



**DRAFT ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2012**

MUNICIPAL MANAGER'S DECLARATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 65, in terms of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in dark ink, appearing to be 'Z Tshetlho', written in a cursive style.

Z TSHETLHO
ACTING MUNICIPAL MANAGER
31 August 2012

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DR RUTH S MOMPATI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Current assets		151 760 896	58 260 636
Cash and cash equivalents	1	46 686 488	33 483 793
Trade and other receivables from exchange transactions	2	56 227 865	10 509 519
Prepayments	3	413 845	285 226
VAT receivable	4	48 071 551	13 620 949
Non-current assets held for sale	8	361 148	361 148
Non-current assets		1 655 813 853	1 399 514 171
Property, plant and equipment	5	1 651 813 853	1 395 614 171
Intangible assets	6	700 000	700 000
Investment property carried at fair value	7	3 300 000	3 200 000
Total assets		1 807 574 750	1 457 774 806
LIABILITIES			
Current liabilities		132 718 002	62 798 180
Trade and other payables from exchange transactions	9	61 130 840	49 068 116
Deposits	10	339 672	718 517
Current provisions	11	-	884 183
Current portion of unspent conditional grants and receipts	13	71 247 490	12 127 364
Current portion of borrowings	14	-	-
Non-current liabilities		14 188 397	13 304 214
Non-current provisions	12	14 188 397	13 304 214
Non-current borrowings	14	-	-
Total liabilities		146 906 399	76 102 394
Net assets		1 660 668 351	1 381 672 413
NETT ASSETS			
Reserves		7 478 632	7 453 632
Accumulated surplus / (deficit)		1 653 189 719	1 374 218 781
Total net assets		1 660 668 351	1 381 672 413

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Rental of facilities and equipment	15	571 557	536 426
Interest earned - external investments	16	2 805 870	2 284 608
Interest earned - outstanding receivables	17	-	207 918
Government grants and subsidies	18	492 847 431	264 008 702
Other income	19	514 161	317 913
Total revenue		496 739 019	267 355 567
EXPENSES			
Employee related costs	20	62 145 620	58 197 712
Remuneration of councillors	21	4 953 979	4 143 836
Impairment of receivables		-6 166	-
Depreciation and amortisation expense	22	-	3 007 316
Repairs and maintenance		1 740 444	2 272 975
Finance costs	23	-	307 228
Bulk purchases	24	39 237 729	44 325 162
Contracted services	25	51 840 623	20 678 554
Grants and subsidies paid	26	30 349 463	30 378 775
General expenses	27	25 466 398	23 537 540
Total expenses		215 728 090	186 849 099
Gain / (loss) on disposal of PPE	28	-	38
(Impairment loss) / reversal of impairment loss	29	-2 139 991	136 149
Profit / (loss) on fair value adjustment	30	100 000	125 000
SURPLUS / (DEFICIT) FOR THE YEAR		278 970 938	80 767 655

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Revaluation reserve R	Other reserves R	Accumulated surplus / (deficit) R	Total: Net assets R
2011					
Balance at 1 July 2010		7 298 451	-	1 293 451 126	1 300 749 577
Changes in accounting policy	34	-	-	-	-
Restated balance		7 298 451	-	1 293 451 126	1 300 749 577
Surplus / (deficit) for the year		-	-	80 767 655	80 767 655
PPE revalued		155 181	-	-	155 181
Capital grants used to purchase PPE		-	-	-	-
Offsetting of depreciation		-	-	-	-
Balance at 30 June 2011		7 453 632	-	1 374 218 781	1 381 672 413
2012					
Changes in accounting policy	34	-	-	-	-
Restated balance		7 453 632	-	1 374 218 781	1 381 672 413
Surplus / (deficit) for the year		-	-	278 970 938	278 970 938
PPE purchased		-	-	-	-
PPE revalued		25 000	-	-	25 000
Offsetting of depreciation		-	-	-	-
Balance at 30 June 2012		7 478 632	-	1 653 189 719	1 660 668 351

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other	31	505 518 311	265 832 873
Cash paid to suppliers and employees		-236 427 967	-170 799 504
Cash generated from / (utilised in) operations		269 090 344	95 033 370
Interest received		2 805 870	2 492 526
Interest paid		-	-307 228
NET CASH FROM OPERATING ACTIVITIES		271 896 214	97 218 668
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-258 314 674	-74 342 764
Proceeds on disposal of property, plant and equipment		-	-
(Increase) / decrease in non-current receivables		-	-
NET CASH FROM INVESTING ACTIVITIES		-258 314 674	-74 342 764
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		-	-11 255 430
Increase / (Decrease) in consumer deposits		-378 845	50 000
Decrease / (increase) in short-term loans		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		-378 845	-11 205 430
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		13 202 695	11 670 474
Cash and cash equivalents at the beginning of the year	32	33 483 793	21 813 320
Cash and cash equivalents at the end of the year		46 686 488	33 483 793

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

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

1.4 Comparative information

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

- GRAP 18 Segment Reporting - issued March 2005

The minister has not yet determined the effective date of required implementation and the impact on the annual financial statements is not known at this time.

- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

The minister has not yet determined the effective date of required implementation and no material impact on the annual financial statements is expected at this time as the current accounting policy does not differ from what is required in terms of GRAP 23.

- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

The minister has not yet determined the effective date of required implementation and no material impact on the annual financial statements is expected other than the way that budget information is required to be disclosed in terms of GRAP 24.

- GRAP 103 Heritage Assets - issued July 2008

The minister has not yet determined the effective date of required implementation and there is no expected impact on the annual financial statements as the municipality does not control any heritage assets at this time.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

2. RESERVES

2.1 Re-valuation reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are not depreciated. Revaluations on land and buildings are performed on an annual basis. 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.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

3.2 Subsequent measurement

The revaluation model has been chosen for land and buildings.

