



Mopani District Municipality
(Demarcation code DC33)
Annual financial statements
for the year ended 30 June 2012

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity	District Municipality
Area in square kilometres)	20,011
Nature of business and principal activities	<ul style="list-style-type: none">•Provision of a democratic and accountable local government for communities in the Mopani District area;•Ensuring the provision of services to these communities in a sustainable manner;•Promotion of social and economic development;•Promotion a safe and healthy environment; and•Encourage the involvement of communities and community organisations in the matters of local government in the Mopani District
Mayoral committee	
Executive Mayor	Matlou LJ
Speaker	Mathonsi NV
Chief Whip	Mushwana OJ
Mayoral Committee	Lewele M
	Machethe LN
	Manganyi HG
	Nkuna C
	Ramaremela TP
	Mashobane SH
	Hlatswayo C
	Ngobeni A
	Maloko ML
MPAC Chairperson	Nkanyani RP
Other Councillors	Mabasa MH
	Raganya MP
	Monyela KJ
	Mokoele SG
	Cronje PW
	Mabunda MA
	Makhubele PP
	Mahubele BM
	Baloyi HI
	Makhubele TA
	Moshwana TJ
	Rikhotso A
	Rikhotso MQ
	Ncha ML
	Mushwana DG
	Mohale NL
	Ndove DL
	MbhalatiHJHS
	Risaba NM
	Sibiya M
	Mokgobi ML
	Mafona ME
	Selowa G
	Magoro MC
	Senyolo T
	Mamogale C

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

	Perkins L Flemming GJ Makwala O Mashele G Mametja MR
Grading of local authority	4
Accounting Officer	Maake MT
Chief Finance Officer (CFO)	Mankabidi ME
Accounting Officer	MT Maake
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Website	www.mopani.gov.za
Bankers	ABSA
Auditors	Auditor General
Audit Committee	Adv ST Kholong Mudau FJ Ngobeni SAB Hlomane GH

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	5
Accounting Officer's Report	6 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Accounting Policies	13 - 23
Notes to the Annual Financial Statements	24 - 44
Appendixes:	
Appendix A: Schedule of External loans	45
Appendix B: Analysis of Property, Plant and Equipment	46
Appendix C: Segmental analysis of Property, Plant and Equipment	52
Appendix D: Segmental Statement of Financial Performance	53
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	54
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	55
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	56

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

Abbreviations

CoGHSTA	Department of Co-Operative Governance, Human Settlements and Traditional Affairs
CoGTA	Department of Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DWA	Department of Water Affairs
DPW	Department of Public Works
DRT	Department of Roads and Transport
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
LG Seta	Local Government Sector Education and Training Authority
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
NT	National Treasury

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 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 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

MT Maake
Designation

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Report

During the financial year under review, Mopani District Municipality made progress in achieving its strategic objectives, details of which are outlined as follows

1. Review of Activities

1.1 Municipal financial viability

The municipality received total revenue of R 831,295,801 in the 2011/12 financial year as compared to R 883,436,525 in the 2010/11 which is a decline of 6.00%. The total expenditure for the 2011/12 financial is at R (824,980,188) against R (828,269,546) in 2010/11 which also represents a decline of (0.06)%. The municipality largely depends on grant but currently a revenue enhancement strategy is being developed to consider other possible revenue generating mechanisms. We hope and believe that the final product will yield the desired goals.

1.2 Service delivery

In terms of service delivery, the municipality has performed very well in the provision of electricity and sanitation whereby the backlogs have gradually been reduced compared to the previous financial years. Water still remains a challenge within the district given the ageing infrastructure, huge number of illegal connections and new unplanned residential sites particularly in the rural communities. The municipality is working with other state institutions to address this challenge and believe that there will be a remarkable improvement going forward.

1.3 Municipal transformation and organisational development

During the period in review, the municipality appointed four new Directors to replace those whose contracts have expired and they are the Chief Financial Officer, Director Engineering, Director Community Services and Director Planning and Development. These were four of the five positions that were vacant against a total of six directorates. In this regard the municipality operated with a maximum strength at the strategic level while the vacancy rate across the institution is still a great challenge. The position of Director Water Services was filled in July 2012 while the position of Director Corporate Services became vacant as from August 2012. The total approved posts is 1 564 which includes the staff transferred from the Department of Water Affairs. Only 886 posts have been filled with 730 vacant which also include retirements within the water directorate and the municipality is currently working around the clock to fill all the budgeted positions.

1.4 Local economic development

The municipality has conducted the feasibility studies with regard to a number of catalytical projects however implementing them has been a challenge. One of them is the development of the Fresh Produce Market and the Abattoir. The problem has been accessing funding and they have a huge potential to create more jobs thereby making the economy of the district to grow. However a total of 80 long term jobs were created in the agricultural sector and 1 520 temporary jobs created during the period in review through the infrastructural projects.

1.5 Good governance and Public participation

The municipality has an approved Anti Corruption and Fraud Prevention strategy and the individual directorates are expected to develop their plans to curb fraud and corruption informed by the strategy. We also have an Internal Audit Unit which conducts internal audit projects informed by the risk profile of the municipality. While there has been a delay in the implementation of the internal audit and Auditor general findings, the situation has improved given the awareness that was conducted amongst all staff in the various directorates. This has enabled the municipality to improve on its approach towards good governance issues as outlined in the King III Report on Corporate Governance principles.

2 Oversight Structures

2.1 Council

During the period in review, the Council managed to convene a total of 11 meetings, 7 of those meetings being Special sittings which include the ones dealing with the flood disaster within the district area. The implementation of the Council resolutions is at 100% given the fact that some of them are continuous in nature.

2.2 Mayoral Committee

A total of 10 meetings were held and the attendance by Members of the Mayoral committee stood at 100% except in instances where written applications of absence were received.

2.3 Portfolio Committees

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Report

The municipality has a total of 9 Portfolio Committees and their meetings are conducted on monthly basis prior to the Mayoral Committee meetings. The attendance in the Portfolio Committee meetings became a serious challenge after the municipality received a circular which explained the need to avoid having members of the Municipal Public Accounts Committee also sitting in different portfolios. The municipality is busy finalising the review of the members of the various Portfolio Committees and we hope this will assist in addressing this situation.

2.4 Audit Committee

The Audit Committee of the municipality is a shared service with the five local municipalities. The committee held a total of 6 meetings with the district and 36 inclusive of all the local municipalities and a report has been tabled before Council as required. Over and above the ordinary meetings, the Audit Committee met with the Executive Mayor and local Mayors individually to highlight some critical areas for attention by various Councils.

2.5 Management committee

The management committee is led by the accounting officer and sits for meetings to consider the strategic activities of the municipality. Since July 2011, there are 9 management meetings that have been held plus the Management Lekgotla which is convened every January to conduct a Mid Year performance Assessment of the municipality.

2.6 Internal Audit

The internal audit unit had a staff compliment of 8 with only 2 resignations at the end of July 2012. The unit planned to conduct 15 projects but managed to complete 9 with 3 still in progress and 3 rolled over to the 2012/13 financial year.

2.7 Risk Management

The municipality has established a Risk Management Committee which was chaired the accounting officer which arrangements have been changed. The committee is now chaired by an independent official secured from the Department of Co-operative Governance Human Settlement and Traditional Affairs. During the period in review, the committee held 3 meetings and have also managed to review the Risk Strategy and profile of the municipality.

3 Discontinued activities

During the period in review, there were no activities that were discontinued..

