

Planning by	Reviewed	Performed by	Final review

Client details

Client name: Ramotshere Moiloa Local Municipality
Year end: June 30, 2012

File details

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Last update: 32
Builder mode has been entered

Balance Check

Controlling entity

	2012	2011
 Statement of financial position balances		
 Cash flow statement balances		
 Net Surplus per the Statement of Financial Performance does not agree Diff with the NETINC account	-	(3)
 Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year Diff	(6,793,450)	146,302,165

Print details

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Ramotshere Moiloa Local Municipality
(Registration number NW 385)
Financial statements
for the year ended June 30, 2012

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

General Information

Nature of business and principal activities Local Municipality

Mayoral committee

Executive Mayor

A.N Thale
A.J Thwasha
M.P Moabi
B.E Montewedi
K.I Manthoko
S.C Ramaina
C. Dreyer
P.P Mediro

Councillors

Cllr S.C Ramaina
Cllr S.H Nyanto
Cllr H.K Pule
Cllr M.G Megalane
Cllr O.R Mokgathe
Cllr S.F Ngweye
Cllr P.M Motang
Cllr L.T Mbangi
Cllr K.P Mokotong
Cllr K.Q Seswane
Cllr C. Dreyer
Cllr P.P Mediro
Cllr T.S Nyamane
Cllr M.P Pilane
Cllr W.M Mokotedi
Cllr M.P Moabi
Cllr B Casanga
Cllr O.C Moiloa
Cllr T.D Molefe
Cllr B.S Mokgothu
Cllr P. Mothusi
Cllr J.K Mokgathe
Cllr K. Mogotsi
Cllr Montiwedi
Cllr N.T Moroeng
Cllr S. Modibetsane
Cllr R. Senna
Cllr K. Phale
Cllr B. Pine
Cllr J. Amods
Cllr K.I Manthoko
Cllr C.S Tsile
Cllr K.J Maleke
Cllr N.P Chabane
Cllr M. Gae
Cllr M.K Mosiane
Cllr G.A Lamola
Cllr C.S Tsile

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

General Information

	Cllr K.Q Seswane
	Cllr O.C Moiloa
	Cllr J. Amods
	Cllr S.F Ngweye
	Cllr S.I Modibetsane
	Cllr N.Moroeng
	Cllr M.P Motang
	Cllr M.E Gae
	Cllr T.D Molefe
	Cllr S.I Modibetsane
	Cllr B Pine
	Cllr B. Casanga
	Cllr B.S Mokgothu
	Cllr R. Senna
	Cllr M.G Megalane
	Cllr S.H. Nyato
Grading of local authority	Grade 6
Accounting Officer	Maema C
Chief Finance Officer (CFO)	Cuedjoe J.F
Registered office	Municipal Offices Coetzee Street Zeerust 2865
Postal address	P O Box 92 Zeerust 2865
Bankers	First National Bank Zeerust
Auditors	Auditor General South Africa

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

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The reports and statements set out below comprise the financial statements presented to the the Ramotshere Moiloa Local Municipality:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipal System Improvement Grant

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on five services that generate revenue namely rates, water, electricity, refuse and sanitation. It also gets equitable shares from the government, which constitutes 20% of its total income. The 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 the municipality operations.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, the municipality's external auditors support him.

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

The annual financial statements set out on pages 5 to 59, which have been prepared on the going concern basis, on August 31, 2012.

Mr C Maema
Accounting Officer

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Statement of Financial Position

	Note(s)	2012 R	2011 R
Assets			
Current Assets			
Inventories	9	4,821,720	3,165,622
Fixed Deposit Investments	6	1,289,429	1,176,675
Trade and other receivable from exchange transactions	10	3,773,295	3,719,450
Other Receivables from Non-Exchange Transactions	11	3,258,517	3,132,247
Consumer debtors	12	19,522,336	10,697,131
Money Market Investments	8	8,522,451	8,242,391
Cash and cash equivalents	13	16,127,719	18,197,776
		57,315,467	48,331,292
Non-Current Assets			
Investment property	3	2,620,000	2,620,000
Property, plant and equipment	4	184,785,184	160,490,495
Intangible assets	5	976,522	1,597,777
Long term receivables	8	309,848	309,848
		188,691,554	165,018,120
Total Assets		246,007,021	213,349,412
Liabilities			
Current Liabilities			
Other Interest Bearing Debt	14	546,162	694,379
Payables from exchange transactions	17	18,911,357	11,338,241
VAT payable	18	4,020,898	85,487
Consumer deposits	19	1,314,874	1,305,650
Retirement benefit obligation	7	763,000	722,000
Unspent conditional grants and receipts	15	25,530,885	30,501,240
Provisions	16	150,000	112,000
		51,237,176	44,758,997
Non-Current Liabilities			
Other Interest Bearing Debt	14	8,156,712	8,139,850
Retirement benefit obligation	7	16,822,000	14,050,000
Provisions	16	6,875,622	5,693,661
		31,854,334	27,883,511
Total Liabilities		83,091,510	72,642,508
Net Assets		162,915,511	140,706,904
Net Assets			
Accumulated surplus		162,915,511	140,706,904

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Statement of Financial Performance

	Note(s)	2012 R	2011 R
Revenue			
Property rates	21	17,276,185	11,269,231
Service charges	22	69,984,491	41,736,598
Property rates - penalties imposed and collection charges		416,723	1,830,039
Sales of stands		237,676	-
Rental of facilities and equipment		251,965	35,946
Interest received (trading)		18,044	14,193
Fines		4,542,533	2,817,697
Government grants & subsidies	23	119,921,055	83,209,920
Miscellaneous other revenue		1,700,955	323,900
Fees earned		6,012,621	1,602,242
Other income		611,608	209,007
Interest received - investment	29	475,331	481,354
Total Revenue		221,449,187	143,530,127
Expenditure			
Employee Benefits	25	(64,057,196)	(48,866,450)
Remuneration of councillors	26	(12,429,574)	(9,809,394)
Administration	27	(50,800)	(9,000)
Depreciation and amortisation	30	(1,869,672)	(8,917,033)
Finance costs	31	(1,421,942)	(1,051,184)
Debt impairment	28	(30,931,162)	(9,581,717)
Collection costs		(64,178)	(177,869)
Repairs and maintenance		(5,045,338)	(4,663,357)
Bulk purchases	34	(25,658,323)	(23,782,847)
Grants and subsidies paid	33	(4,908,223)	(8,103,565)
General Expenses	24	(46,493,955)	(34,162,174)
Total Expenditure		(192,930,363)	(149,124,590)
Surplus (deficit) for the year		28,518,824	(5,594,463)

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at July 01, 2010	146,302,165	146,302,165
Changes in net assets		
Prior year adjustment	(798)	(798)
Net income (losses) recognised directly in net assets	(798)	(798)
Surplus for the year	(5,594,463)	(5,594,463)
Total recognised income and expenses for the year	(5,595,261)	(5,595,261)
Total changes	(5,595,261)	(5,595,261)
Balance at July 01, 2011	140,706,904	140,706,904
Changes in net assets		
Prior year adjustment	(6,310,217)	(6,310,217)
Net income (losses) recognised directly in net assets	(6,310,217)	(6,310,217)
Surplus for the year	28,518,824	28,518,824
Total recognised income and expenses for the year	22,208,607	22,208,607
Total changes	22,208,607	22,208,607
Balance at June 30, 2012	162,915,511	162,915,511
Note(s)		