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The cost model has been chosen for all other items of property, plant and equipment.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

3.3 Depreciation and impairment

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

<u>PPE category</u>	<u>Method</u>	<u>Years</u>
Land and buildings	Revalued at fair value	Annually
Infrastructure		
Earthworks	Straight-line method over estimated useful life of assets	88
Pipes - Clay	Straight-line method over estimated useful life of assets	80
Pipes - Concrete	Straight-line method over estimated useful life of assets	80
Pipes - Steel	Straight-line method over estimated useful life of assets	80
Pipes - uPVC	Straight-line method over estimated useful life of assets	75
Buildings - Brick	Straight-line method over estimated useful life of assets	75
Buildings - Steel	Straight-line method over estimated useful life of assets	88
Buildings - Corrugated Iron	Straight-line method over estimated useful life of assets	15
Buildings - Concrete	Straight-line method over estimated useful life of assets	63
Borehole	Straight-line method over estimated useful life of assets	63
Meters : Bulk	Straight-line method over estimated useful life of assets	23
Meters: Consumer	Straight-line method over estimated useful life of assets	23
Valves	Straight-line method over estimated useful life of assets	50
Standpipes	Straight-line method over estimated useful life of assets	38
Fire Hydrants	Straight-line method over estimated useful life of assets	50
Telemetry	Straight-line method over estimated useful life of assets	18
Motor: Electrical	Straight-line method over estimated useful life of assets	18
Motor: Engine	Straight-line method over estimated useful life of assets	23
Pump: Submersible	Straight-line method over estimated useful life of assets	15
Pump: Centrifugal	Straight-line method over estimated useful life of assets	15
Windmill	Straight-line method over estimated useful life of assets	90
Manholes & Chambers (Bricks)	Straight-line method over estimated useful life of assets	73
Manholes & Chambers (Concrete)	Straight-line method over estimated useful life of assets	80
Storage - Steel	Straight-line method over estimated useful life of assets	70
Storage - Plastic	Straight-line method over estimated useful life of assets	48
Reservoirs - Concrete	Straight-line method over estimated useful life of assets	75
Storage - Concrete (Cattle Troughs)	Straight-line method over estimated useful life of assets	75
Support Structure - Steel	Straight-line method over estimated useful life of assets	70
Support Structure - Stone	Straight-line method over estimated useful life of assets	75
Perimeter Protection - Razor Wire	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Precast	Straight-line method over estimated useful life of assets	43
Perimeter Protection - Wire Mesh	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Electrical	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Brick	Straight-line method over estimated useful life of assets	43
Perimeter Protection - Iron Palisade	Straight-line method over estimated useful life of assets	43
Wave Protection	Straight-line method over estimated useful life of assets	95
Switchgear	Straight-line method over estimated useful life of assets	18
Perimeter Protection - Wire	Straight-line method over estimated useful life of assets	28
Official vehicles	Straight-line method over estimated useful life of assets	5
Machinery and equipment	Straight-line method over estimated useful life of assets	7
Office equipment	Straight-line method over estimated useful life of assets	5
Office furniture	Straight-line method over estimated useful life of assets	7
Computer equipment	Straight-line method over estimated useful life of assets	5

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

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

3.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. INTANGIBLE ASSETS

4.1 Initial recognition

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

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

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

Intangible assets are initially recognised at cost.

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

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

4.2 Subsequent measurement

The cost model has been chosen for intangible assets.

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

4.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

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

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

4.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

5. INVESTMENT PROPERTY

5.1 Initial recognition

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

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

The cost of self-constructed investment property is the cost at date of completion.

5.2 Subsequent measurement

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

6. NON-CURRENT ASSETS HELD FOR SALE

6.1 Initial recognition

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

6.2 Subsequent measurement

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

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

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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7. INVENTORIES

7.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

7.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

8. FINANCIAL INSTRUMENTS

8.1 Initial recognition

Financial instruments are initially recognized at fair value.

8.2 Subsequent measurement

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

8.2.1 Investments

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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8.2.2 Trade and other receivables

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

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

8.2.3 Trade payables and borrowings

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

8.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9. UNAUTHORISED EXPENDITURE

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

10. IRREGULAR EXPENDITURE

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

11. FRUITLESS AND WASTEFUL EXPENDITURE

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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12. PROVISIONS

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

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

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

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

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

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

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

13. LEASES

13.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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13.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

14. REVENUE

14.1 Revenue from exchange transactions

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

Interest revenue is recognised on a time proportion basis.

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 Revenue from non-exchange transactions

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

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

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

15. BORROWING COSTS

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

16. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

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17. IMPAIRMENT OF ASSETS

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

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

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

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

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

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

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

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

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

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	1 200	1 200
Cash at bank	10 533 764	1 330 389
Call deposits	36 151 524	32 152 205
	46 686 488	33 483 793

Refer to note **35.8** for a detail breakdown of call deposits.

The municipality has the following bank accounts:

Current account (Primary bank account)

Standard bank - Vryburg branch - Account number : 040423174

Cash book balance at beginning of year	1 330 389	4 513 724
Cash book balance at end of year	10 533 764	1 330 389
Bank statement balance at beginning of year	1 418 006	9 457 526
Bank statement balance at end of year	10 534 684	1 418 006
<u>Cash on hand</u>	1 200	1 200

2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Other debtors	66 504 964	20 786 618
Sub-total	66 504 964	20 786 618
Less: Provision for impairment of receivables	-10 277 099	-10 277 099
Total other debtors	56 227 865	10 509 519

Reconciliation of impairment of receivables provision

Balance at beginning of the year	10 277 099	10 277 099
Contribution to provision	-	-
Impairment of receivables written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	10 277 099	10 277 099

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are normally not considered to be impaired. At 30 June 2012 : R10,210 (30 June 2011 : R26,930) were past due but not impaired.