4 Events after reporting date

There are no favourable or unfavourable events that I am aware of which occurred after the reporting date that might affect the Annual Financial Statements.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Report

5 Performance Information

The municipality has adopted the balance scorecard methodology of performance management. The strategic scorecard received a score of 3.09 while the overall performance got a score of 2.95. The scores were calculated using an automated system designed for the municipality's performance management reporting requirements as per the Municipal Systems Act, as amended and the Performance Management Regulations.

6 Municipal Public Accounts Committee resolutions

The Municipal Public Accounts Committee (MPAC), heard evidence on and considered the contents of the Annual Report and the Report of the Auditor-General on the 2010/2011 financial statements of the municipality. The Committee noted the qualification audit opinion, highlighted areas which required urgent attention of the Accounting Officer and Council, and reports as follows:

Basis of opinion

The Auditor-General reported the following:

- a) There was no system of control over revenue for water to which the Auditor General can place reliance.
- b) Included in the consumer receivable balance as disclosed in note 3 to the financial statements is an amount of R 53 397 044 receivable from a municipality. The municipality could not provide sufficient appropriate audit evidence to support the amount disclosed. c) Included in the trade and other payables as disclosed in note 9 to the financial statements is an amount of R 41 845 762 payable to a municipality. The amount payable to a municipality as disclosed does not agree to the amount of R 35 766 162 per the underlying records. The municipality could not provide sufficient appropriate audit evidence to support the difference of R 6 079 601.
- d) No system was in place for the identification and recognition of irregular expenditure. The Auditor General could not obtain sufficient appropriate audit evidence to satisfy himself of the completeness of the amount disclosed in note 37.2 to the financial statements.
- e) The municipality did not disclose the water distribution losses as required by the MFMA.

Progress

- a) The municipality conducted a month end visits to the local municipalities in order to reconcile all the water related transactions and the relevant documentations are available.
- b) The evidence to support the amount as disclosed in note 3 to the financial statements is now available for the audit.
- c) The balance as it is disclosed in note 9 has been corrected through the monthly data verification and the supporting evidence is available for audit.
- d) Council has approved the irregular expenditure and the systems have been activated.
- e) The water distribution losses have been included in all the water related transactions.

2. Conclusion

We would like to appreciate the effort put by the staff and Council in addressing all the matters raised by the Auditor General. The commitment displayed by the staff is highly commendable while we are looking for more during the upcoming audits.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	5	57,924,658	4,923,667
Other financial assets	4	5,950,000	-
Receivables from exchange transactions	6	297,736,842	352,783,989
VAT receivable	7	53,524,751	42,532,851
Consumer debtors	8	115,702,038	136,210,544
Cash and cash equivalents	9	3,229,284	22,806,976
		534,067,573	559,258,027
Non-Current Assets			
Property, plant and equipment	2	1,853,265,718	1,798,364,281
Intangible assets	3	260,168	136,962
Other financial assets	4	4,389,052	-
		1,857,914,938	1,798,501,243
Total Assets		2,391,982,511	2,357,759,270
Liabilities			
Current Liabilities			
Finance lease obligation	11	416,414	804,417
Payables from exchange transactions	14	440,443,377	330,126,959
Consumer deposits	15	4,646,329	3,878,823
Unspent conditional grants and receipts	12	108,744,880	5,162,623
Provisions	13	1,117,750	351,397
Bank overdraft	9	-	125,599,607
		555,368,750	465,923,826
Non-Current Liabilities			
Other financial liabilities	10	8,400,000	8,400,000
Finance lease obligation	11	822,854	1,239,268
Provisions	13	9,349,929	9,199,771
		18,572,783	18,839,039
Total Liabilities		573,941,533	484,762,865
Net Assets		1,818,040,978	1,872,996,405
Net Assets			
Accumulated surplus		1,818,040,978	1,872,996,405

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Service charges	17	153,662,393	142,322,389
Rental of facilities and equipment		-	1,710
Public contributions and donations		-	5,929,481
Government grants & subsidies	18	669,059,639	707,977,439
Interest earned - Outstanding receivables		1,679,029	17,668,169
Other income	20	5,829,367	1,273,899
Interest received - investment	27	1,065,373	7,997,089
Gains on disposal of assets	29	-	266,349
Total Revenue		831,295,801	883,436,525
Expenditure			
Employee costs	23	(210,733,621)	(197,303,180)
Remuneration of councillors	24	(7,569,511)	(6,255,346)
Administration	25	-	(4,188,138)
Depreciation and amortisation	28	(107,023,783)	(115,341,309)
Impairment loss/ Reversal of impairments		(3,363,675)	-
Finance costs	30	(542,404)	(280,420)
Debt impairment	26	(37,164,610)	(88,254,710)
Repairs and maintenance		(75,122,492)	(94,392,730)
Bulk purchases	34	(96,782,270)	(72,545,334)
Contracted services	32	(29,483,675)	(18,899,118)
Grants and subsidies paid	33	(2,249,503)	(31,613,129)
Loss on disposal of assets	33	(26,267)	(7,227)
General Expenses	21	(254,918,377)	(199,188,905)
Total Expenditure		(824,980,188)	(828,269,546)
Surplus for the year		6,315,613	55,166,979

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	1,691,243,709	1,691,243,709
Changes in net assets		
Surplus for the year	55,166,979	55,166,979
Prior period adjustments	126,585,717	126,585,717
Total changes	181,752,696	181,752,696
Balance at 01 July 2011	1,811,725,365	1,811,725,365
Changes in net assets		
Surplus for the year	6,315,613	6,315,613
Total changes	6,315,613	6,315,613
Balance at 30 June 2012	1,818,040,978	1,818,040,978
Note(s)		

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Grants		826,665,700	693,566,014
Interest income		1,065,373	7,997,089
Other receipts		5,809,356	7,203,380
		833,540,429	708,766,483
Payments			
Employee costs		(215,842,757)	(200,041,676)
Suppliers		(399,006,918)	(355,594,522)
Finance costs		(357,353)	(147,364)
Other payments		(3,164,663)	(31,613,129)
		(618,371,691)	(587,396,691)
Net cash flows from operating activities	35	215,168,738	121,369,792
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(66,014,536)	(172,452,628)
Proceeds from sale of property, plant and equipment	2	26,267	987,566
Purchase of other intangible assets	3	(167,150)	-
Proceeds from sale of other intangible assets	3	(26,267)	(7,227)
Proceeds from sale of financial assets		(10,339,052)	-
Other non-cash movements		(31,636,617)	(196,451,168)
Net cash flows from investing activities		(108,157,355)	(367,923,457)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(369,213)
Finance lease payments		(989,468)	809,493
Net cash flows from financing activities		(989,468)	440,280
Net increase/(decrease) in cash and cash equivalents		106,021,915	(246,113,385)
Cash and cash equivalents at the beginning of the year		(102,792,631)	143,320,753
Cash and cash equivalents at the end of the year	9	3,229,284	(102,792,632)

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

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.

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. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and 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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that a key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible and other assets.

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 13 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

1.2 New Standards and Interpretations

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 New Standards and Interpretations (continued)

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED	IMPACT
GRAP 18 Segment Reporting	Not applicable	Not applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36	Not material
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9	Not material
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007	Not applicable	Not material
GRAP 25 Employee Benefits	IAS 19	Not material
GRAP 26 Impairment of cash generating assets	IAS 36	Not material
GRAP 103 Heritage Assets	Not applicable	Not applicable

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.