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Cash Flow Statement

	Note(s)	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Cash Receipts from Customers		79,287,988	93,412,964
Grants		124,891,410	83,209,920
Interest income		493,375	495,547
Other cash item		12,741,447	6,606,232
		<u>217,414,220</u>	<u>183,724,663</u>
Payments			
Cash Paid to suppliers and Employees		(73,673,770)	(58,675,844)
Suppliers		(118,748,564)	(114,652,375)
Finance costs		(1,421,942)	(1,051,184)
		<u>(193,844,276)</u>	<u>(174,379,403)</u>
Net cash flows from operating activities	35	<u>23,569,944</u>	<u>9,345,260</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(25,640,001)	(3,956,299)
Purchase of other intangible assets	5	-	(157,183)
Proceeds from sale of financial assets		(392,814)	(283,375)
Proceeds from sale of long term receivables		-	131,973
		<u>(25,640,001)</u>	<u>(3,981,509)</u>
Cash flows from financing activities			
Repayment of other interest bearing debt		<u>384,924</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(2,070,057)	5,363,751
Cash and cash equivalents at the beginning of the year		<u>18,197,776</u>	<u>12,834,025</u>
Cash and cash equivalents at the end of the year	13	<u>16,127,719</u>	<u>18,197,776</u>

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (act 56 of 2003).

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

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

These 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 policy.

1.1 Significant judgements and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period of the revision and future periods if the revision affects both the current and future periods.

In the process of applying the municipality's policies, management has made the following significant accounting judgements, 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:

Trade receivables and other receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether the observable data indicate a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Fair value of investment property is based on the values determined by an independent appraiser

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply, demand, together with economic factors such as interest and inflation rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The cost of defined pension plans and other post-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. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Classification as investment property

The municipality regularly reviews its property portfolio and determine 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 been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the Carrying Value of items of Property, Plant and Equipment and Amortisation of Intangible Assets

The estimation of useful lives of assets is based on management's judgments. Management considers the impact of technology, availability of capital funding, service requirements and/or 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 the 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.

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

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

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

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

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.2 Investment property (continued)

Fair value

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

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

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

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value from the day that the asset is ready for use.

Land is not depreciated, as it is deemed to have an indefinite useful life.

Incomplete construction work is stated at historical cost, as Work In Progress (WIP). Depreciation only commences when the asset is ready for use.

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

Item	Average useful life
Land	0
Buildings	30
Plant and machinery	10
Furniture and fixtures	7
Motor vehicles	5
Office equipment	3
IT equipment	3
Infrastructure	20
Community	30
Other property, plant and equipment	5-7
Bins and containers	5
Communication equipment	5
Signage	20
Specialised vehicles	10
Wastewater network	20
Water network	20

The residual value is what the asset would currently receive if in the condition it would at the end of its useful life. The asset's residual value and the useful life are reviewed and adjusted, if appropriate, at the end of each reporting date. If the expectations, differ from previous estimates, the change is recognised as a change in accounting estimate in the statement of Financial Performance. The actual useful lives, residual values and depreciation method are assessed annually and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programme are taken into account.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Site restoration and dismantling cost

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'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a 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.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.4 Site restoration and dismantling cost (continued)

The municipality measures the related asset using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Useful life
Computer software, other	3 - 7 years

Intangible assets are derecognised:

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

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.6 Interest in jointly controlled asset

The municipality recognises its share of the interest in jointly controlled assets in its financial statements as follows:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.7 Financial instruments

Classification

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

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings.

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

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

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

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.7 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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

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.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated amount recoverable (using a reasonable and approved basis).

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

Trade and other receivables are classified as loans and receivables.

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

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) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the municipality.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.7 Financial instruments (continued)

Cash and cash equivalents

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

For 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 categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown in borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

Bank overdraft and borrowings

Bank overdrafts and interest-bearing borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowing, using the effective interest method.

Interest-bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The municipality's loans and receivables comprised trade receivables and other receivables and cash and cash equivalents.

Offsetting of financial assets and liabilities

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when and only when:

- the municipality has a legally enforced right to set off recognised amounts, and
- the municipality intends either to settle on a net basis or realise the asset and settle the liability simultaneously;
- In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality will off set the transferred asset and the associated liability.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.7 Financial instruments (continued)

Disposal and Derecognition

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of Financial Performance.

Derecognition

Financial assets are derecognised when the right to receive cashflows from the investment have expired or have been transferred and the municipality transferred, substantially, all risks and rewards of ownership.

Impairment of financial assets

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

Where investments 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. Impairment losses recognised in the Statement Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Where the financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

1.8 Leases

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

Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over their shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003)

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

Operating leases - lessor

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.8 Leases (continued)

Operating leases - lessee

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

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.9 Inventories

Consumable stores, raw materials and finished goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first in first (FIFO) formula. The same formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the Valuation Roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

Water inventory is measured at the lowest of purifying costs and net realisable value in so far as it is stored and controlled in reservoirs at year end. Readings of water levels are taken at year-end, which is quantified at the above value.

Land held for development, including the land in the process of development until legal completion of the sale of the asset, is initially recorded at cost. Where through deferred purchase credit terms, cost differed from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance costs.

1.10 Going Concern Assumption

The annual financial statements were prepared on a going concern basis, i.e. the assumption that the municipality will continue to operate as a going concern for the next 12 months. .

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.11 Impairment of Property, Plant and Equipment

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

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

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

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

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

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

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 test 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.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

After the recognition of an impairment loss, 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.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.11 Impairment of Property, Plant and Equipment (continued)

Reversal of impairment loss

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

Incomplete Construction Work (Work In Progress)

Incomplete construction work is stated at historical costs. Historical costs relates to accumulation of capital amounts incurred to the date of commission. Depreciation will only commence when the asset is available for use, after commissioning.

1.12 Tax

The municipality is exempt from taxes in terms of section 10(1)(c)(B)(i)(ff) of the income Tax Act.

1.13 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. Liabilities relating to such 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.

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 performance 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 and the obligation can be estimated reliably.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.13 Employee benefits (continued)

Defined contribution plans

The municipality and its employees contributes to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds. Current 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.

Some of the various funds that the municipality contributes to are multi-employers defined benefit plans but they are accounted for as defined contribution plans. This is so because of the nature of these funds and the fact that the assets are not specifically associated to meet the obligations in respect of individual employers in terms of paragraph 30 of IAS 19. Thus, there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual municipalities participating in the plan. The contributions to the 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 basis, using the projected unit credit method. Deficits, if any, are recovered through lumpsum payments or increased future contributions on a proportional basis from all participating municipalities.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

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 the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method prescribed by IAS 19. Future benefit values are projected using specific actuarial assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any actuarial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current Service Costs and Interest Costs are 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 costs includes the expense for the 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 benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and the fair value of plan assets. Recognition of a defined benefit asset is limited to unrecognised past service costs plus the present value of available refunds and reduction in future contributions to the plan.