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

- 1 month past due	1 176	13 576
- 2 months past due	6 374	10 883
- 3 months past due	2 659	2 471

Other receivables which are less than 3 months past due were however considered to be impaired and were provided for at 30 June 2012 : R0 (30 June 2011 : R0).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 R	2011 R
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Trade and other receivables impaired

As of 30 June 2012, the provision for the impairment of trade and other receivables of R10,277,099 (30 June 2011 : R1,970,559) were impaired and provided for.

The amount of the contribution to the provision was R,,0 (30 June 2011 : R,,0).

The ageing of these receivables is as follows:

- 3 to 6 months	13 400	1 041 698
- Over 6 months	10 263 699	928 860

The fair value of trade and other receivables approximates their carrying amounts.

3. PREPAYMENTS

Prepaid expenses	413 845	285 226
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SALGA membership and office equipment maintenance relating to the following financial year, were paid during the year. Office rental, SALGA membership fees and office equipment maintenance relating to the current financial year, were paid in the previous year.

4. VAT RECEIVABLE

VAT receivable	48 071 551	13 620 949
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VAT is payable on the invoice basis. Payment becomes due and payable to SARS upon issuing of tax invoices.

5. PROPERTY, PLANT AND EQUIPMENT

Refer **note 45** for reconciliation of carrying value.

5.1 Details of valuation of Land and buildings

The effective date of the revaluations was 30 June 2012. Revaluations were performed by an independent valuer, Mr. Philippus Venter (Candidate Valuer - Registration number: 6653/6), of the firm Venter Booyesen and Ferreira. Mr. Philippus Venter was assisted in the valuation by his principal, Mr. HJ Swanepoel (Professional Valuer - Registration number: 3553/8) of the firm Kotze Low and Swanepoel. Venter Booyesen and Ferreira and Kotze Low and Swanepoel are not connected to the entity.

Land and buildings are re-valued independently every year.

Land and buildings were revalued to fair value by using market values. Market values were determined by the averaging of the income capitalization method and the outcomes of comparable transactions. In the case where the market market of buildings can not be reasonably determined, fair value is based on depreciated replacement value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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These assumptions are based on current market conditions and were determined as follows per asset:

57 McKenzie Street, Vryburg (EH Offices)

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitalization producing property) and the outcomes of comparable transactions of similar properties.

Income capitalization method (Nett income / Capitalization rate of 16%):

Reasonable monthly rental	14 956	14 906
- Total offices for R58 x 232 sq m	13 456	13 456
- Carports for R150 x 10	1 500	1 450
Gross potential annual income	185 040	178 872
Less: Estimated expenses, insurance, property rates & repairs (15%)	-27 756	-26 831
Nett annual income	157 284	152 041
Market value by capitalization method	983 025	950 258
Market value by capitalization method (rounded to R'000)	980 000	950 000
Comparable transactions method:		
Current replacement cost of property	1 133 100	1 121 500
Less: 40% adjustment due to market value lower than replacement	-453 240	-448 600
Market value by comparable transaction method	679 860	672 900
Market value by comparable transaction method (rounded to R'000)	675 000	670 000
Final market value (Average of Income capitalization and Comparable transaction methods):	830 000	810 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
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R

60 Market Street, Vryburg (Head office)

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitalization producing property) and the outcomes of comparable transactions of similar properties.

Income capitalization method (Nett income / Captilization rate of 16%):

Reasonable monthly rental	117 700	114 110
- Total offices for R60 x 1200 sq m	72 000	69 600
- Other space for R40 x 1000 sq m	40 000	39 000
- Carports for R150 x 38	5 700	5 510
Gross potential annual income	1 412 400	1 369 320
Less: Estimated expenses, insurance, property rates & repairs (15%)	-211 860	-205 398
Nett annual income	1 200 540	1 163 922
Market value by capitilization method	7 503 375	7 274 513
Market value by capitilization method (rounded to R'000)	7 500 000	7 250 000
Comparable transactions method:		
Current replacement cost of property	9 132 075	9 022 075
Less: 40% adjustment due to market value lower than replacement	-3 652 830	-3 608 830
Market value by comparable transaction method	5 479 245	5 413 245
Market value by comparable transaction method (rounded to R'000)	5 450 000	5 400 000
Final market value (Average of Income capitilization and Comparable transaction methods):	6 475 000	6 325 000

Farm Nieuwejaarsfontein 73

Comparable sales method:

The property only consists of natural grazing and three bore holes and should be valued according to the comparable sales method of valuation. This method has been accepted as a sound evaluation principle by the Courts for agricultural land.

Recent sale of properties in vicinity were at between R3,000 and R4,000 per hectare. Given the excellent fence and 3 strong boreholes the land is therefore valued at R4,300 per hectare.

Land value for R4,500 x 46,8936 per hectare	211 021	206 332
Final market value	211 000	206 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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47 Van Niekerk Street, Vryburg (Disaster House)

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitalization producing property) and the outcomes of comparable transactions of similar properties.

