significant impact is expected
• GRAP 24: Presentation of Budget Information in Financial Statements	01 April 2012	No significant impact is expected
• GRAP 103: Heritage Assets	01 April 2012	No significant impact is expected
• GRAP 105: Transfer of Functions Between Entities Under Common Control	Unknown	No significant impact is expected
• GRAP 106: Transfers of functions between entities not under common control	Unknown	No significant impact is expected
• GRAP 107: Mergers	Unknown	No significant impact is expected

Mafikeng Local Municipality
Financial Statements for the year ended 30 June 2012

Notes to the Financial Statements

Figures in Rand

2012

2011

Appendix A (Appendices do not form part of the Annual Financial Statements)

June 2012

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA	Rand
Development Bank of South Africa									
DBSA @ 13%	102/2301	31-Mar-12	1,862,082	-	1,862,082	-	-	-	-
DBSA @ 10%	205/2300	31-Mar-12	406,631	-	406,631	-	-	-	-
DBSA @ 5%	1028461/1	31-Mar-12	2,487,457	-	227,614	2,259,843	-	-	-
DBSA @ 5%	1028461/2	31-Mar-12	648,005	-	225,375	422,630	-	-	-
DBSA @ 5%	1028461/3	31-Mar-12	17,728,113	-	1,919,364	15,808,749	-	-	-
			23,132,288	-	4,641,066	18,491,222	-	-	-
INCA Loans									
INCA	MAF-00-001	30-Jun-15	4,000,000	-	1,000,000	3,000,000	-	-	-
INCA	MAF-01-002	30-Jun-28	14,378,405	-	259,109	14,119,296	-	-	-
			18,378,405	-	1,259,109	17,119,296	-	-	-
Lease liability									
Standard Bank	0012-057	01-Jul-14	4,906,325	-	2,106,983	2,799,342	-	-	-
			4,906,325	-	2,106,983	2,799,342	-	-	-
Total external loans									
Development Bank of South Africa Bonds			23,132,288	-	4,641,066	18,491,222	-	-	-
INCA Loans			18,378,405	-	1,259,109	17,119,296	-	-	-
Lease liability			4,906,325	-	2,106,983	2,799,342	-	-	-
			46,417,018	-	8,007,158	38,409,860	-	-	-

Appendix B (Appendices do not form part of Annual Financial Statements)

June 2012

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings

Land	34,466,370	-	-	-	-	34,466,370	-	-	-	-	-	-	34,466,370
Landfill Sites	1,831,645	-	-	-	-	1,831,645	(161,615)	-	-	(107,744)	-	(269,359)	1,562,286
Farm	20,428,214	-	-	-	-	20,428,214	-	-	-	-	-	-	20,428,214
	56,726,229	-	-	-	-	56,726,229	(161,615)	-	-	(107,744)	-	(269,359)	56,456,870

Infrastructure

Roads	145,323,115	-	-	-	-	145,323,115	(13,526,864)	-	-	(4,954,409)	-	(18,481,273)	126,841,842
Bridges	48,188,375	-	-	-	-	48,188,375	(4,558,183)	-	-	(1,606,279)	-	(6,164,462)	42,023,913
Hightmast Lights	53,788,945	-	-	-	-	53,788,945	(6,792,700)	-	-	(2,728,609)	-	(9,521,309)	44,267,636
Reservoirs	4,824,702	-	-	-	-	4,824,702	(19,167)	-	-	(19,167)	-	(38,334)	4,786,368
Sewerage, Water Network & Piping	95,303,022	-	-	-	-	95,303,022	(27,193,127)	-	-	(9,530,302)	-	(36,723,429)	58,579,593
WIP - High Mast Lights	11,760,325	2,274,544	-	-	-	14,034,869	-	-	-	-	-	-	14,034,869
WIP - Roads	6,439,512	12,378,859	-	-	-	18,818,371	-	-	-	-	-	-	18,818,371
WIP - Community Centres	276,875	3,953,014	-	-	-	4,229,889	-	-	-	-	-	-	4,229,889
	365,904,871	18,606,417	-	-	-	384,511,288	(52,090,041)	-	-	(18,838,766)	-	(70,928,807)	313,582,481

Community Assets

Stadium	6,410,965	-	-	-	-	6,410,965	(960,546)	-	-	(320,548)	-	(1,281,094)	5,129,871
Community Buildings	3,771,081	-	-	-	-	3,771,081	(280,629)	-	-	(125,703)	-	(406,332)	3,364,749
Recreational facilities	926,221	199,382	-	-	-	1,125,603	(126,628)	-	-	(56,280)	-	(182,908)	942,695
	11,108,267	199,382	-	-	-	11,307,649	(1,367,803)	-	-	(502,531)	-	(1,870,334)	9,437,315