When some of the employees are not members of any qualifying medical aid scheme as at the reporting date, the municipality accrues a portion of the estimated number of members that are likely to join the fund prior to retirement, together with the provision of employees who are members of the approved medical aid scheme. This management estimate is meant to cater for employees who are likely to join the qualifying medical aid scheme in future. The compliment of the provision recognised is disclosed in the notes to the financial statements as a contingent liability. It should be noted that various basis or a reasonable basis is used to determine this, ranging from enquiries from such employees to other statistical information like new members during the current year as a proportion of those who were not members of any medical aid scheme. Thus, one or methods can be used to determine this.

Other Long Term Employee Benefits.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

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.

1.14 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.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.14 Provisions and contingencies (continued)

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.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in the notes to the financial statements when (a) they are possible obligations and it is not yet confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or (b) it is a present obligation that do not meet the recognition criteria because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made. Contingencies are disclosed in note 37.

1.15 Revenue from exchange transactions

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Sale of goods

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

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Interest earned on investments is recognised on a time proportion basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period.

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis 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
- there has been compliance with the relevant legal requirements.

Revenue from rates is recognised when the legal entitlement to this revenue arises. A site rating system is applied. In terms of this system, assessment rates are levied on the land value of the property. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue. 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 when:

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

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

Levies

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Unconditional grants and receipts

Government grants are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations (Conditional grants etc)

Other grants and donations are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

The enactment of the Act itself is not sufficient enough to assume that the grants will be received. As such, the most obvious basis is on receipt as in most cases it is difficult to determine if all the conditions will be met. To the extent that the conditions, criteria or obligations have not been met, the amounts are received are recognised as a liability.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of 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.

1.18 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis.

- During the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low.
- The municipality calculates the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of the May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for the significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus, exceptional items are adjusted for.
- The resultant reasonable average consumption rate is used as an estimate for the consumption of pre-paid electricity for the month of June. The actual units sold in June are then compared to the estimated consumption for June.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.18 Pre-paid electricity (continued)

If the actual quantity sold is more than the estimated consumption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold. Additional text

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and;
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.12 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

When there is clear evidence that it is difficult to link borrowing requirement of the municipality directly to the nature of the expenditure to be funded, i.e. capital or operational, borrowing costs are recognised as an expense in the period in which they are incurred. The municipality applies the same principle on all other borrowing costs not capitalised for any other reasons..

1.20 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements. The note in the financial statements which indicate the disclose for each material category of non-adjusting events after the reporting date includes (a) nature of the event (b) estimation of its financial effect or a statement that such an estimation cannot be made.

1.21 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed..

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.22 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure as defined by the MFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the Municipal Systems Act, (Act No. 32 of 2000), Public Office Bearers Act (Act No. 20 of 1998) or any regulations made in terms of these Acts; or
- (c) the municipality's Supply Chain Management Policies or any provincial legislation/guidelines or by-laws giving effect to such policy, and which has not been condoned in terms of such policy by-laws.

Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.:

1.25 Offsetting

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

1.26 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.27 Budget information

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

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

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Accounting Policies

1.28 Related parties (continued)

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

Notes to the Financial Statements

2012
R

2011
R

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The following standards and interpretations have been issued by the Accounting Standards Board and approved by The Minister of Finance for the financial years beginning on or after 1 April 2012. The municipality plans to implement the standards relevant to its operations from 1 July 2012 in line with the transitional arrangements. The municipality has, however, in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework:

- 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 26: Impairment of Cash Generating Assets
- GRAP 103: Heritage Assets
- GRAP 104: Financial Instruments

2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations effective in future.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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2.3 Standards and interpretations issued, but not yet approved/effective

The following GRAP standards expected to be applicable to the municipality have been issued but are not yet effective. They will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. Their impact on the financial statements will be discussed and determined when the Minister of Finance determines the effective dates:

- GRAP 18: Segment Reporting
- GRAP 20: Related Parties
- GRAP 25: Employee Benefits
- GRAP 105: Transfer of Functions between Entities under common control
- GRAP 106: Transfer of Functions between Entities not under common control
- GRAP 107: Mergers

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R			2011 R		
3. Investment property						
	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,620,000	-	2,620,000	2,620,000	-	2,620,000

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	2,620,000	2,620,000

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	2,620,000	2,620,000

Pledged as security

No investment property was pledged as security.

Details of property

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The terms of the arrangements were as follows:

- The municipality contributed a piece of land, which was valued at R700,000 whilst the ABSA was going to contribute the R6,300,000 which was going to be used for the construction of the building.
- The municipality's contribution was deemed to be worth 10% whilst that of ABSA was deemed to be worth 90%.
- On completion of the building, ABSA was to lease the building and pay rental for the leasing of the building.
- Building operating costs are deducted from the rental income.
- ABSA is responsible for the management of the building and in return is compensated with 5% of rental income plus a management fee which will be agreed between the two parties.
- The residue is then shared in terms of the venturers' contribution.

There are no other contractual obligations, restrictions on realisability of the investment or remittance of revenue to each of the venturers other than those described above.

In terms of GRAP 8 (Interest in Joint Ventures), the municipality's component/share of the building was recognised as a jointly controlled asset.

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
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3. Investment property (continued)

Details of valuation

The investment property was not valued at year-end as the other Joint Venturer deemed that there has not been any significant movement in the value of the property from the amount disclosed as at 30 June 2011. This is mainly due to the current property market conditions.

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

Rental revenue from investment property	(216,138)	-
Direct operating expenses from rental generating property	216,138	-

There are no contractual obligations to purchase, construct or develop any other investment property or whilst the contractual obligations for repairs, maintenance or enhancements are as per the terms stated above.

4. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	59,710,274	-	59,710,274	59,710,274	-	59,710,274
Buildings	7,413,360	(486,641)	6,926,719	7,386,420	(486,641)	6,899,779
Plant and machinery	9,815,559	(3,110,317)	6,705,242	9,815,559	(3,110,317)	6,705,242
Furniture and fixtures	1,348,686	(368,067)	980,619	1,348,686	(175,398)	1,173,288
Motor vehicles	9,243,066	(3,240,363)	6,002,703	8,292,308	(2,241,497)	6,050,811
Office equipment	148,378	(59,351)	89,027	148,378	(29,676)	118,702
IT equipment	401,465	(124,846)	276,619	307,012	(53,915)	253,097
Infrastructure	34,756,529	(7,008,498)	27,748,031	34,633,426	(7,011,049)	27,622,377
Community	2,251,178	(223,442)	2,027,736	2,246,807	(223,442)	2,023,365
Other property, plant and equipment	573,622	(156,596)	417,026	573,623	(81,946)	491,677
Artwork	216,537	(172,538)	43,999	216,537	(172,538)	43,999
Asset found	45,906,552	-	45,906,552	21,447,247	-	21,447,247
Bins and containers	476,072	(147,623)	328,449	476,072	(147,623)	328,449
Other property, plant and equipment # 1	905,986	(90,641)	815,345	905,986	(90,641)	815,345
Farming Machinery	18,754,735	(1,360,144)	17,394,591	18,754,735	(1,360,144)	17,394,591
Minor plant	910,016	(765,723)	144,293	910,016	(765,723)	144,293
Park facilities	3,868	(387)	3,481	3,868	(387)	3,481
Spare parts	3,830,780	(9,612)	3,821,168	3,830,780	(9,612)	3,821,168
Tools and loose gear	247,523	(33,498)	214,025	247,523	(33,498)	214,025
Wastewater network	5,488,370	(1,362,901)	4,125,469	5,488,370	(1,362,901)	4,125,469
Water network	1,065,165	(461,938)	603,227	1,065,165	(461,938)	603,227
Heritage	-	500,589	500,589	-	500,589	500,589
Total	203,467,721	(18,682,537)	184,785,184	177,808,792	(17,318,297)	160,490,495