Income capitalization method (Nett income / Captilization rate of 16%):

Reasonable monthly rental	16 050	15 515
- Total offices for R60 x 260 sq m	15 600	15 080
- Carports for R150 x 3	450	435
Gross potential annual income	192 600	186 180
Less: Estimated expenses, insurance, property rates & repairs (15%)	-28 890	-27 927
Nett annual income	163 710	158 253
Market value by captilization method	1 023 188	989 081
Market value by captilization method (rounded to R'000)	1 020 000	980 000

Comparable transactions method:

Current replacement cost of property	1 234 380	1 221 380
Less: 45% adjustment due to market value lower than replacement	-555 471	-549 621
Market value by comparable transaction method	678 909	671 759
Market value by comparable transaction method (rounded to R'000)	678 000	670 000
Final market value (Average of Income captilization and Comparable transaction methods):	850 000	890 000

Taung Fire Station, Taung

Depreciated replacement value method:

The property is a fire station and therefore of a specialized building. It is not possible to compare the value of the building to buildings of a similar nature in the vicinity as there are no comarable sales or rentals. The depreciated replacement value method is therefore used to value the building.

Offices, rest rooms, stores, etc. for R3,750 x 283 sq m	1 061 250	1 047 100
Fire appliances for R2,700 x 234 sq m	631 800	620 100
Parking for R1,300 x 126 sq m	163 800	157 500
Store room for R2,550 x 24.5 sq m	62 475	62 475
Verandah for R1,000 x 8 sq m	8 000	8 000
Replacement value	1 927 325	1 895 175
Formula: Replacement value / expected lifespan (60 years) x remaining lifespan (48 years):	1 542 000	1 547 000
Reasonable depreciated replacement cost	1 542 000	1 547 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Kagisano Fire Station, Ganyesa

Depreciated replacement value method:

The property is a fire station and therefore of a specialized building. It is not possible to compare the value of the building to buildings of a similar nature in the vicinity as there are no comparable sales or rentals. The depreciated replacement value method is therefore used to value the building.

Two offices for R4,850 x 32 sq m	155 200	153 600
Fire appliances for R3,450 x 52.54 sq m	181 263	178 636
Replacement value	336 463	332 236
Formula: Replacement value / expected lifespan (60 years) x remaining lifespan (53 years):	295 000	299 012
Reasonable depreciated replacement cost	295 000	298 000

9 Van Niekerk Street, Vryburg (Mayoral Offices)

This property is a unique property in a small town like Vryburg because there are no similar properties with which it might be compared to. For this reason the comparable sales method cannot be used to determine the market value of the property. The valuation therefore has been conducted utilizing the replacement value method as well as using the willing buyer, willing seller at arms length principal.

Gross replacement value	4 380 000	4 335 000
- Main residence house for R6,600 x 350 sq m	2 310 000	2 275 000
- Entertainment area for R6,600 x 100 sq m	660 000	650 000
- Two erven for R400,000 each	800 000	800 000
- Swimming pool for R50,000	50 000	50 000
- Two boreholes for R20,000	20 000	20 000
- Double garage & outbuildings for R2,500 x 200 sq m	500 000	500 000
- Carport for 5 vehicles	40 000	40 000
Less: Replacement value to market value adjustment (32% reduction)	-1 420 000	-1 385 000
Reasonable market value	2 956 000	2 950 000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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The carrying value of the revalued assets under the cost model would have been:

57 McKenzie Street, Vryburg (EH Offices)	437 546	454 317
60 Market Street, Vryburg (Head office)	2 969 266	3 103 671
47 Van Niekerk Street, Vryburg (Disaster House)	458 861	477 585
Taung Fire Station, Taung	1 039 734	1 067 099
Kagisano Fire Station, Ganyesa	189 350	193 754
Farm Nieuwejaarsfontein 73	154 000	154 000
9 Van Niekerk Street, Vryburg (Mayoral Offices)	2 514 060	2 555 708
	7 762 817	8 006 133

Where the original cost price for the above revalued assets could not be reasonably determined, the initial valuation was used to determine the carrying value at 30 June 2006. The registration date per the title deed is utilised to determine the remaining useful life for depreciation purposes. For the purposes of the above disclosure useful life of 50 years is used. Residual value is set at 20% of the cost price for the offices to take into account the land value portion.

5.2 Property plant and equipment pledged as security

No property, plant and equipment is pledged as security.

6. INTANGIBLE ASSETS

6.1 Reconciliation of carrying value

	700 000	700 000
Balance brought forward		
Cost	700 000	700 000
Change in accounting policy (Note 33)	-	-
Accumulated amortisation and impairment losses	-	-
Acquisitions	-	-
Amortisation	-	-
Carrying value of disposals	-	-
Cost	-	-
Cost accumulated amortisation	-	-
Impairment loss / Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
Balance carried forward	700 000	700 000
Cost	700 000	700 000
Accumulated amortisation and impairment losses	-	-

6.2 Intangible assets with indefinite useful lives

Wentzel Dam Water Rights

Water use entitlements in terms of section 25 of the National Water Act (Act 36 of 1998) was permanently transferred from the Schweizer-Reneke Irrigation Board to the Municipality on 1 July 2007 at a cost of R700,000. Due to the fact that water is a renewable natural resource, this intangible asset is regarded as having an indefinite useful life with the result that no amortisation is implemented.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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7. INVESTMENT PROPERTY CARRIED AT FAIR VALUE

7.1 Reconciliation of fair value

Balance brought forward	3 200 000	3 075 000
Acquisitions	-	-
Fair value adjustment	100 000	125 000
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
Balance carried forward	3 300 000	3 200 000

7.2 Investment property pledged as security

No investment property is pledged as security.

7.3 Details of property

The carrying value of the revalued assets under the cost model would have been:

Moffat street stores	1 133 846	1 272 203
	1 133 846	1 272 203

Where the original cost price for the above revalued assets could not be reasonably determined, the initial valuation was used to determine the carrying value at 30 June 2006. The registration date per the title deed is utilised to determine the remaining useful life for depreciation purposes. For the purposes of the above disclosure useful life of 50 years is used. Residual value is set at 35% of the cost price to take into account the land value portion.