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Item	Average useful life
Buildings	30 Years
Plant and machinery	5 Years
Furniture and fixtures	7 - 10 Years
Motor vehicles	7 - 10 Years
Office equipment	3 - 5 Years
IT equipment	3 Years
Water reservoirs and reticulation	30 years
Specialised vehicles	20 Years
Sewerage purification reticulation	15 - 100 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Intangible assets (continued)

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
Licenses and franchises	3 Years
Computer software, other	3 Years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.6 Taxation

Valued Added Tax

The municipality accounts for Value Added Tax on accrual basis

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value. Inventories are valued using the FIFO method.

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.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.8 Inventories (continued)

The cost of inventories is assigned using the formula. The same cost 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.

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Share capital / contributed capital

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

1.12 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

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

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 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 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.

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

1.14 Revenue from exchange transactions

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

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

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.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Measurement

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

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.

1.15 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.

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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is 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 State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

2. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,449,526	-	7,449,526	2,900,000	-	2,900,000
Buildings	85,466,384	(5,305,565)	80,160,819	66,067,585	(4,175,435)	61,892,150
Infrastructure	2,158,245,231	(419,626,357)	1,738,618,874	2,021,578,987	(313,851,192)	1,707,727,795
Other property, plant and equipment	36,686,252	(11,067,037)	25,619,215	33,967,747	(10,112,534)	23,855,213
Other leased Assets	2,518,597	(1,101,313)	1,417,284	2,774,534	(785,411)	1,989,123
Total	2,290,365,990	(437,100,272)	1,853,265,718	2,127,288,853	(328,924,572)	1,798,364,281

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Under construction	Fair Value Adjustments	Depreciation	Impairment loss
Land	2,900,000	4,549,526	-	-	-	-	-
Buildings	61,892,150	-	-	19,398,798	-	(1,130,129)	-
Infrastructure	1,707,727,795	61,015,862	-	75,657,205	(1,372,469)	(102,542,338)	(1,867,180)
Other property, plant and equipment	23,855,213	449,148	(26,267)	-	4,105,297	(2,744,438)	(19,730)
Other leased Assets	1,989,123	-	-	-	-	(571,839)	-
	1,798,364,281	66,014,536	(26,267)	95,056,003	2,732,828	(106,988,744)	(1,886,910)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Under construction	Depreciation	Total
Land	2,900,000	-	-	-	-	2,900,000
Buildings	52,429,077	7,015,563	-	3,502,154	(1,054,644)	61,892,150
Infrastructure	1,483,545,989	147,538,345	-	187,713,751	(111,070,290)	1,707,727,795
Other property, plant and equipment	10,724,359	16,514,987	(721,217)	-	(2,662,916)	23,855,213
Other leased Assets	1,085,582	1,383,733	-	-	(480,192)	1,989,123
	1,550,685,007	172,452,628	(721,217)	191,215,905	(115,268,042)	1,798,364,281

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.

3. Intangible assets

	2012			2011		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	414,578	(154,410)	260,168	219,799	(82,837)	136,962

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

3. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Fair Value Adjustments	Amortisation	Total
Computer software	136,962	167,150	21,086	(65,030)	260,168

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	210,228	(73,266)	136,962

4. Other financial assets

Held to maturity (amortised cost)

Ba-Phalaborwa Local Municipality	10,339,052	-
This loan represents motor vehicles bought on behalf of Ba-Phalaborwa Local Municipality. The loan is repayable in monthly installments of R350,000 per month and is interest-free.		

Non-current assets

Held to maturity	4,389,052	-
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Current assets

Held to maturity	5,950,000	-
	10,339,052	-

The current portion of the loan to Ba-Phalaborwa Local Municipality includes a R1,750,000 accrual that was due in the 2012 financial year and the short-term portion amounting to R4,200,000.

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

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

5. Inventories

Consumable stores	57,159,088	4,887,160
Water	765,570	36,507
	57,924,658	4,923,667

The increase in inventory is due to pipes bought for the Nandoni water project in the current year, and the taking on for the Department of Water Affairs.

Water Inventory is made up of the following:

Greater Tzaneen Municipality	278 464.19
Greater Giyani Municipality	473 872.02
Maruleng Local Municipality	359.52
Ba-Phalaborwa Municipality	1 878.90
Greater Letaba Municipality	10 995.71

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
6. Receivables from exchange transactions		
Staff debtors	197,141	-
Blyderiver Water	13,116,895	12,417,327
Officials	3,387	42,378
Councillors	270,168	326,591
Service providers	1,583,860	61,189,431
Accrued interest	20,011	46,242
DWA (Greater Letaba)	399,243	399,243
Bursaries (Greater Tzaneen)	-	1,046
Ba-Phalaborwa Municipality	19,721,830	23,677,529
Greater Giyani Municipality	33,180,246	38,411,243
Greater Letaba Municipality	244,429,437	162,272,959
Department of Water Affairs	11,927,708	54,000,000
Impairment	(27,113,084)	-
	297,736,842	352,783,989

A payment for the delivery of pipes by Capital Steel was made in advance in the 2011 financial year which have since been delivered.

7. VAT receivable

VAT	53,524,751	42,532,851
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Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
8. Consumer debtors		
Gross balances		
Water	235,811,737	246,129,549
Sewerage	54,902,312	59,275,581
	290,714,049	305,405,130
Less: Provision for debt impairment		
Water	(157,356,897)	(153,223,549)
Sewerage	(17,655,114)	(15,971,037)
	(175,012,011)	(169,194,586)
Net balance		
Water	78,454,840	92,906,000
Sewerage	37,247,198	43,304,544
	115,702,038	136,210,544
Water		
Current (0 -30 days)	12,954,594	3,062,512
31 - 60 days	13,019,031	2,081,367
61 - 90 days	8,233,129	1,864,156
91 - 120 days	6,246,847	112,887,977
121 - 365 days	53,969,176	126,233,537
> 365 days	141,388,960	-
Impairment	(157,356,897)	(153,223,549)
	78,454,840	92,906,000
Sewerage		
Current (0 -30 days)	2,155,533	834,115
31 - 60 days	1,080,899	691,432
61 - 90 days	1,162,017	568,114
91 - 120 days	1,101,159	19,623,628
121 - 365 days	11,473,969	37,558,292
> 365 days	37,928,735	-
Impairment	(17,655,114)	(15,971,037)
	37,247,198	43,304,544
Reconciliation of debt impairment provision		
Balance at beginning of the year	(169,194,586)	(56,794,331)
Contributions to provision	(5,817,425)	(112,400,255)
	(175,012,011)	(169,194,586)
Consumer Debtors Per Local Municipality		
Ba-Phalaborwa Municipality	170 068 692	163 791 829
Greater Tzaneen Municipality	69 899 982	68 875 028
Greater Giyani Municipality	29 929 111	53 397 044
Greater Letaba Municipality	20 304 271	18 616 841
Maruleng Municipality	511 994	724 387
Total	290 714 050	305 405 130

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
9. Cash and cash equivalents (continued)		
Bank balances	3,229,284	-
Short-term deposits	-	22,806,976
Bank overdraft	-	(125,599,607)
	3,229,284	(102,792,631)
Current assets	3,229,284	22,806,976
Current liabilities	-	(125,599,607)
	3,229,284	(102,792,631)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Account Type - Current - 405-277-1364	3,229,284	989,449	-	3,233,876	(125,599,606)	-

10. Other financial liabilities

Held at amortised cost

ABSA Sinking Fund	8,400,000	8,400,000
Greater Tzaneen		

Non-current liabilities

At amortised cost	8,400,000	8,400,000
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11. Finance lease obligation

Minimum lease payments due

- within one year	437,266	989,468
- in second to fifth year inclusive	-	1,352,425
- later than five years	-	-
	437,266	2,341,893
less: future finance charges	(20,852)	(298,208)
Present value of minimum lease payments	416,414	2,043,685

Present value of minimum lease payments due

- within one year	416,414	-
- in second to fifth year inclusive	-	-
- later than five years	-	-
	416,414	-

Non-current liabilities	822,854	1,239,268
Current liabilities	416,414	804,417
	1,239,268	2,043,685

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

Interest rates are at the contract date. All leases and .