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012		2011	
	R		R	
4. Property, plant and equipment (continued)				
Reconciliation of property, plant and equipment - 2012				
	Opening	Additions	Depreciation	Total
	balance			
Land	59,710,274	-	-	59,710,274
Buildings	6,899,779	26,940	-	6,926,719
Plant and machinery	6,705,242	-	-	6,705,242
Furniture and fixtures	1,173,288	-	(192,669)	980,619
Motor vehicles	6,050,811	950,758	(998,866)	6,002,703
Office equipment	118,702	-	(29,675)	89,027
IT equipment	253,097	72,973	(49,451)	276,619
Infrastructure	27,622,377	125,654	-	27,748,031
Community	2,023,365	4,371	-	2,027,736
Other property, plant and equipment	491,677	-	(74,651)	417,026
Artwork	43,999	-	-	43,999
Work in progress	21,447,247	24,459,305	-	45,906,552
Bins and containers	328,449	-	-	328,449
Other property, plant and equipment # 1	815,345	-	-	815,345
Farming Machinery	17,394,591	-	-	17,394,591
Minor plant	144,293	-	-	144,293
Park facilities	3,481	-	-	3,481
Spare parts	3,821,168	-	-	3,821,168
Tools and loose gear	214,025	-	-	214,025
Wastewater network	4,125,469	-	-	4,125,469
Water network	603,227	-	-	603,227
Heritage	500,589	-	-	500,589
	160,490,495	25,640,001	(1,345,312)	184,785,184

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

			2012			2011
			R			R
4. Property, plant and equipment (continued)						
Reconciliation of property, plant and equipment - 2011						
	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	67,572,274	-	-	(7,862,000)	-	59,710,274
Buildings	6,991,597	-	-	-	(91,818)	6,899,779
Plant and machinery	6,047,892	1,425,378	-	-	(768,028)	6,705,242
Furniture and fixtures	1,211,431	137,253	-	-	(175,396)	1,173,288
Motor vehicles	5,398,115	1,642,600	-	-	(989,904)	6,050,811
Office equipment	148,378	-	-	-	(29,676)	118,702
IT equipment	303,320	14,162	-	-	(64,385)	253,097
Infrastructure	14,801,983	-	8,127,352	8,068,520	(3,375,478)	27,622,377
Community	1,389,778	705,392	-	-	(71,805)	2,023,365
Other property, plant and equipment	566,327	-	-	-	(74,650)	491,677
Fencing	43,999	-	-	-	-	43,999
Work In Progress	29,574,599	-	(8,127,352)	-	-	21,447,247
Bins and containers	328,449	-	-	-	-	328,449
Workshops	815,345	-	-	-	-	815,345
Farming Machinery	17,394,591	-	-	-	-	17,394,591
Minor plant	144,293	-	-	-	-	144,293
Park facilities	3,481	-	-	-	-	3,481
Landfill Site	3,789,654	31,514	-	-	-	3,821,168
Recreational Facilities	214,025	-	-	-	-	214,025
Wastewater network	4,399,888	-	-	-	(274,419)	4,125,469
Water network	603,227	-	-	-	-	603,227
Heritage	500,589	-	-	-	-	500,589
	162,243,235	3,956,299	-	206,520	(5,915,559)	160,490,495

Pledged as security

No assets were pledged as security as at 30 June 2012.

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

5. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,856,289	(879,767)	976,522	2,013,472	(415,695)	1,597,777

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012	2011
	R	R

5. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	1,597,777	(621,255)	976,522

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software, other	1,856,289	(258,512)	1,597,777

Pledged as security

No intangible assets are pledged as security.

6. Fixed Deposit Investments

At fair value through surplus or deficit - designated

Listed shares	1,289,429	1,176,675
This relates to the Stratus Sinking Share Fund held at Sanlam Life Insurance Limited. The market value of the shares as at 30 June 2012 was RXXX.		

Current assets

At fair value through surplus or deficit	1,289,429	1,176,675
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Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

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

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
7. Employee benefit obligations		
Defined benefit plan		
The plan is a post retirement medical benefit plan.		
Post retirement benefit plan		
Post retirement medical aid plan		
The municipality operates a funded post employment health care fund defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, LA Health, Hosemed and SAMWUMED medical Aid Schemes.		
The municipality is committed to pay 66,7% of the members's post employment medical aid contributions. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme were 164 (2011: 159) in service and 15 (2011: 15) pensioners.		
The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2012 by Liberty Corporate Consultants and Actuaries. The present value of the defined benefit obligation and the related current service costs and past service costs were measured using the Projected Unit Credit Method.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17,585,000)	(14,772,000)
Non-current liabilities	(16,822,000)	(14,050,000)
Current liabilities	(763,000)	(722,000)
	(17,585,000)	(14,772,000)
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 disclosures has been done relating to plan assets.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	14,772,000	13,069,000
Benefits paid	(2,156,928)	(709,000)
Net expense recognised in the statement of financial performance	4,969,928	2,412,000
	17,585,000	14,772,000
Net expense recognised in the statement of financial performance		
Current service cost	982,000	1,270,000
Interest cost	1,353,000	1,142,000
Actuarial (gains) losses	2,634,928	-
	4,969,928	2,412,000
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	2,634,928	-

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
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7. Employee benefit obligations (continued)

Key assumptions used

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

Interest rate	8.43 %	8.79 %
Price Inflation	6.07 %	- %
Medical aid inflation rate	7.09 %	7.45 %
Salary inflation rate	7.07 %	7.05 %
Net effective medical aid discount rate	1.25 %	- %

The expense for the previous period (2010/11) was derived by discounting the valuation as the valuation was performed for the first time as at 30 June 2012. This is an acceptable practice when valuing such defined plans. As such there are no key assumptions for the comparative period.

Demographic Assumptions: Proportion of married members at retirement: 90%; Age between husband and wife (four, husbands being older), Normal Retirement age (65 years)

Decrement Assumptions: Mortality rate [Active members: SA (85 - 90), Pensioners: PA (90 - 2); No allowance for withdrawal and early retirements have been made as the eligible employees numbers falls below the threshold over which reasonable allowances for such decrements could be made].