Rental income from investment property	571 557	536 426
Direct operating expenses from rental generating property	-	-
Direct operating expenses from non-rental generating property	-	-

7.4 Details of valuation

The effective date of the revaluations was 30 June 2012. Revaluations were performed by an independent valuer, Mr. Philippus Venter (Candidate Valuer - Registration number: 6653/6), of the firm Venter Booyesen and Ferreira. Mr. Philippus Venter was assisted in the valuation by his principal, Mr. HJ Swanepoel (Professional Valuer - Registration number: 3553/8) of the firm Kotze Low and Swanepoel. Venter Booyesen and Ferreira and Kotze Low and Swanepoel are not connected to the entity.

Investment property are re-valued independently every year.

Venter Booyesen and Ferreira have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

These assumptions are based on current market conditions and were determined as follows per asset:

Moffat street stores

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitalization producing property) and the outcomes of comparable transactions of similar properties.

Income capitalization method (Nett income / Captilization rate of 16%):

Reasonable monthly rental	64 010	61 487
- Total are of offices, store rooms and workshops for R50 x 1,204 sq m	60 200	57 792
- Pre fabricated sinc structure for R20 x 18 sq m	360	360
- Carports for R150 x 23	3 450	3 335
Gross potential annual income	768 120	737 844
Less: Estimated expenses, insurance, property rates & repairs (15%)	-115 218	-110 677
Nett annual income	652 902	627 167
Market value by captilization method	4 080 638	3 919 796
Market value by captilization method (rounded to R'000)	4 080 638	3 900 000
Comparable transactions method:		
Current replacement cost of property	4 286 324	4 286 324
Less: 40% adjustment due to market value lower than replacement	-1 714 530	-1 714 530
Market value by comparable transaction method	2 571 794	2 571 794
Market value by comparable transaction method (rounded to R'000)	2 520 000	2 520 000
Final market value (Average of Income captilization and Comparable transaction methods):	3 300 000	3 210 000

7.5 Amounts recognised

Amounts recognised in surplus or deficit for the year.

100 000

125 000

8. NON-CURRENT ASSETS HELD FOR SALE

Property, plant and equipment	361 148	361 148
Investment property	-	-
Other assets	-	-
	361 148	361 148

Land parcels registered to the Municipality

Land parcels to the value of R361,148 are held by the Municipality and will be disposed of within the next 12 months. As these individual land parcels are of no or little economic benefit to the municipality it was decided that it would be more beneficial for them to be transferred to the local municipalities and land owners adjacent to the land parcels.

Land parcels not registered to the Municipality

Land parcels to the value of R311,500 are currently in the process of being transferred to the Municipality from National Government. Once transferred to the Municipality, these land parcels will be transferred to the owners adjacent to the land parcels. It is expected that this process will be completed by 30 June 2013.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	38 782 000	36 553 774
Payments received in advance	-	-
Retentions	18 531 339	8 656 633
Staff leave accrual	2 216 760	2 091 235
Operating lease payments liability	6 794	6 794
Other creditors	1 593 948	1 759 680
Total creditors	61 130 840	49 068 116

The movement in staff leave accrual above are reconciled as follows:

Balance at beginning of year	2 091 235	2 087 597
Transfer from non-current	-	-
Contribution to provision	2 089 174	1 707 000
Expenditure incurred	-1 963 649	-1 703 362
Balance at end of year	2 216 760	2 091 235

The fair value of trade and other payables approximates their carrying amounts.

10. DEPOSITS

Construction guarantees	339 672	718 517
Total deposits	339 672	718 517

Construction guarantees are reflected at fair value as they are linked to interest bearing call accounts held by the municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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11. CURRENT PROVISIONS

Performance bonus	-	-
Current portion of long-service awards	-	99 251
Current portion of continued medical aid contributions	-	784 932
Total current provisions	-	884 183

Performance bonuses are paid one year in arrear. The assessment of eligible employees had not taken place at the reporting date and has therefore now been provided for based on the previous year's average performance bonuses paid.

12. NON-CURRENT PROVISIONS

Long-service awards	3 183 422	3 084 171
Continued medical aid contributions	11 004 975	10 220 042
Total non-current provisions	14 188 397	13 304 214

Long-service awards are initially payable after 10 years and thereafter every 5 years of continuous service. The provision is an estimate of the long-service based on the current staff complement and remuneration adjusted for fair value.

Continued medical aid contributions are paid on behalf of former officials who have retired at retirement age after at least 10 consecutive years in the service of the municipality. The provision is an estimate of the continued medical aid contributions based on the current staff complement and pensioners adjusted for fair value.

The movement in non-current provisions are reconciled as follows:

12.1 Long-service awards

Balance at beginning of year	3 183 422	2 281 413
Contributions to provision	-	992 805
Expenditure incurred	-	-90 796
	3 183 422	3 183 422
Transfer to current provision	-	-99 251
Balance at end of year	3 183 422	3 084 171

Key assumptions

In estimating the unfunded liability for Long-service awards of the Municipality a number of actuarial assumptions are required. The IAS19 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long-service awards arrangement – these are determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

The key financial and demographic assumptions are summarised below:

Key Financial Assumptions

Discount rate	8.0%
General salary inflation (long-term)	6.5%

Key Demographic Assumptions

Average retirement age	63
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Sensitivity analysis

The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (i) The discount rate relative to the salary inflation assumptions; and
- (ii) The average retirement age of employees;

The liability at the valuation date was recalculated to show the effect of increases and decreases on the central assumptions made:

Assumption and change	% change		
Central assumptions		3 183 422	3 183 422
General salary increase: +1%	10%	3 509 943	3 509 943
General salary increase: -1%	-9%	2 897 664	2 897 664
Discount rate: +1%	-9%	2 903 807	2 903 807
Discount rate: -1%	10%	3 508 312	3 508 312
Average retirement age: +1 year	5%	3 337 454	3 337 454
Average retirement age: -1 year	-5%	3 029 144	3 029 144

12.2 Continued medical aid contributions

Balance at beginning of year	11 004 975	8 743 500
Contributions to provision	-	2 977 935
Expenditure incurred	-	-716 460
	11 004 975	11 004 975
Transfer to current provision	-	-784 932
Balance at end of year	11 004 975	10 220 042

Key assumptions

In estimating the liability for Continued medical aid contributions of the Municipality a number of actuarial assumptions are required. The IAS19 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Continued medical aid contributions arrangement – these are determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

The key financial and demographic assumptions are summarised below:

Key Financial Assumptions

Discount rate	8.0%
Health care cost inflation rate	6.5%

Key Demographic Assumptions

Average retirement age	63
Continuation of membership at retirement	90%
Mortality during employment	Life expectancy as per the regulations to the Estate Duty Act
Withdrawal from service (Average age: 39 at 30 June 2011 and 39 at 30 June 2010)	10%

Sensitivity analysis

The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

The liability at the valuation date was recalculated to show the effect of increases and decreases on the central assumptions made:

Assumption and change	% change		
Central assumptions		11 004 975	11 004 975
Health care inflation: +1%	10%	12 145 351	12 145 351
Health care inflation: -1%	-9%	10 043 033	10 043 033
Discount rate: +1%	-9%	10 063 368	10 063 368
Discount rate: -1%	10%	12 139 543	12 139 543
Average retirement age: +1 year	-5%	10 416 103	10 416 103
Average retirement age: -1 year	6%	11 647 474	11 647 474
Continuation of membership at retirement: +5%	-3%	10 724 068	10 724 068
Continuation of membership at retirement: -5%	3%	11 285 882	11 285 882
Withdrawal from service: +5%	-3%	10 724 068	10 724 068
Withdrawal from service: -5%	3%	11 285 882	11 285 882

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
13.1 Conditional grants from other spheres of government	71 602 154	12 077 364
Municipal infrastructure grant	10 687 148	-0
Provincial LED projects	-	-
National infrastructure grant	-	-
DWAF grant	31 848 549	1 212 627
New municipalities grant	-	-
Department of sport grant	897 237	897 237
IMMIS grant	34 030	34 030
Disaster management fund	2 169 889	1 269 889
Municipal systems improvement grant	-	-
Local government support grant	-	-
IDP / PMS support (DDL&H)	-	-
Department of social services - Paypoint development	-	-
Two room clinic fund	-	-
Financial management grant	-	-
Fire and emergency grant	3 579 422	963 680
Rural sanitation program (DDL&H)	35 039	35 039
Deployment of engineers grant (DDL&H)	13 220	116 633
Bucket eradication grant (DDL&H)	-	-
Election fund	-	-
Rural water program (DDL&H)	-	-
National heritage council	-	-
Vuna awards grant	710	947 372
Department of transport grant	-178 842	-
National public works grant	3 879 158	4 324 200
Provincial infrastructure grant	18 636 594	2 276 657
DBSA conditional grant	-	-
13.2 Other conditional receipts	-354 664	50 000
LG SETA grant	-354 664	50 000
Total unspent conditional grants and receipts	71 247 490	12 127 364
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	71 247 490	12 127 364

See **Note 18** for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14. BORROWINGS		
Long-term loans	-	-
Sub-total	-	-
Less: Current portion transferred to current liabilities	-	-
Long-term loans	-	-
Total external loans	-	-
Refer to Appendix A for more detail on long-term liabilities.		
15. RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	571 557	536 426
Total rentals	571 557	536 426
Rental of facilities are straight lined over the period of the rental agreement. The balance of the resulting sundry debtor at 30 June 2012 amounted to R13,652 (30 June 2011: R31,763).		
16. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 410 984	834 446
Call accounts	1 394 885	1 450 162
Total interest	2 805 870	2 284 608
17. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Other	-	207 918
Total interest	-	207 918

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	188 347 000	165 395 935
Municipal infrastructure grant	80 116 062	39 385 263
Provincial LED projects	-	-
National infrastructure grant	-	-
DWAF grant	211 616 844	31 989 678
New municipalities grant	-	-
Department of sport grant	-	850 000
IMMIS grant	-	314 293
Disaster management fund	-	3 165 384
Municipal systems improvement grant	790 000	750 000
Local government support grant	-	-
IDP / PMS support (DDL&H)	-	-
Department of social services - Paypoint development	-	-
Two room clinic fund	-	-
Financial management grant	1 250 000	1 000 000
Fire and emergency grant	1 884 258	3 736 320
Rural sanitation program (DDL&H)	-	-
Deployment of engineers grant (DDL&H)	103 413	15 752
Bucket eradication grant (DDL&H)	-	-
Election fund	-	-
DBSA conditional grant	-	234 211
Rural water program (DDL&H)	-	8 118 801
National heritage council	-	-
Vuna awards grant	946 662	1 710 338
Department of transport grant	1 046 423	5 075 169
National public works grant	1 343 042	-
Provincial infrastructure grant	328 063	2 267 559
LG SETA grant	5 075 664	-
Total government grants and subsidies	492 847 431	264 008 702

18.1 Equitable share

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

18.2 Municipal infrastructure grant

Balance unspent at beginning of year	-	119 473
Current year receipts	90 803 211	39 265 789
Conditions met - transferred to revenue	-80 116 062	-39 385 263
Conditions still to be met - transferred to liabilities (see Note 13)	10 687 148	-

This grant was used to construct various water, sewerage and roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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18.3 Provincial LED projects

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

Provincial LED project grants are used to promote small, medium and micro enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

18.4 National infrastructure grant

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to construct various water, sewerage and roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

18.5 DWAF grant

Balance unspent at beginning of year	1 212 627	475 795
Current year receipts	242 252 766	32 726 510
Conditions met - transferred to revenue	-211 616 844	-31 989 678
Conditions still to be met - transferred to liabilities (see Note 13)	31 848 549	1 212 627

This grant was used to construct various water and sewerage infrastructure as part of the upliftment of poorer communities. It was further utilised to fund water services operating subsidy. No funds have been withheld.