**Appendix B (Appendices do not form part
of Annual Financial Statements)**

June 2012

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

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Other	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles														
Refuse Tanker	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
Other assets														
Motor vehicles	20,607,440	-	-	-	-	-	20,607,440	(8,494,811)	-	-	(2,943,920)	-	(11,438,731)	9,168,709
IT equipment	1,502,948	-	-	-	-	-	1,502,948	(603,228)	-	-	(300,590)	-	(903,818)	599,130
Furniture & Fixtures	6,504,308	128,591	-	-	-	-	6,632,899	(2,502,138)	-	-	(932,017)	-	(3,434,155)	3,198,744
Office Equipment	1,389,083	29,200	-	-	-	-	1,418,283	(464,695)	-	-	(201,960)	-	(666,655)	751,628
Emergency Equipment	1,262,898	-	-	-	-	-	1,262,898	(549,726)	-	-	(252,580)	-	(802,306)	460,592
Buildings	33,825,051	106,866	-	-	-	-	33,931,917	(3,130,363)	-	-	(1,131,064)	-	(4,261,427)	29,670,490
Bins and Containers	1,260,029	-	-	-	-	-	1,260,029	(540,013)	-	-	(180,004)	-	(720,017)	540,012
Sanitation Skips	178,200	-	-	-	-	-	178,200	(53,460)	-	-	(17,820)	-	(71,280)	106,920
Other Assets	3,531,737	-	-	-	-	-	3,531,737	(1,214,716)	-	-	(441,467)	-	(1,656,183)	1,875,554
	70,061,694	264,657	-	-	-	-	70,326,351	(17,553,150)	-	-	(6,401,422)	-	(23,954,572)	46,371,779

**Appendix B (Appendices do not form part
of Annual Financial Statements)**

June 2012

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	56,726,229	-	-	-	-	-	56,726,229	(161,615)	-	-	(107,744)	-	(269,359)	56,456,870
Infrastructure	365,904,871	18,606,417	-	-	-	-	384,511,288	(52,090,041)	-	-	(18,838,766)	-	(70,928,807)	313,582,481
Community Assets	11,108,267	199,382	-	-	-	-	11,307,649	(1,367,803)	-	-	(502,531)	-	(1,870,334)	9,437,315
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
Other assets	70,061,694	264,657	-	-	-	-	70,326,351	(17,553,150)	-	-	(6,401,422)	-	(23,954,572)	46,371,779
	504,924,355	19,070,456	-	-	-	-	523,994,811	(71,276,804)	-	-	(25,871,417)	-	(97,148,221)	426,846,590
Intangible assets														
Computers - software & programming	1,555,054	-	-	-	-	-	1,555,054	(108,174)	-	-	(311,011)	-	(419,185)	1,135,869
	1,555,054	-	-	-	-	-	1,555,054	(108,174)	-	-	(311,011)	-	(419,185)	1,135,869
Investment properties														
Investment property	397,972,720	-	-	-	-	-	397,972,720	-	-	-	-	-	-	397,972,720
	397,972,720	-	-	-	-	-	397,972,720	-	-	-	-	-	-	397,972,720
Total														
Land and buildings	56,726,229	-	-	-	-	-	56,726,229	(161,615)	-	-	(107,744)	-	(269,359)	56,456,870
Infrastructure	365,904,871	18,606,417	-	-	-	-	384,511,288	(52,090,041)	-	-	(18,838,766)	-	(70,928,807)	313,582,481
Community Assets	11,108,267	199,382	-	-	-	-	11,307,649	(1,367,803)	-	-	(502,531)	-	(1,870,334)	9,437,315
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
Other assets	70,061,694	264,657	-	-	-	-	70,326,351	(17,553,150)	-	-	(6,401,422)	-	(23,954,572)	46,371,779
Intangible assets	1,555,054	-	-	-	-	-	1,555,054	(108,174)	-	-	(311,011)	-	(419,185)	1,135,869
Investment properties	397,972,720	-	-	-	-	-	397,972,720	-	-	-	-	-	-	397,972,720
	904,452,129	19,070,456	-	-	-	-	923,522,585	(71,384,978)	-	-	(26,182,428)	-	(97,567,406)	825,955,179



Appendix B (Appendices do not form part of Annual Financial Statements)

June 2012

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix B (Appendices do not form part of Annual Financial Statements)

June 2012

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Appendix C (Appendices do not form part of Annual Financial Statements)