Income distribution: It was assumed that the current distribution in the contribution tables would remain stable in real terms.

Other assumptions - Sensitivity Analysis

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:

	One percentage point increase	One percentage point decrease
Inflation rate	24,973,000	17,158,000
Discount rate	17,307,000	24,721,000
Mortality rates at 10% change	21,223	19,867,000

Amounts for the current and previous three years are as follows:

	2012 R	2011 R	2010 R	2009 R
Defined benefit obligation at reporting date	17,585,000	14,772,000	13,069,000	11,590,000

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
7. Employee benefit obligations (continued)		
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 Pension Fund Act and some are multi-employer, exist for this purpose.		
The municipality is under no obligation to cover any unfunded benefits.		
Included in defined contribution plan information, 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 plans as defined benefits plans, are accounted for as Defined Contribution Plans.		
Multi-Employer and State Plans		
The following are defined benefit plans that the municipality's employees belong to:		
<ul style="list-style-type: none">• SAMWU Provident Fund• Metropolitan Pension Fund• South African Local Authorities (SALA) Pension Fund• Municipal Gratuity Fund		
These are not treated as defined plans as defined by IAS 19 but are accounted for as defined contribution plans. This is in line the exemption in IAS 19 paragraph 30 which states that where the information required for proper defined benefits accounting is not available in respect of multi-employer and state funds, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined plan information at a suitable level of detail.		
In terms of contributions to the fund, the municipality and employee contributions are as follows:		
<ul style="list-style-type: none">• SALA Pension Fund - Employee (8.6%); Employer (20.78%)• SAMWU Pension Fund - Employee (8.6%); Employer (18.6%)• Metropolitan Pension Fund - Employee (8.6%); Employer (18.06%)• Municipal Gratuity Fund - Employee (8.6%); Employer (18.6%)		
8. Long term receivables		
Long term receivables	309,848	309,848
9. Inventories		
Consumable stores	3,630,509	1,974,411
Maintenance materials	1,191,211	1,191,211
	4,821,720	3,165,622
Inventory pledged as security		
No inventory was pledged as security.		
10. Trade and other receivable from exchange transactions		
Trade debtors	675,157	595,486
Other receivables	3,098,138	3,123,964
	3,773,295	3,719,450

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
11. Other Receivables from Non-Exchange Transactions		
Other receivables from non-exchange revenue	15,487,288	15,490,182
Provision for bad debts	(12,228,771)	(12,357,935)
	3,258,517	3,132,247
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 June 30, 2012, R3,258,517 (2011: R3,132,247) were not past and not impaired.		
Other Receivables from Non-Exchange Transactions impaired		
As of June 30, 2012, other receivables from non-exchange transactions of R12,258,517 (2011: R12,357,935) were impaired and provided for.		
The amount of the provision was R12,258,517 as of June 30, 2012 (2011: R12,357,935).		
12. Consumer debtors		
Gross balances		
Electricity	26,838,274	15,301,542
Water	42,483,037	24,221,228
Sewerage	11,583,195	6,604,029
Refuse	11,882,499	6,774,674
	92,787,005	52,901,473
Less: Provision for debt impairment		
Electricity	(21,191,516)	(12,207,439)
Water	(33,544,628)	(19,323,488)
Sewerage	(9,146,097)	(5,268,638)
Refuse	(9,382,428)	(5,404,777)
	(73,264,669)	(42,204,342)
Net balance		
Electricity	5,646,758	3,094,103
Water	8,938,409	4,897,740
Sewerage	2,437,098	1,335,391
Refuse	2,500,071	1,369,897
	19,522,336	10,697,131
Electricity		
Aged Balances	5,646,758	3,094,103
Water		
Aged balances	8,938,409	4,897,740
Sewerage		
Aged Balances	2,437,098	1,335,391

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
12. Consumer debtors (continued)		
Refuse		
Aged balances	2,500,071	1,369,897
Reconciliation of debt impairment provision		
Balance at beginning of the year	(42,204,342)	(32,622,625)
Contributions to provision	(30,931,162)	(9,581,717)
Adjustments	(129,165)	-
	(73,264,669)	(42,204,342)

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2012, R19,522,337 (2011: R10,697,130) were not past and not impaired.

Consumer debtors impaired

As of June 30, 2012, consumer debtors of R52,073,153 (2011: R29,996,903) were impaired and provided for.

The amount of the provision was R52,073,153 as of June 30, 2012 (2011: R29,996,903).

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	483,664	204
Bank balances	15,644,055	18,197,572
	16,127,719	18,197,776

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2012	June 30, 2011	June 30, 2010
FNB Bank - Cheque - 62063144431	13,957,516	13,568,970	7,380,453	11,396,606	12,550,718	12,834,025
FNB Bank - Cheque 54351140693	4,583,548	14,321,569	7,752,123	3,856,736	13,910,928	8,000
FNB Bank - Cheque - 62200495960	169,903	1,411,223	829,936	32,777	829,308	-
FNB Bank - Cheque - 2058701	398,570	2,058,701	1,200,457	93,554	1,279,535	-
Total	19,109,537	31,360,463	17,162,969	15,379,673	28,570,489	12,842,025

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
14. Other Interest Bearing Debt		
Held at amortised cost		
DBSA Loan 102400/1 The loan has a fixed interest rate 5% per annum and is repayable in 40 equal six months instalments. The loan period is 20 years.	3,089,813	3,344,625
DBSA Loan 100702/1 The loan has a fixed interest rate of 11.73% per annum and is repayable in 40 equal six monthly instalments. The loan period is 20 years	1,206,766	1,156,141
DBSA Loan 100121/3 The loan has a fixed interest rate of 15.15% per annum and is repayable in 30 equal six-monthly installments. The loan period is 15 years.	4,406,295	4,270,361
DBSA Annuity Loan 13806/102 The loan has a fixed interest rate of 15.75% per annum and is repayable in 40 equal six months installments.	-	63,102
	8,702,874	8,834,229
Non-current liabilities		
At amortised cost	8,156,712	8,139,850
Current liabilities		
At amortised cost	546,162	694,379
	8,702,874	8,834,229
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	13,307,181	19,695,980
Municipal System Infrastructure Grant	28,286	-
Neighbourhood Development Grant	6,081,628	4,631,331
Finance Management Grant	-	32,640
Drought Relief Subsidy	-	27,499
Human Settlement Grant	6,113,790	6,113,790
	25,530,885	30,501,240
Movement during the year		
Balance at the beginning of the year	30,501,240	15,294,667
Additions during the year	44,088,000	96,550,258
Income recognition during the year	(49,030,856)	(81,343,685)
	25,558,384	30,501,240

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance have been recognised.