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
DWA Refurbishment	7,532,736	4,842,623
Municipal Infrastructure Grant (MIG)	99,215,288	-
Finance Management Grant (FMG)	308,856	-
Rural Transport Grant	1,688,000	-
European Union Grant	-	320,000
	108,744,880	5,162,623

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

13. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Reversed during the year	Total
Bonus provisions	351,397	1,117,750	(351,397)	1,117,750
Post Retirement Medical Aid Benefits	6,344,062	-	(1,174,975)	5,169,087
Long Service Awards	2,855,709	1,325,133	-	4,180,842
	9,551,168	2,442,883	(1,526,372)	10,467,679

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Performance Bonus Provision	-	351,397	351,397
Post Retirement Medical Aid Benefits	5,448,189	895,873	6,344,062
Long Service Awards	586,129	2,269,580	2,855,709
	6,034,318	3,516,850	9,551,168
Non-current liabilities		9,349,929	9,199,771
Current liabilities		1,117,750	351,397
		10,467,679	9,551,168

Post retirement medical aid benefits

An actuarial valuation has been performed in respect of benefits to eligible retirees and current retirees.

Long service awards

An actuarial valuation has been performed in respect of long service benefits which employees may become entitled to upon completion of a certain numbers of years service.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Payables from exchange transactions		
Trade payables	364,343,145	264,362,654
Payments received in advanced - contract in process	4,849,275	4,849,275
Retention	43,506,094	35,603,075
Staff leave	22,870,319	20,743,569
Other payables	-	16,158
Bonus provision	4,874,544	4,552,228
	440,443,377	330,126,959

As at the 30th June 2012 employees were still eligible to encash their leave days after the year of leave cycle as per the leave policy.]

15. Consumer deposits

Water	4,646,329	3,878,823
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16. Revenue

Service charges	153,662,393	142,322,389
Rental of facilities & equipment	-	1,710
Public contributions and donations	-	5,929,481
Government grants & subsidies	669,059,639	707,977,439
	822,722,032	856,231,019

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

Service charges	153,662,393	142,322,389
Rental of facilities & equipment	-	1,710
	153,662,393	142,324,099

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

Taxation revenue		
Public contributions and donations	-	5,929,481
Transfer revenue		
Levies	669,059,639	707,977,439
	669,059,639	713,906,920

17. Service charges

Sale of water	136,210,424	123,104,771
Sewerage and sanitation charges	17,451,969	19,217,618
	153,662,393	142,322,389

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Government grants and subsidies		
Equitable share	419,718,000	363,482,880
Disaster relief grant	9,200,000	556,000
Department of Local Government and Housing (DPLGH Grant)	-	90,000,000
DWA (HR)	36,363,000	39,532,000
DWA (O&M)	24,133,000	35,220,000
DWA Refurbishment	7,309,887	3,157,377
EPWP	3,362,000	4,473,350
Finance Management Grant (FMG)	941,144	1,000,000
Equitable Share (Tzaneen Municipality)	-	13,087,683
LGW SETA	738,896	302,101
MIG	164,003,712	156,416,048
Municipal Systems Improvement Grant (MSIG)	790,000	750,000
DBSA Grant	2,500,000	-
	669,059,639	707,977,439

Equitable Share

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

DWA Refurbishment

Balance unspent at beginning of year	4,842,623	-
Current-year receipts	10,000,000	8,000,000
Conditions met - transferred to revenue	(7,309,887)	(3,157,377)
	7,532,736	4,842,623

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	19,574,048
Current-year receipts	263,219,000	136,842,000
Conditions met - transferred to revenue	(164,003,712)	(156,416,048)
	99,215,288	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(941,144)	(1,000,000)
	308,856	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Rural Transport Grant

Current-year receipts	1,688,000	-
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Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
DWA		
Current-year receipts	24,133,000	77,909,377
Conditions met - transferred to revenue	(24,133,000)	(77,909,377)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
DPLGH		
Current-year receipts	-	90,000,000
Conditions met - transferred to revenue	-	(90,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
Drought Relief Grant		
Current-year receipts	42,072,292	556,000
Conditions met - transferred to revenue	(42,072,292)	(556,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
LG SETA		
Current-year receipts	738,896	302,101
Conditions met - transferred to revenue	(738,896)	(302,101)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
Expanded Public Works Programme		
Current-year receipts	3,362,000	4,473,350
Conditions met - transferred to revenue	(3,362,000)	(4,473,350)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		
Disaster Relief Fund (Maruleng)		

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Government grants and subsidies (continued)		
Current-year receipts	9,200,000	-
Conditions met - transferred to revenue	(9,200,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

European Union Grant

Balance unspent at beginning of year	320,000	320,000
Other	(320,000)	-
	-	320,000

Conditions still to be met - remain liabilities (see note 12).

Provide explanations of conditions still to be met and other relevant information.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. Other revenue

Interest earned - Outstanding receivables	1,679,029	17,668,169
Other income	5,829,367	1,273,899
	7,508,396	18,942,068

20. Other income

Certificates - inflamables	-	8,600
Sundry income	24,362	8,919
Insurance claims	-	1,025
LED summit	-	25,000
Mayors charity cup	2,399,555	1,167,309
Reconnection fees	2,677,868	(243,107)
Tender fees	662,639	273,070
Commission received	20,906	33,083
Water recovery charges	44,037	-
	5,829,367	1,273,899

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
21. General expenses		
Advertising	2,520,023	2,910,181
Audit committee allowances	2,278,857	372,671
Auditors remuneration	1,748,850	1,924,621
Bank charges	171,806	111,479
Catering	757,303	684,253
Commission on VAT recovery	4,859,665	14,250,737
Computer expenses	3,041	-
Conferences and seminars	201,247	158,850
Consulting and professional fees (including legal expenses)	35,523,466	25,494,454
Contribution to projects	81,443,284	48,289,065
Electricity	115,540	1,384,445
Entertainment	67,207	79,067
Fuel and oil	2,294,456	2,070,248
IT expenses	2,201,365	2,489,225
Insurance	1,554,220	2,223,633
Lease rentals on operating lease	2,706,720	2,242,916
Magazines, books and periodicals	37,829	145,323
Marketing & publicity	-	122,150
Mopani household sanitation	80,814,621	59,565,321
Motor vehicle expenses	67,068	54,629
Other expenses	27,166,571	25,754,739
Performance Management	439,816	3,042,768
Postage and courier	4,955	3,115
Printing and stationery	7,026	859,068
Protective clothing	238,086	260,385
SALGA membership fees	887,729	41,538
Stock adjustment	(360,299)	-
Sewerage and waste disposal	105,248	-
Software expenses	236,110	177,142
Subscriptions and membership fees	8,487	9,082
Telephone and fax	2,527,394	1,859,993
Training	9,464	5,914
Travel - local	3,340,793	2,265,189
Turnaround Strategy	-	336,704
Water & Electricity	940,429	-
	254,918,377	199,188,905
22. Contributions to projects		
Project expenditure	81,443,284	48,289,065
	81,443,284	48,289,065

The District implements various projects which are transferred to the local municipalities upon completion.