June 2012

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

Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	472,425	30,968	-	-	-	-	503,393	(4,128)	-	-	-	-	(4,128)	499,265
Finance & Admin/Finance Planning and Development	575,003,992	55,616	-	-	-	-	575,059,608	(40,653,971)	-	-	(2,187,045)	-	(42,841,016)	532,218,592
Health	5,116,167	29,200	-	-	-	-	5,145,367	(782,603)	-	-	-	-	(782,603)	4,362,764
Community Service	179,324	-	-	-	-	-	179,324	(38,592)	-	-	-	-	(38,592)	140,732
Housing	7,543,332	-	-	-	-	-	7,543,332	(3,190,772)	-	-	(1,436,771)	-	(4,627,543)	2,915,789
Public Safety	82,718,499	-	-	-	-	-	82,718,499	-	(86,928)	-	-	-	(86,928)	82,631,571
Sport and Recreation	6,581,777	148,873	-	-	-	-	6,730,650	(2,401,031)	-	-	(5,925,109)	-	(8,326,140)	(1,595,490)
Waste Water Management	7,650,203	199,382	-	-	-	-	7,849,585	(1,102,367)	-	-	(376,828)	-	(1,479,195)	6,370,390
Waste Water Management	680,582	-	-	-	-	-	680,582	(307,222)	-	-	(146,518)	-	(453,740)	226,842
Road Transport/Roads	6,972,861	-	-	-	-	-	6,972,861	(2,135,509)	-	-	-	-	(2,135,509)	4,837,352
Water	205,005,338	18,606,417	-	-	-	-	223,611,755	(19,959,909)	-	-	(6,560,688)	-	(26,520,597)	197,091,158
	6,534,119	-	-	-	-	-	6,534,119	(721,946)	-	-	(9,549,469)	-	(10,271,415)	(3,737,296)
	904,458,619	19,070,456	-	-	-	-	923,529,075	(71,298,050)	(86,928)	-	(26,182,428)	-	(97,567,406)	825,961,669
Total	904,458,619	19,070,456	-	-	-	-	923,529,075	(71,298,050)	(86,928)	-	(26,182,428)	-	(97,567,406)	825,961,669

Appendix E(1) (Appendix does not form part of Annual Financial Statements)

June 2012

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

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	97,628,210	-	97,628,210	-
Service charges	91,651,726	-	91,651,726	-
Rental of facilities and equipment	3,423,214	-	3,423,214	-
Interest received (trading)	29,718,851	-	29,718,851	-
Fines	2,419,237	-	2,419,237	-
Licences and permits	5,102,711	-	5,102,711	-
Government grants & subsidies	150,446,223	-	150,446,223	-
Miscellaneous other revenue	73,548	-	73,548	-
Fees earned	1,117,684	-	1,117,684	-
Commissions received	300,030	-	300,030	-
Recoveries	258,741	-	258,741	-
Other income	55,439	-	55,439	-
Other farming income	302,720	-	302,720	-
Government grants	149,574	-	149,574	-
Interest received - investment	2,460,053	-	2,460,053	-
	385,107,961	-	385,107,961	-
Expenses				
Personnel	(165,179,558)	-	(165,179,558)	-
Remuneration of councillors	(16,792,205)	-	(16,792,205)	-
Depreciation	(26,182,428)	-	(26,182,428)	-
Finance costs	(3,893,727)	-	(3,893,727)	-
Debt impairment	(9,676,324)	-	(9,676,324)	-
Collection costs	(1,122,276)	-	(1,122,276)	-
Repairs and maintenance - General	(24,944,023)	-	(24,944,023)	-
Bulk purchases	(51,175,554)	-	(51,175,554)	-
Contracted Services	(6,657,126)	-	(6,657,126)	-
General Expenses	(66,622,890)	-	(66,622,890)	-
	(372,246,111)	-	(372,246,111)	-
Net surplus/ (deficit) for the year	12,861,850	-	12,861,850	-

Appendix E(2) (Appendix does not form part of the Annual Financial Statements)

June 2012

**Budget Analysis of Capital Expenditure as at 30 June
2012**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	30,968	750,000	719,032	96	
Finance & Admin/Finance Planning and Development/Economic Development/Plan	55,616 29,200	250,000 700,000	194,384 670,800	78 96	
Health/Clinics	-	50,000	50,000	100	
Comm. & Social/Libraries and archives	-	4,100,000	4,100,000	100	
Housing	-	50,000	50,000	100	
Public Safety/Police	148,873	2,250,000	2,101,127	93	
Sport and Recreation	199,382	4,390,000	4,190,618	95	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	7,267,000	7,267,000	100	
Road Transport/Roads	18,606,417	38,220,000	19,613,583	51	
Water/Water Distribution	-	3,490,000	3,490,000	100	
Electricity /Electricity Distribution	-	-	-	-	
Cleansing	-	3,100,000	3,100,000	100	
	19,070,456	64,617,000	45,546,544	70	

Appendix F

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

June 2012

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