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

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

			2012 R	2011 R			
15. Unspent conditional grants and receipts (continued)							
These amounts are invested in a ring-fenced investment until utilised.							
16. Provisions							
Reconciliation of provisions - 2012							
	Opening Balance	Additions	Benefits Paid	Current service costs	Interest costs	Actuarial Gains/(Losses)	Total
Environmental rehabilitation	3,734,661	361,961	-	-	-	-	4,096,622
Long Service Award	2,071,000	-	(112,000)	313,000	205,000	452,000	2,929,000
	5,805,661	361,961	(112,000)	313,000	205,000	452,000	7,025,622
Reconciliation of provisions - 2011							
	Opening Balance	Additions	Benefits Paid	Current Service Costs	Interest Costs	Total	
Environmental rehabilitation	3,703,147	31,514	-	-	-	3,734,661	
Long Service Award	1,769,000	-	(141,000)	290,000	153,000	2,071,000	
	5,472,147	31,514	(141,000)	290,000	153,000	5,805,661	
Non-current liabilities					6,875,622	5,693,661	
Current liabilities					150,000	112,000	
					7,025,622	5,805,661	
The Environmental Rehabilitation provision refers to the municipality's obligation to restore land occupied by the landfill sites, Groot Marico, Lehurutshe and Zeerust. the estimated present value of the site restoration costs were determined by a professional engineer as at 30 June 2011.							
17. Payables from exchange transactions							
Trade payables					8,991,540	10,156,273	
Employee clearing account					4,814,207	132,211	
Accrued leave pay					3,632,053	522,790	
Accrued bonus					1,473,557	526,967	
					18,911,357	11,338,241	
18. VAT payable							
Tax refunds payables					4,020,898	85,487	

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
19. Consumer deposits		
Electricity	1,157,422	1,152,422
Water	7,474	3,250
Regional services levies	144,778	144,778
Housing rental	5,200	5,200
	<u>1,314,874</u>	<u>1,305,650</u>
20. Revenue		
Property rates	17,276,185	11,269,231
Property rates – Penalties imposed and collection charges	416,723	1,830,039
Service charges	69,984,491	41,736,598
Sales of housing	237,676	-
Rental of facilities & equipment	251,965	35,946
Interest received – trading	18,044	14,193
Fines	4,542,533	2,817,697
Government grants & subsidies	119,921,055	83,209,920
Miscellaneous other revenue	1,700,955	323,900
	<u>214,349,627</u>	<u>141,237,524</u>
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	69,984,491	41,736,598
Sales of housing	237,676	-
Rental of facilities & equipment	251,965	35,946
Interest received – trading	18,044	14,193
Miscellaneous other revenue	1,700,955	323,900
	<u>72,193,131</u>	<u>42,110,637</u>
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	17,276,185	11,269,231
Property rates – Penalties imposed and collection charges	416,723	1,830,039
Fines	4,542,533	2,817,697
Transfer revenue		
Government grants & subsidies	119,921,055	83,209,920
	<u>142,156,496</u>	<u>99,126,887</u>

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
21. Property rates		
Rates received		
Commercial	8,998,898	6,183,402
State	4,217,701	3,399,020
Small holdings and farms	-	880,218
	4,059,586	806,591
	17,276,185	11,269,231
Property rates - penalties imposed and collection charges	416,723	1,830,039
	17,692,908	13,099,270
22. Service charges		
Service charges	501,301	285,634
Sale of electricity	42,983,618	31,879,924
Sale of water	22,323,867	5,922,188
Sewerage and sanitation charges	4,916	2,500
Refuse removal	4,170,789	3,646,352
	69,984,491	41,736,598

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
23. Government grants and subsidies		
Equitable share	70,458,000	60,150,805
Municipal Infrastructure Grant	28,976,800	10,394,147
Health Subsidies	-	1,429,453
Neighbourhood Development Grant	17,549,702	7,372,263
Drought Relief Subsidy	-	1,613,252
Financial Management Grant	1,964,839	1,250,000
Municipal System Improvement Grant	971,714	1,000,000
	119,921,055	83,209,920

Equitable Share

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	19,695,980	3,370,127
Current-year receipts	22,588,000	26,720,000
Conditions met - transferred to revenue	(28,976,745)	(10,394,147)
	13,307,235	19,695,980

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

Neighbourhood Development Grant

Balance unspent at beginning of year	4,631,329	6,003,591
Current-year receipts	19,000,000	6,000,000
Conditions met - transferred to revenue	(17,549,703)	(7,372,262)
	6,081,626	4,631,329

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

Financial Management Grant

Balance unspent at beginning of year	32,640	-
Current-year receipts	1,500,000	1,250,000
Conditions met - transferred to revenue	(1,532,640)	(1,217,360)
	-	32,640

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

Drought Relief Funds

Balance unspent at beginning of year	27,499	1,640,750
Conditions met - transferred to revenue	-	(1,613,251)
	27,499	27,499

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

Human Settlement Grant

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
23. Government grants and subsidies (continued)		
Balance unspent at beginning of year	6,113,790	6,113,790
Conditions still to be met - remain liabilities (see note 15).		
Municipal Systems Improvement Grant		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(980,431)	(1,000,000)
	19,569	-
Conditions still to be met - remain liabilities (see note 15).		
Health Subsidy Grant		
Current-year receipts	-	1,429,453
Conditions met - transferred to revenue	-	(1,429,453)
	-	-
Conditions still to be met - remain liabilities (see note 15).		

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
24. General expenses		
Advertising	265,136	132,845
Auditors remuneration	1,582,312	1,976,820
Bank charges	377,533	264,532
Cleaning	1,470	2,310
Consulting and professional fees	3,199,984	3,231,298
Consumables	382,083	242,982
Entertainment	16,923	70,269
Flowers	117,512	191,410
Hire	173,339	87,769
Insurance	439,873	307,641
Conferences and seminars	47,850	796
Incorporation costs	74,174	76,010
Lease rentals on operating lease	785,897	377,835
Magazines, books and periodicals	4,147,736	1,938,797
Motor vehicle expenses	254,512	173,463
Pest control	-	1,242
Fuel and oil	1,574,959	810,914
Postage and courier	171,005	10,550
Printing and stationery	611,483	428,358
Project maintenance costs	18,691,822	4,407,112
Security (Guarding of municipal property)	1,819,248	1,289,460
Staff welfare	25,650	2,625
Subscriptions and membership fees	418,402	419,862
Telephone and fax	910,369	636,905
Training	1,105,955	537,452
Travel - local	2,961,280	2,799,156
Refuse	17,050	128,594
Electricity	3,995,181	12,275,599
Water	124,750	181,494
Uniforms	409,447	219,173
Toll Gates Fees	541,436	259,660
Subsistence and travelling expenses	717,155	436,456
Shortages	-	96
Funeral costs	52,966	66,921
Group Insurance	-	2,537
Chemicals	320,583	166,431
Other expenses	158,880	6,800
	46,493,955	34,162,174