18.6 New municipalities grant

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant is used to establish systems within the Dr Ruth S Mompoti District Municipality and the Molopo - and Kagisano Local Municipalities. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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18.7 Department of sport grant

Balance unspent at beginning of year	897 237	897 237
Current year receipts	-	850 000
Conditions met - transferred to revenue	-	-850 000
Conditions still to be met - transferred to liabilities (see Note 13)	897 237	897 237

This grant was used to construct and upgrade various sporting facilities. No funds have been withheld.

18.8 IMMIS grant

Balance unspent at beginning of year	34 030	348 323
Current year receipts	-	-
Conditions met - transferred to revenue	-	-314 293
Conditions still to be met - transferred to liabilities (see Note 13)	34 030	34 030

This grant was used to establish IT systems within the greater Dr Ruth S Mompoti District municipalities. No funds have been withheld.

18.9 Disaster management fund

Balance unspent at beginning of year	1 269 889	2 795 273
Current year receipts	900 000	1 640 000
Conditions met - transferred to revenue	-	-3 165 384
Conditions still to be met - transferred to liabilities (see Note 13)	2 169 889	1 269 889

This grant was used to develop disaster management plans for the municipality. No funds have been withheld.

18.10 Municipal systems improvement grant

Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	-790 000	-750 000
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to establish systems within the entire district. No funds have been withheld.

18.11 Local government support grant

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to establish systems within the entire district. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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18.12 IDP / PMS support (DDL&H)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to establishment and futher development of IDP and PMS systems within the entire district. No funds have been withheld.

18.13 Department of social services - paypoint development

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to construct and upgrade various pension paypoints in the district. No funds have been withheld.

18.14 Two room clinic fund

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to construct and upgrade various clinics in the district. No funds have been withheld.

18.15 Financial management grant

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	-1 250 000	-1 000 000
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to establish financial management systems within the municipality and to fund the salaries of the National Treasury interns. No funds have been withheld.

18.16 Fire and emergency grant

Balance unspent at beginning of year	963 680	-
Current year receipts	4 500 000	4 700 000
Conditions met - transferred to revenue	-1 884 258	-3 736 320
Conditions still to be met - transferred to liabilities (see Note 13)	3 579 422	963 680

This grant was used to fund the acquisition of fire and emergency vehicles for the Mamusa Local Municipality. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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18.17 Rural sanitation program (DDLG&H)

Balance unspent at beginning of year	35 039	35 039
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	35 039	35 039

This grant was used for the construction of VIP toilets in the district. No funds have been withheld.

18.18 Deployment of engineers grant (DDLG&H)

Balance unspent at beginning of year	116 633	132 385
Current year receipts	-	-
Conditions met - transferred to revenue	-103 413	-15 752
Conditions still to be met - transferred to liabilities (see Note 13)	13 220	116 633

This grant was used for the deployment of engineers and engineering interns throughout the entire district. No funds have been withheld.

18.19 Bucket eradication programme (DDLG&H)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used for the municipality's bucket eradication program in the Lekwa-Teemane and Mamusa Local Municipalities. No funds have been withheld.

18.20 DBSA conditional grant

Balance unspent at beginning of year	-	-
Current year receipts	-	234 211
Conditions met - transferred to revenue	-	-234 211
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant was used to assist municipalities in the District with the compilation of valuation rolls. No funds have been withheld.

18.21 Election fund

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant is used to fund local government elections in the District. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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18.22 Rural water program (DDLG&H)

Balance unspent at beginning of year	-	8 118 801
Current year receipts	-	-
Conditions met - transferred to revenue	-	-8 118 801
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant is used to fund the the repayment of DBSA loans taken up to to implement various rural water projects. No funds have been withheld.

18.23 National heritage council

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	-	-

This grant is used to fund the operations of various LED tourism projects. No funds have been withheld.

18.24 VUNA awards grant

Balance unspent at beginning of year	947 372	2 657 710
Current year receipts	-	-
Conditions met - transferred to revenue	-946 662	-1 710 338
Conditions still to be met - transferred to liabilities (see Note 13)	710	947 372

This grant is used to fund the re-branding of the district LED project. No funds have been withheld.

18.25 Department of transport grant

Balance unspent at beginning of year	-	-
Current year receipts	867 581	5 075 169
Conditions met - transferred to revenue	-1 046 423	-5 075 169
Conditions still to be met - transferred to liabilities (see Note 13)	-178 842	-

This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.