This item has been presented as part of general expenses referred to as Contribution to Projects and Mopani Households Sanitation.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
23. Employee related costs		
Basic	164,979,028	144,937,026
Bonus	6,787,398	5,761,462
Medical aid - company contributions	3,831,995	3,233,613
UIF	461,274	463,444
WCA	82,677	51,814
SDL	661,593	704,214
Other payroll levies	1,644,024	1,849,366
Performance incentive scheme	108,570	-
Post-employment benefits - Pension - Defined contribution plan	13,599,240	12,531,761
Overtime payments	7,769,731	7,404,080
Long-service allowance	179,113	-
Car allowance	4,513,013	5,383,163
Housing benefits and allowances	819,299	785,274
Leave redemption	5,229,966	14,111,339
Bargaining council	36,500	8,499
Cell phone allowance	13,585	-
Pensionable Allowance	11,343	-
Shift allowance	5,272	-
Long-term benefits - incentive scheme	-	78,125
	210,733,621	197,303,180

Remuneration of municipal manager

Annual Remuneration	753,566	614,570
Allowances	409,875	780,524
Leave payout	104,379	219,502
Council contributions	13,229	1,123
	1,281,049	1,615,719

Remuneration of chief finance officer

Annual Remuneration	646,333	383,901
Allowances	389,496	38,722
Leave payout	-	267,434
Council contributions	16,945	69,700
	1,052,774	759,757

Remuneration of Director Community Services

Annual Remuneration	565,000	366,760
Allowances	281,261	452,770
Leave payout	-	175,756
Council contributions	8,347	1,123
	854,608	996,409

Remuneration of Directors Corporate Services

Annual Remuneration	572,160	524,188
Allowances	366,505	337,163
Leave payout	63,396	58,700
Council contributions	10,797	111,432
	1,012,858	1,031,483

Remuneration of Director Planning and Development

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
23. Employee related costs (continued)		
Annual Remuneration	504,000	366,760
Allowances	242,210	440,725
Leave payout	-	187,095
Council contributions	7,658	15,175
	753,868	1,009,755

Remuneration of Director Infrastructure Services

Annual Remuneration	490,667	366,760
Allowances	342,743	436,655
Leave payout	-	224,930
Council contributions	11,874	1,123
	845,284	1,029,468

The position of Municipal Manager, Chief Financial Officer, Director Planning and Development, Engineering Services, Community Services, came to an end during 2011 and 2012 financial years and they are all filled. The Directorate for Water Services was created in 2011 and has been filled from the 1st of July 2012. Only the position of Director Corporate Services is vacant.

24. Remuneration of councillors

Councillors	6,999,007	6,252,958
Councillors' pension contribution	570,504	2,388
	7,569,511	6,255,346

25. Administrative expenditure

Administration and management fees - related party	-	4,188,138
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26. Debt impairment

Debt impairment	28,605,679	88,254,710
Debts impaired	8,558,931	-
	37,164,610	88,254,710

27. Investment revenue

Interest revenue

Bank	1,065,373	7,997,089
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The amount included in Investment revenue arising from exchange transactions amounted to R 1,045,363.

28. Depreciation and amortisation

Property, plant and equipment	107,023,783	115,341,309
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29. Gains on disposal of assets

Gain on disposal - Property, plant and equipment	-	266,349
Loss on disposal - Property, plant and equipment	(26,267)	(7,227)
	(26,267)	259,122

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
30. Finance costs		
Finance leases	185,051	133,056
Current borrowings	357,353	147,364
	542,404	280,420
31. Auditors' remuneration		
Fees	1,748,850	1,924,621
32. Contracted services		
Information Technology Services	2,540,146	671,565
Greater Tzaneen Municipality	-	12,978,147
Water supply	7,952,328	3,747,433
Security services	2,711,802	1,501,973
Other Contractors	16,279,399	-
	29,483,675	18,899,118
33. Grants and subsidies paid		
Other subsidies		
Bursaries	1,811,105	909,595
Free basic services	438,398	27,703,534
Project consolidate - Maruleng	-	3,000,000
	2,249,503	31,613,129
34. Bulk purchases		
Water	96,782,270	72,545,334
35. Cash generated from operations		
Surplus	6,315,613	55,166,979
Adjustments for:		
Depreciation and amortisation	107,023,783	115,341,309
Gain on disposal of assets and liabilities	26,267	(259,122)
Finance costs - Finance leases	185,051	133,056
Impairment deficit	3,363,675	-
Debt impairment	37,164,610	88,254,710
Movements in provisions	916,511	3,516,850
Non-cash movements in water inventory	721,478	-
Non -cash flow revenue (Service charges)	(129,612,587)	131,765,829
Changes in working capital:		
Inventories	(53,000,991)	(3,040,211)
Receivables from exchange transactions	53,570,391	(141,720,201)
Consumer debtors	(16,656,104)	(112,700,179)
Payables from exchange transactions	110,316,417	36,660,188
VAT	(10,991,900)	(37,970,007)
Unspent conditional grants and receipts	103,582,257	(14,411,425)
Consumer deposits	767,506	632,016
Other movements in receivables from exchange transactions	1,476,761	-
	215,168,738	121,369,792

Revenue from water and sanitation services delivered by local municipalities in the Mopani district has been excluded from net operating cash flows.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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36. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure:

• Approved and contracted for	517,138,737	212,342,063
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The expenditure will be financed from:

• Government Grants	517,138,737	212,342,063
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37. Contingencies

Palm Nursery Trust/Mopani District Municipality

Palm Kwekery Trust alleges that a veld fire started on the farm which belongs to Mopani District Municipality (Portion 82). The claim against the municipality amounts to R2.5 million.

Magnavolt Trading 208 CC/Bohlabela District Municipality and Big Sunday Construction CC

Big Sunday Construction CC subcontracted certain portions of the work including construction of the pavilion to Magnavolt Trading 208 CC. Magnavolt Trading 208 CC is claiming from Mopani District Municipality as a successor in title to Bohlabela District Municipality on issues related to cession. The claim against the municipality amounts to R1 million.

Cycad Pipelines (Pty) Ltd / Mopani District Municipality

Claim against the municipality amounting to R5 million.

Flo Tek Pipes & Irrigation (Pty) Ltd / Mopani District Municipality

Claim against the municipality amounting to R500 000.

Esofranki pipelines (Pty) Ltd / Mopani District Municipality

Claim against the municipality amounting to R15 million.

Chidaya Consulting Engineers CC / Mopani District Municipality (Resolved)

Claim against the municipality amounting to R10 559 146.

JD Visser / Mopani District Municipality (Resolved)

Mr J.D Visser was an employee of Mopani District Municipality and was dismissed following a case of misconduct which was leveled against him. Mr Visser is appealing against the decision of the Labour Appeal Court and the claim amounts to R600 000.

C T Motjeing / Mopani District Municipality

The claim relates to a disciplinary hearing regarding breach of trust. Claim against the municipality amounts to R200 000.

M W Seerane / Mopani District Municipality

The claim relates to a disciplinary hearing and amounts to R200 000.

M M Mashava / Mopani District Municipality

The claim relates to a civil case and amounts to R80 000.

Various/Mopani District Municipality

Eviction of 44 families from Moshupatsela Farm. Estimated claim amounting to R1 348 086.56.

Motinki Mahlo/Mopani District Municipality

Claim based on defamation.

B.M.K Electronics/Mopani District Municipality (Resolved)

Claim based on contract no MDM 8/2/3/34.