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
25. Employee related costs		
Basic	46,708,463	29,145,341
Bonus	2,328,277	2,178,608
Medical aid - company contributions	1,968,721	2,795,346
UIF	165,373	340,718
SDL	268,172	366,834
Increase in Leave Pay Provision	1,189,060	129,216
Bargaining council cocontribution	34,104	43,696
Pension fund contribution	4,172,237	6,234,080
Overtime payments	2,212,910	3,513,641
Long-service awards	900,941	526,045
Acting allowances	2,796,283	1,548,517
Car allowance	4,442	-
Housing benefits and allowances	463,189	532,092
Cellphone allowances	46,865	57,942
Standby allowance	517,378	1,141,462
Entertainment Allowance	33,281	6,078
Employee assistance program	247,500	306,834
	64,057,196	48,866,450
Remuneration of municipal manager		
Annual Remuneration	513,798	560,395
Car Allowance	56,744	108,000
Cellphone Allowance	7,100	14,400
Contributions to UIF, Medical and Pension Funds	1,497	1,498
Acting Allowance	231,533	-
Leave encashment and leave term	64,481	330,648
Skills Development Levy	9,428	9,915
	884,581	1,024,856
Remuneration of chief finance officer		
Annual Remuneration	559,933	476,813
Car Allowance	95,000	60,000
Contributions to UIF, Medical and Pension Funds	1,497	1,545
Leave Encashment	39,692	16,691
Skills Development Levy	6,935	5,051
	703,057	560,100
Corporate and human resources (corporate services)		
Annual Remuneration	522,934	426,112
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Cellphone Allowance	12,000	12,000
Leave Encashment	39,692	-
Skills Development Levy	6,928	5,029
	703,051	564,638

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
25. Employee related costs (continued)		
Additional text		
Remuneration of Technical Services Director		
Annual Remuneration	444,668	510,112
Car Allowance	36,000	48,000
Contributions to UIF, Medical and Pension Funds	1,248	1,497
Leave encashment and term leave	56,067	16,691
Skills Development Levy	5,293	5,436
	543,276	581,736
Remuneration of Community Services Director		
Annual Remuneration	311,348	207,213
Travelling Allowance	29,575	29,575
Contributions to UIF, Medical and Pension Funds	1,496	1,496
Leave encashment	6,883	-
Cellphone Allowance	3,600	3,600
Skills Development Levy	2,433	2,433
	355,335	244,317
Remuneration of Local Economic Development Director		
Annual Remuneration	534,934	438,112
Car Allowance	12,000	120,000
Contributions to UIF, Medical and Pension Funds	1,497	1,497
Leave encashment	17,860	16,691
Skills Development Levy	6,867	5,170
	573,158	581,470
26. Remuneration of councillors		
Executive Major	653,984	786,953
Speaker	527,125	515,468
Councillors	11,248,465	8,506,973
	12,429,574	9,809,394
27. Administrative expenditure		
Administration and management fees - third party	50,800	9,000
28. Debt impairment		
Debt impairment	30,931,162	9,581,717

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
29. Investment revenue		
Interest revenue		
Controlled entities	474,890	411,108
Bank	67	70,246
Interest charged on trade and other receivables	374	-
	<u>475,331</u>	<u>481,354</u>
30. Depreciation and amortisation		
Property, plant and equipment	1,405,600	8,501,338
Intangible assets	464,072	415,695
	<u>1,869,672</u>	<u>8,917,033</u>
31. Finance costs		
Debentures	15,000	-
Other interest paid	1,406,942	1,051,184
	<u>1,421,942</u>	<u>1,051,184</u>
<p>Interest rates used during the period were 4% on specific borrowings for capital projects and 6% being the weighted average cost of funds borrowed generally by the municipality.</p>		
32. Auditors' remuneration		
Fees	1,582,312	1,976,820
33. Grant Related Expenditure		
Grants		
Finance Management Grant	2,270,139	1,311,210
Municipal System Improvement Grant	509,304	872,223
Neighbourhood Development Programme	1,668,694	4,900,080
Student Support Programme	1,850	-
Indigent Programme	320,348	978,077
Proverty Relief Programme	137,888	41,975
	<u>4,908,223</u>	<u>8,103,565</u>
34. Bulk purchases		
Electricity	25,658,323	23,782,847

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
35. Cash generated from operations		
Surplus (deficit)	28,518,824	(5,594,463)
Adjustments for:		
Depreciation and amortisation	1,869,672	8,917,033
Debt impairment	30,931,162	9,581,717
Movements in retirement benefit assets and liabilities	2,813,000	-
Movements in provisions	1,084,961	-
Other non-cash items	(524,226)	25,210
Changes in working capital:		
Inventories	(1,656,098)	(1,479,251)
Trade and other receivable from exchange transactions	(53,845)	3,186,422
Other receivables from non-exchange transactions	(126,270)	(1,373,626)
Consumer debtors	(45,834,632)	(20,664,789)
Payables from exchange transactions	7,573,116	3,374,027
VAT	3,935,411	-
Unspent conditional grants and receipts	(4,970,355)	13,372,980
Consumer deposits	9,224	-
	23,569,944	9,345,260

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	26,573,148	43,874,667
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	43,817,656	43,817,656
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

37. Contingencies

The municipality is being sued by a number consumers for to the amount of R2,565,2450. By the time of submitting the annual financial statements, we were still awaiting the attorney's response.

38. Prior period errors

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

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
38. Prior period errors (continued)		
Statement of financial position		
Increase in Fixed deposit	-	1,176,675
Decrease in Prepayments	-	(86,146)
Increase in trade and other receivables.	-	2,360,276
Increase in other receivables from non-exchange	-	434,382
Decrease in current portion of long term recivables	-	(216,651)
Increase in Money Market Investments	-	8,242,391
Increase in consumer debtors	-	429,608
Decrease in cash and cash equivalents	-	(10,401,652)
Increase in Investment Property	-	2,620,000
Increase in Property plant and Equipment	-	669,967
Decrease in Fixed deposit investment - Non Current	-	(9,322,681)
Decrease in Interest in Joint Venture	-	(700,000)
Decrease in other interest bearing liabilities	-	139,643
Increase in trade and other payables	-	(3,749,661)
Increase in retirement Benefit Obligation	-	(722,000)
Increase in Unspent Conditional Grants	-	(1,833,593)
Decrease in Provisions	-	3,646,540
Decrease in other interest bearing debt - non current	-	2,523,554
Increase in Post Retirement Benefit Obligation - Non-current	-	(14,050,000)
Increase in Provisions - Non-current	-	(1,928,515)
Decrease in Accumulated surplus	-	21,147,555

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
38. Prior period errors (continued)		
Statement of Financial Performance		
Increase in Property Rates	-	(1,938,798)
Increase in Service charges	-	(16,059)
Decrease in Licences and permits	-	1,622,557
Increase in fees earned	-	(1,602,247)
Decrease in Property rate penalties	-	27,000
Decrease in rendering of services	-	78,370
Increase in Miscellaneous income	-	(311,300)
Increase in interest recieved	-	(14,193)
Increase in Other Income	-	(4,591)
Increase in Finance costs	-	6,600
Decrease in employee cost	-	(677,741)
Increase in Councillor remunerations	-	1,476,987
Increase in Bulky purchases	-	6,325,778
Decrease in Repairs and maintainance	-	(189,366)
Increase in General Expenses	-	10,542,155
Decrease in contracted services	-	1,254,276

Fixed Deposit (Current): This was due to the fact that correction of the prior year figure understated. In addition to this, the amount was reclassified from non-current asset as it they can be liquidated at any time without notice.