All contingent liabilities are from prior years.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
38. Related parties		
Relationships		
Accounting Officer		Refer to accounting officer's report note
Consituent local municipalities of Mopani District		
Ba-Phalaborwa Local Municipality		
Greater Giyani Local Municipality		
Greater Letaba Local Municipality		
Greater Tzaneen Municipality		
Maruleng Local Municipality		
Audit Committee		
Refer to General Information page for details on composition of the Audit Committee		
Members of key management		Refer to disclosure on remuneration of senior management
Related party balances		
Amounts included in Trade receivable (Trade Payable) relating to related parties		
Cllr. Groenewald	-	19,286
Cllr. Tembe	19,802	19,802
Cllr. Mabunda MA	-	37,137
Cllr. Makhurupetji NM	58,721	58,721
Cllr. Mohlala T	191,645	191,645
Amount owing by former and current councillors relate to cell phone costs and pension withdrawals claimed twice.		
Related party transactions		
Transactions during the year with councillors\		
M L Matshidiso	-	4,240,560
The municipality had no related party transactions or balances during the financial year outside of contractual remuneration of senior management. Details provided in note 23 (and note24 for councillors' remuneration).		
39. Prior period errors		
Correction of third party salary deductions not paid over at year-end.		
Correction of unspent grants not accounted for at year-end.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Trade and Other payables	-	(1,543,863)
Unspent conditional grants and receipts (European Union Grant)	-	(296,196)
Receivables from exchange transactions (Drought relief - Giyani)	-	54,000,000
Statement of Financial Performance		
Government grants and subsidies	-	(53,703,804)
Employee Costs	-	1,543,863
40. Unauthorised expenditure		
Opening balance	203,247,603	203,247,603
Unauthorised expenditure current year	5,797,974	-
Unauthorised expenditure awaiting condonement	209,045,577	203,247,603

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

40. Unauthorised expenditure (continued)

The amount of R209 045 577.00 was condoned by council in terms of Section 32 of the MFMA and awaiting National Treasury for condonement in terms of Section 117 of the MFMA.

The over expenditure relates to the expenditure on Council vote , purchasing of new lands at Maruleng and legal costs.

41. Fruitless and wasteful expenditure

Opening balance	358,267	-
Fruitless and wasteful expenditure current year	801,693	358,267
Transferred to Other receivables for recovery	1,159,960	358,267

The amount of R1 159 960.00 was condoned by council in terms of Section 32 of the MFMA and awaiting National Treasury for condonement in terms of Section 117 of the MFMA.

The fruitless expenditure relates to payment of interest accrued on salary backpay(JD Visser / Mopani District Municipality) and Mopani District Municipality/Highpoint Trading.

42. Irregular expenditure

Opening balance	118,958,023	-
Add: Irregular Expenditure - current year	33,512,455	118,958,023
Irregular expenditure awaiting condonement	152,470,478	118,958,023

The amount of R147 522 595 was condoned by council in terms of Section 32 of the MFMA and awaiting National Treasury for condonement in terms of Section 117 of the MFMA.

The municipality appointed a service provider for the Emergency repair of Mohlaba Cross Road on a closed bid amounting to R945 048.60.

The municipality appointed a services provider for the Emergency hoedspruit pipeline on a closed bid amounting to R2 567 901.96.

The municipality extended the scope of a service provider for Thapane Water Scheme amounting to R2 852 744.55.

The municipality extended a scope of work for a service provider for the Giyani System N to Siyandani Bulk Pipeline project amounting to R18 058 406.91.

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Council membership fees payable	887,729	41,538
Amount paid - current year	(887,729)	(721,079)
	-	(679,541)

Audit fees

Current year audit fee	1,748,850	1,997,191
Amount paid - current year	(1,748,850)	(1,997,191)
	-	-

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current payroll deductions	23,058,313	21,418,311
Amount paid - current year	(23,058,313)	(21,418,311)
	-	-
Pension and Medical Aid Deductions		
Current payroll deductions	11,545,330	32,544,016
Amount paid - current year	(11,545,330)	(32,544,016)
	-	-
VAT		
VAT receivable	53,524,751	42,532,851

VAT is payable on the cash basis. VAT input receivables and VAT output receivable is shown in note 7. All VAT returns have been submitted by the due date throughout the year.

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

45. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

46. Deviation from supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the year amounted to **R19 583 239.73 (2011: R10 677 931)**.

Refer to Appendix F for details relating to deviation from supply chain management processes.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

47. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Service charges	150,000	86,177,095	86,177,095	153,662,393	(67,485,298)	178 %	102,442 %
Investment revenue	8,500,000	52,000	52,000	1,065,373	(1,013,373)	2,049 %	13 %
Transfers recognised - operational	503,806,000	560,162,090	560,162,090	666,559,639	(106,397,549)	119 %	132 %
Other own revenue	21,393,000	12,011,555	12,011,555	7,508,396	4,503,159	63 %	35 %
Total revenue (excluding capital transfers and contributions)	533,849,000	658,402,740	658,402,740	828,795,801	(170,393,061)	126 %	155 %
Employee costs	(120,432,344)	(209,220,046)	(209,220,046)	(210,733,621)	1,513,575	101 %	175 %
Remuneration of councillors	(6,386,122)	(7,732,833)	(7,732,833)	(7,569,511)	(163,322)	98 %	119 %
Debt impairment	-	(33,918,386)	(33,918,386)	(37,164,610)	3,246,224	110 %	DIV/0 %
Depreciation and asset impairment	-	(122,732,997)	(122,732,997)	(110,387,458)	(12,345,539)	90 %	DIV/0 %
Finance charges	-	(365,306)	(365,306)	(542,404)	177,098	148 %	DIV/0 %
Materials and bulk purchases	(84,005,800)	(161,827,266)	(161,827,266)	(96,782,270)	(65,044,996)	60 %	115 %
Transfers and grants	-	-	-	(2,249,503)	2,249,503	DIV/0 %	DIV/0 %
Other expenditure	(122,825,758)	(332,187,802)	(332,187,802)	(359,550,811)	27,363,009	108 %	293 %
Total expenditure	(333,650,024)	(867,984,636)	(867,984,636)	(824,980,188)	(43,004,448)	95 %	247 %
Surplus/(Deficit)	200,198,976	(209,581,896)	(209,581,896)	3,815,613	(213,397,509)	(2)%	2 %

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

47. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	2,500,000	(2,500,000)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	200,198,976	(209,581,896)	(209,581,896)	6,315,613	(215,897,509)	(3)%	3 %
Surplus/(Deficit) for the year	200,198,976	(209,581,896)	(209,581,896)	6,315,613	(215,897,509)	(3)%	3 %

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

47. Statement of comparative and actual information (continued)

				Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources										
Total capital expenditure	-	-	-	66,181,686	(66,181,686)	DIV/0 %	DIV/0 %			
Sources of capital funds										
Transfers recognised - capital	774,229,000	263,229,000	263,229,000	-	263,229,000	- %	- %			
Cash flows										
Net cash from (used) operating	1,121,140,000	120,779,000	120,779,000	215,168,738	(94,389,738)	178 %	19 %			
Net cash from (used) investing	-	(264,908,000)	(264,908,000)	(108,157,355)	(156,750,645)	41 %	DIV/0 %			
Net cash from (used) financing	-	-	-	(989,468)	989,468	DIV/0 %	DIV/0 %			
Net increase/(decrease) in cash and cash equivalents	1,121,140,000	(144,129,000)	(144,129,000)	106,021,915	(250,150,915)	(74)%	9 %			
Cash and cash equivalents at the beginning of the year	-	-	-	(102,792,631)	102,792,631	DIV/0 %	DIV/0 %			
Cash and cash equivalents at year end	1,121,140,000	(144,129,000)	(144,129,000)	3,229,284	(147,358,284)	(2)%	- %			

The resources obtained and used where in accordance with the legally adopted budget. .

Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
Loan 1		8,400,000	-	-	8,400,000	-	-
		8,400,000	-	-	8,400,000	-	-
Lease liability							
Various		2,043,685	-	-	2,043,685	-	-
		2,043,685	-	-	2,043,685	-	-
Total external loans							
Development Bank of South Africa		8,400,000	-	-	8,400,000	-	-
Lease liability		2,043,685	-	-	2,043,685	-	-
		10,443,685	-	-	10,443,685	-	-

Appendix B

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Infrastructure														
Roads	48,255,625	-	-	-	-	-	48,255,625	(9,651,125)	-	-	(2,573,633)	-	(12,224,758)	36,030,867
Water reservoirs & reticulation	1,742,182,523	60,816,134	-	-	-	50,916,470	1,853,915,127	(274,162,436)	-	-	(90,345,979)	(1,867,181)	(366,375,596)	1,487,539,531
Sewerage purification & reticulation	231,140,839	199,728	-	-	-	24,740,735	256,081,302	(31,409,819)	-	-	(9,622,726)	-	(41,032,545)	215,048,757
	2,021,578,987	61,015,862	-	-	-	75,657,205	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets														
Land	2,900,000	4,549,526	-	-	-	-	7,449,526	-	-	-	-	-	-	7,449,526
Buildings	66,067,586	-	-	-	-	19,398,798	85,466,384	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	80,160,460
	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986

Appendix B

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

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Finance leases														
Finance leases	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	255,937	-	(571,839)	-	(1,101,313)	1,417,484
	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	255,937	-	(571,839)	-	(1,101,313)	1,417,484
Other assets														
Motor vehicles	10,982,214	-	-	-	-	-	10,982,214	(4,495,929)	-	-	(806,384)	(17,622)	(5,319,935)	5,662,279
Plant & equipment	12,785,676	1,667	-	-	-	-	12,787,343	(1,335,462)	-	-	(1,170,568)	-	(2,506,030)	10,281,313
Computer Equipment	2,295,106	270,582	(186,574)	-	-	-	2,379,114	(868,031)	163,493	-	(271,592)	-	(976,130)	1,402,984
Furniture & Fittings	2,578,966	91,641	(17,730)	-	-	-	2,652,877	(563,146)	14,544	-	(146,710)	(1,258)	(696,570)	1,956,307
Office Equipment	1,004,727	85,259	(4,175)	-	-	-	1,085,811	(311,026)	4,175	-	(96,877)	(858)	(404,586)	681,225
Fencing	97,569	-	-	-	-	-	97,569	(20,000)	-	-	(3,252)	-	(23,252)	74,317
Specialised vehicles	6,847,188	-	-	-	-	-	6,847,188	(1,155,301)	-	-	(234,803)	-	(1,390,104)	5,457,084
Health equipment	184,536	-	-	-	-	-	184,536	(113,275)	-	-	(14,253)	-	(127,528)	57,008
	36,775,982	449,149	(208,479)	-	-	-	37,016,652	(8,862,170)	182,212	-	(2,744,439)	(19,738)	(11,444,135)	25,572,517

Appendix B

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

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Infrastructure	2,021,578,987	61,015,862	-	-	-	75,657,205	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986
Finance leases	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	255,937	-	(571,839)	-	(1,101,313)	1,417,484
Other assets	36,775,982	449,149	(208,479)	-	-	-	37,016,652	(8,862,170)	182,212	-	(2,744,439)	(19,738)	(11,444,135)	25,572,517
	2,130,097,089	66,014,537	(464,216)	-	-	95,056,003	2,290,703,413	(329,046,396)	438,149	-	(106,989,105)	(1,886,919)	(437,484,271)	1,853,219,142
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	247,428	-	-	-	-	-	247,428	(89,379)	-	-	(65,030)	-	(154,409)	93,019
	247,428	-	-	-	-	-	247,428	(89,379)	-	-	(65,030)	-	(154,409)	93,019
Investment properties														
Total														
Infrastructure	2,021,578,987	61,015,862	-	-	-	75,657,205	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986
Finance leases	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	255,937	-	(571,839)	-	(1,101,313)	1,417,484
Other assets	36,775,982	449,149	(208,479)	-	-	-	37,016,652	(8,862,170)	182,212	-	(2,744,439)	(19,738)	(11,444,135)	25,572,517
Intangible assets	247,428	-	-	-	-	-	247,428	(89,379)	-	-	(65,030)	-	(154,409)	93,019
	2,130,344,517	66,014,537	(464,216)	-	-	95,056,003	2,290,950,841	(329,135,775)	438,149	-	(107,054,135)	(1,886,919)	(437,638,680)	1,853,312,161

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation						Accumulated depreciation						Carrying value Rand	
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions Rand	Depreciation Rand	Impairment loss Rand		Closing Balance Rand
Infrastructure														
Roads, Pavements & Bridges	48,255,625	-	-	-	-	-	48,255,625	(6,434,084)	-	(3,217,042)	-	-	(9,651,126)	38,604,499
Water Reservoirs & Reticulation	1,485,318,415	147,538,345	-	-	187,713,750	-	1,820,570,510	(175,979,773)	-	(97,669,725)	-	-	(273,649,498)	1,546,921,012
Sewerage purification & Reticulation	152,752,849	-	-	-	-	-	152,752,849	(20,367,046)	-	(10,183,523)	-	-	(30,550,569)	122,202,280
	1,686,326,889	147,538,345	-	-	187,713,750	-	2,021,578,984	(202,780,903)	-	(111,070,290)	-	-	(313,851,193)	1,707,727,791
Community Assets														
Land	2,900,000	-	-	-	-	-	2,900,000	-	-	-	-	-	-	2,900,000
Buildings	55,549,867	7,015,563	-	-	3,502,155	-	66,067,585	(3,120,790)	-	(1,054,644)	-	-	(4,175,434)	61,892,151
	58,449,867	7,015,563	-	-	3,502,155	-	68,967,585	(3,120,790)	-	(1,054,644)	-	-	(4,175,434)	64,792,151

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Plant & equipment	5,122,774	6,946,401	(3,933)	-	-	-	12,065,242	(221,210)	1,771	(1,130,264)	-	-	(1,349,703)	10,715,539
Computer Equipment	2,094,705	453,500	(592,527)	-	-	-	1,955,678	(1,263,589)	572,668	(253,031)	-	-	(943,952)	1,011,726
Furniture & Fittings	919,472	835,117	(54,744)	-	-	-	1,699,845	(479,653)	46,261	(140,555)	-	-	(573,947)	1,125,898
Office Equipment	599,769	211,472	(109,140)	-	-	-	702,101	(418,641)	109,140	(49,030)	-	-	(358,531)	343,570
Motor Vehicles	9,284,637	3,681,098	(2,550,147)	-	-	-	10,415,588	(6,533,249)	1,859,434	(885,241)	-	-	(5,559,056)	4,856,532
Fencing	97,569	-	-	-	-	-	97,569	(20,001)	-	-	-	-	(20,001)	77,568
Health Equipment	184,536	-	-	-	-	-	184,536	(113,275)	-	-	-	-	(113,275)	71,261
Specialised Vehicles	2,459,791	4,387,397	-	-	-	-	6,847,188	(989,272)	-	(204,796)	-	-	(1,194,068)	5,653,120
	20,763,253	16,514,985	(3,310,491)	-	-	-	33,967,747	(10,038,890)	2,589,274	(2,662,917)	-	-	(10,112,533)	23,855,214

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Infrastructure	1,686,326,889	147,538,345	-	-	187,713,750	-	2,021,578,984	(202,780,903)	-	(111,070,290)	-	-	(313,851,193)	1,707,727,791
Community Assets	58,449,867	7,015,563	-	-	3,502,155	-	68,967,585	(3,120,790)	-	(1,054,644)	-	-	(4,175,434)	64,792,151
Other assets	20,763,253	16,514,985	(3,310,491)	-	-	-	33,967,747	(10,038,890)	2,589,274	(2,662,917)	-	-	(10,112,533)	23,855,214
	1,765,540,009	171,068,893	(3,310,491)	-	191,215,905	-	2,124,514,316	(215,940,583)	2,589,274	(114,787,851)	-	-	(328,139,160)	1,796,375,156
Finance Lease														
FINANCE LEASE ASSETS	1,390,801	1,383,733	-	-	-	-	2,774,534	(305,219)	-	(480,192)	-	-	(785,411)	1,989,123
	1,390,801	1,383,733	-	-	-	-	2,774,534	(305,219)	-	(480,192)	-	-	(785,411)	1,989,123
Investment properties														
Total														
Infrastructure	1,686,326,889	147,538,345	-	-	187,713,750	-	2,021,578,984	(202,780,903)	-	(111,070,290)	-	-	(313,851,193)	1,707,727,791
Community Assets	58,449,867	7,015,563	-	-	3,502,155	-	68,967,585	(3,120,790)	-	(1,054,644)	-	-	(4,175,434)	64,792,151
Other assets	20,763,253	16,514,985	(3,310,491)	-	-	-	33,967,747	(10,038,890)	2,589,274	(2,662,917)	-	-	(10,112,533)	23,855,214
Finance Lease	1,390,801	1,383,733	-	-	-	-	2,774,534	(305,219)	-	(480,192)	-	-	(785,411)	1,989,123
	1,766,930,810	172,452,626	(3,310,491)	-	191,215,905	-	2,127,288,850	(216,245,802)	2,589,274	(115,268,043)	-	-	(328,924,571)	1,798,364,279

Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	33,850,171	(33,850,171)	Executive & Council/Mayor and Council	-	39,579,943	(39,579,943)
710,632,424	115,860,552	594,771,872	Finance & Admin/Finance	726,621,899	84,454,491	642,167,408
-	7,142,402	(7,142,402)	Planning and Development/Economic Development/Plan	-	9,098,203	(9,098,203)
-	5,743,431	(5,743,431)	Health/Clinics	-	2,365,648	(2,365,648)
-	3,681,670	(3,681,670)	Comm. & Social/Libraries and archives	-	7,391,552	(7,391,552)
-	30,743,815	(30,743,815)	Public Safety/Police	-	34,731,230	(34,731,230)
-	233,042,580	(233,042,580)	Waste Water Management/Sewerage	-	122,970,390	(122,970,390)
-	158,773,794	(158,773,794)	Road Transport/Roads	-	103,417,000	(103,417,000)
-	232,857,818	(232,857,818)	Water/Water Distribution	-	420,294,677	(420,294,677)
-	6,658,668	(6,658,668)	Electricity /Electricity Distribution	-	677,054	(677,054)
710,632,424	828,354,901	(117,722,477)		726,621,899	824,980,188	(98,358,289)
Municipal Owned Entities Other charges						
710,632,424	828,354,901	(117,722,477)	Municipality	726,621,899	824,980,188	(98,358,289)
710,632,424	828,354,901	(117,722,477)	Total	726,621,899	824,980,188	(98,358,289)

Appendix E(1)

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

	Current year 2011 Act. Bal. Rand	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	153,663,393	86,177,095	67,486,298	78.3	Ba-Phalaborwa and Greater Giyani Municipality did not provide realistic information during the adjustments budget
Government grants & subsidies	669,059,639	560,162,090	108,897,549	19.4	We received an additional amount of R2 500 000.00 as a counter funding from DBSA on Muyexe Water Reticulation and also received R42 million from DWA. that was supposed to be received in the previous year.
Other income	7,508,396	12,011,555	(4,503,159)	(37.5)	
Interest received - investment	1,065,373	52,000	1,013,373	,948.8	It relates to money that was invested during the year as opposed to money anticipated.
	831,296,801	658,402,740	172,894,061	26.3	
Expenses					
Employee Related Costs	(210,733,621)	(209,220,046)	(1,513,575)	0.7	
Remuneration of councillors	(7,569,511)	(7,732,833)	163,322	(2.1)	
Depreciation	(107,023,783)	(122,732,997)	15,709,214	(12.8)	Relates to prior period adjustments on PPE.
Finance costs	(542,404)	(365,306)	(177,098)	48.5	This relates to the additional photocopying machines that were added after the budget adjustment.
Debt impairment	(37,164,610)	(33,918,386)	(3,246,224)	9.6	
Bulk purchases	(96,782,270)	(161,827,266)	65,044,996	(40.2)	The budgeted figures were received from the locals and information supplied was not reliable hence the difference.
Contracted Services	(29,483,675)	(4,101,270)	(25,382,405)	618.9	The budgeted figures were received from the locals and information supplied was not reliable hence the difference.
General Expenses	(335,680,314)	(328,086,532)	(7,593,782)	2.3	
Other revenue and costs	(824,980,188)	(867,984,636)	43,004,448	(5.0)	
Net surplus/ (deficit) for the year	6,316,613	(209,581,896)	215,898,509	(103.0)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Finance & Admin/Finance	39,152	3,742,000	3,702,848	100	
Planning and	28,398	146,228	117,830	81	
Development/Economic					
Development/Plan					
Public Safety/Police	2,204,963	2,710,000	505,037	19	
Road Transport/Roads	6,571,373	3,000,000	1,428,627	8	
	8,843,886	9,598,228	0,754,342	36	

Other charges

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

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
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar			
FMG	NT	-	1,250	-	-	-	-	146	161	281	354	-	-	-	-	-		
MIG	CoGTA	-	65,805	98,707	98,707	-	-	17,708	24,172	11,916	10,207	-	-	-	-	-		
MSIG	CoGTA	-	-	790	-	-	-	740	-	-	50	-	-	-	-	-		
DWAF (HR)	DWA	-	11,848	21,848	2,667	-	-	889	889	889	9,704	-	-	-	-	-		
Drought Relief	DWA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
DWAF (O&M)	DWA	-	8,044	8,044	8,045	-	-	7,461	16,482	190	-	-	-	-	-	-		
Expanded Works Programme	DPW	-	2,713	321	328	-	-	2,713	321	328	-	-	-	-	-	-		
LG SETA	LG SETA	-	95	102	277	264	-	192	547	-	-	-	-	-	-	-		
DWAF (Refurbishment)	DWA	-	-	-	10,000	-	-	-	801	685	5,825	-	-	-	-	-		
DWA Nandoni	DWA	-	-	26,790	15,282	-	-	-	26,790	15,282	-	-	-	-	-	-		
Rural Transport Grant	DRT	-	-	1,688	-	-	-	-	-	-	-	-	-	-	-	-		
Disaster Relief Grant	CoGHSTA	-	-	9,200	-	-	-	-	-	2,171	7,928	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	89,755	67,490	35,306	264	-	29,849	70,163	31,742	34,068	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share. These figures are rounded off to the nearest one thousand rands (R'000)

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

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Disaster Relief Grant	CoGHSTA	-	-	9,200	-	-	-	-	-	2,171	7,928	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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