Prepayments: The amount did not relate to prepayments. Since the services had been rendered, the amount was clasified to Other recievables.

Trade and Other recievables: This mainly relates to amounts which were erroneously disclosed as consumer debtors in the previous fiancial period yet they did not relate to the the various services (water, electricity, refuse, sanitation or assessmentt rates).

Other recievable from non-exchange transactions: In the previous financial year, the amounts were disclosed as consumer debtors (exchange transactions), which was incorrect.be properly disclosed.

Current Portion of Long Term Receivables: The amount did not relate to long term term recievables. It was thus reclassified to trade and other receivables.

Money Market Investments: Amounts were disclosed as part of Fixed Deposits (which were shown as Non-Current Assets (held to maturity) and combined with shares held by the municipality as a result of the demutualisation. To properly present the amounts, they were reclassified to Money Market as they are liquid investments invested in various financial institutions.

Consumer Debtors: This was mainly caused by the reclassification of assessment rates (R15,5 million), bad debts provision for assesement rates (R12.4million) as well as reclassification of debtors with credit balances.

Cash and cash equivalents: This is mainly due to transactions erroneously processed in the cash book and treated as reconciling items. The error was noted and corrected in retrospect.

Investment Property: Relates to the recognition of the municipality's fair value of its share in the jointly controlled asset. In the prior year, the amount was recognised at the purchase price.

Property, Plant and Equipment: Correction of the opening balance as the fixed asset register did not agree with the annual financial statements.

Fixed Deposit Investment (Non-current): Was reclassified to Money Market Investments and Fixed Deposits under current assets as explained above.

Other Interest Bearing Liabilities (Non-current and Current): The full liability was incorrectly computed in the previous year.

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012	2011
	R	R

38. Prior period errors (continued)

Trade and Other Payables: Mainly due to reclassifications relating to receivable with credit balances which were previously disclosed as receivables.

Retirement Benefit Obligations (Non-current and current): Due to the recognition of the obligation relating to the post retirement medical aid benefit which was done for the first time (retrospectively) during the current year.

Unspent Conditional Grants: Reclassification of expenditure previously netted/disclosed as current liabilities.

Provisions (Non-current and Current): Due to the initial recognition of the long service award provision relating to the dyas that employees are entitled to when they reach certain milestones of continued employment. This was done for the first time (retrospectively) during the current year.

Accumulated surplus: The residual effect of the foregoing and effects of errors in the Statement of Financial Performance.

Items on the Statement of Financial Performance: These are due to various reclassification of the transactions so as to achieve fair presentation.

39. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Increase in Current Assets	-	1,938,883
Decrease in Non-current assets	-	(6,032,714)
Increase in Current Liabilities	-	(2,930,277)
Increase in Non-current Liabilities	-	(13,454,961)
Decrease in Net Assets	-	21,147,555

Statement of Financial Performance

Increase in Income	-	(2,137,247)
Increase in Expenditure	-	16,230,136

40. Risk management

Financial risk management

Liquidity risk

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

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

Interest rate risk

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. During 2012 and 2011, the municipality's borrowings were at fixed interest rates and were denominated in the Rand..

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012 R	2011 R
40. Risk management (continued)		
Credit risk		
Credit risk consists mainly of cash deposits, consumers debtors and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. The related credit risk is managed by ways such as disconnections and limiting the flow of water.		
41. Events after the reporting date		
There were no significant subsequent events warranting reporting.		
42. Unauthorised expenditure		
Unauthorised expenditure	38,917,282	-
Details are shown in Note 46 of the Annual Financial Statements.		
43. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	376,824	-
A report will be presented to Council for the condonement of these amounts.		
44. Irregular expenditure		
Irregular Expenditure - current year	376,824	-
Analysis of expenditure awaiting condonation per age classification		
Current year	376,824	-
45. Additional disclosure in terms of Municipal Finance Management Act		
PAYE and UIF		
Opening balance	429,403	351,133
Current year subscription / fee	3,436,720	3,776,980
Amount paid - current year	(3,254,130)	(3,698,710)
	611,993	429,403

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

					2012	2011	
					R	R	
46. Statement of comparative and actual information							
2012							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome % of final budget
Financial Performance							
Property rates	18,698,000	18,698,000	18,698,000	17,692,908		1,005,092	
Service charges	60,885,000	60,885,000	60,885,000	69,984,491		(9,099,491)	
Investment revenue	840,000	840,000	840,000	475,331		364,669	
Other own revenue	-	-	-	119,921,055		(119,921,055)	D
	82,234,000	82,234,000	82,234,000	13,375,402		68,858,598	
Total revenue (excluding capital transfers and contributions)	162,657,000	162,657,000	162,657,000	221,449,187		(58,792,187)	
Employee costs	(64,558,000)	(64,558,000)	(64,558,000)	(64,057,196)	-	(500,804)	
Remuneration of councillors	(9,836,000)	(9,836,000)	(9,836,000)	(12,429,574)	2,593,574	2,593,574	
Debt impairment	-	-	-	(30,931,162)	30,931,162	30,931,162	D
Depreciation and asset impairment	(9,600,000)	(9,600,000)	(9,600,000)	(1,869,672)	-	(7,730,328)	
Finance charges	(2,648,000)	(2,948,000)	(2,948,000)	(1,421,942)	-	(1,526,058)	
Materials and bulk purchases	(25,174,000)	(25,174,000)	(25,174,000)	(25,658,323)	484,323	484,323	
	-	-	-	(4,908,223)	4,908,223	4,908,223	D
Other expenditure	(66,038,000)	(66,038,000)	(66,038,000)	(51,654,271)	-	(14,383,729)	
Total expenditure	(177,854,000)	(178,154,000)	(178,154,000)	(192,930,363)	38,917,282	14,776,363	
Surplus/(Deficit)	(15,197,000)	(15,497,000)	(15,497,000)	28,518,824		(44,015,824)	

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

					2012	2011	
					R	R	
46. Statement of comparative and actual information (continued)							
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome % of final budget
Contributions recognised - capital and contributed assets	27,712,000	27,712,000	27,712,000	-		27,712,000	
Surplus (Deficit) after capital transfers and contributions	12,515,000	12,215,000	12,215,000	28,518,824		(16,303,824)	
Surplus/(Deficit) for the year	12,515,000	12,215,000	12,215,000	28,518,824		(16,303,824)	

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

	2012	2011
	R	R

46. Statement of comparative and actual information (continued)

Ramotshere Moiloa Local Municipality

Financial Statements for the year ended June 30, 2012

Notes to the Financial Statements

					2012 R	2011 R	
46. Statement of comparative and actual information (continued)	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome % of final budget

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Nov	Mar	Jun	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
Equitable share		29,357	23,487	17,614	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MIG		9,463	10,848	2,277	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
FMG		1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
MSIG		1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
NDPG		2,000	2,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		43,320	36,335	34,891	-	-	-	-	-	-	-	-	-	-	-	-			