18.26 National public works grant

Balance unspent at beginning of year	4 324 200	3 161 200
Current year receipts	898 000	1 163 000
Conditions met - transferred to revenue	-1 343 042	-
Conditions still to be met - transferred to liabilities (see Note 13)	3 879 158	4 324 200

This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
18.27 Provincial infrastructure grant		
Balance unspent at beginning of year	2 276 657	-
Current year receipts	15 000 000	4 544 217
Conditions met - transferred to revenue	-328 063	-2 267 559
Conditions still to be met - transferred to liabilities (see Note 13)	16 948 594	2 276 657
<p>This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.</p>		
18.28 LG SETA grant		
Balance unspent at beginning of year	50 000	50 000
Current year receipts	4 671 000	-
Conditions met - transferred to revenue	-5 075 664	-
Conditions still to be met - transferred to liabilities (see Note 13)	-354 664	50 000
<p>This grant is used to fund various learnerships aimed at the youth in the District. No funds have been withheld.</p>		
18.28 Rural Transport Service and Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 688 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see Note 13)	1 688 000	-
<p>This grant is used to fund the establishment of a rural roads management system and asset register. No funds have been withheld.</p>		
18.29 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.</p>		
19. OTHER INCOME		
Sundry Income	17 092	27 772
Tender document fees	141 006	90 063
Surplus cash	-	3
SDL grant	327 806	144 918
Bursaries for officials recovered	28 258	55 156
Insurance claims received	-	-
Recovery of unauthorised, irregular, fruitless & wasteful exp (Note 34)	-	-
Total other income	514 161	317 913

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
20. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	39 988 303	35 546 734
Employee related costs - Contributions to UIF, pensions and medical	9 437 645	11 013 997
Travel and motor car allowances	8 487 027	6 618 450
Housing benefits and allowances	2 642 893	2 654 940
Overtime payments	1 535 209	721 134
Performance and other bonuses	-	649 651
Long-service awards	54 543	992 805
Other employee related costs	-	-
Total employee related costs	62 145 620	58 197 712

There were no advances to employees.

Remuneration of the Municipal Manager

Annual remuneration	1 935 720	953 993
Performance and other bonuses	-	81 875
Travel, motor car, accommodation, subsistence and other allowances	70 000	120 000
Contributions to UIF, medical and pension funds	77 503	132 190
Total	2 083 223	1 288 058

Remuneration of the Chief Financial Officer

Annual remuneration	1 015 054	957 808
Performance bonuses	-	106 134
Travel, motor car, accommodation, subsistence and other allowances	-	-
Contributions to UIF, medical and pension funds	34 509	32 450
Total	1 049 563	1 096 392

Remuneration of individual executive managers

Remuneration of individual executive managers are reflected per **Note 44.**

21. REMUNERATION OF COUNCILLORS

Executive mayor	567 472	525 467
Speaker	440 863	408 730
Mayoral committee members	2 461 461	1 971 331
Councillors	894 180	744 953
Councillors' pension, medical aid and SDL contributions	590 003	493 355
Total councillors' remuneration	4 953 979	4 143 836

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22. DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	-	3 007 316
Total depreciation and amortisation	-	3 007 316
23. FINANCE COSTS		
Borrowings	-	277 046
Bank overdraft	-	30 182
Other	-	-
Total finance costs	-	307 228
24. BULK PURCHASES		
Water	39 237 729	44 325 162
Total bulk purchases	39 237 729	44 325 162
25. CONTRACTED SERVICES		
GRAP conversion	15 643	-
Payroll processing	61 353	8 858
IMMIS Project	-	314 293
Accounting services	-	19 650
Website Development	115 833	255 000
Document and Registry Services	-	423 408
Spatial Development Framework	310 275	-
Integrated Man Information Systems (GIS)	-	4 706 752
IDP documentation	-	61 908
Strategic Planning & IDP	631 158	726 000
Operationalisation of PMS	-	84 558
Business plans and feasibility studies	98 900	-
Section 78 Assessment and WSDP	574 044	213 665
Integrated Man Information Systems (GIS)	4 477 716	-
Business plans and feasibility studies	2 918 519	-
Professional Services	72 179	-
Rural Sanitation Program	41 983 002	13 864 463
Development of LED and Tourism Strategy	522 000	-
Benchmarking in Local Economic Development	60 000	-
Total contracted services	51 840 623	20 678 554

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26. GRANTS AND SUBSIDIES PAID		
Grants paid to Local Municipalities	21 179 784	23 152 264
Transfers to Community Members	-	-
Grants paid to tourism projects	260 000	260 000
Grants paid to LED projects	3 793 895	6 391 415
Community learnership programs	5 115 785	575 096
Total grants and subsidies paid	30 349 463	30 378 775

Transfers to Community Members consists of the transfer of toilet structures and related yard connections to community members on whose stands the structures were erected per the bucket eradication projects implemented by the municipality.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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27. GENERAL EXPENSES

Included in general expenses are the following:

Advertising	595 393	287 086
Community Functions	1 281 254	659 618
Audit fee	474 307	1 485 773
Congresses and Conferences	500 599	189 548
Bank charges	70 861	58 119
Donations : Executive Mayor's Fund	471 110	343 270
Electricity	464 946	294 816
Entertainment Allowance - SPM	-	9 824
Books and publications	63 679	40 783
Entertainment Allowance - Mayor	1 734	2 106
Cleaning materials and consumables	67 782	69 437
Entertainment Allowance - Councillors	2 881	3 076
Entertainment Allowance - Officials	-	8 132
Insurance Premiums	871 191	827 758
Internet Charges	280 268	259 912
Kitchen Ware and Cutlery	1 830	8 005
Legal expenses	345 179	228 712
Membership Fees : Societies	499 189	368 439
Postage stamps and telegraphs	7 115	9 603
Printing and Stationery	1 190 869	1 036 110
Property Rates	70 388	117 257
Refreshments and Meals	919 056	1 028 902
Rental equipment	1 141 410	1 078 161
Rental : Office	513 876	491 163
Sitting Allowance	243 500	421 500
Sanitary and Refuse Removal	65 202	37 928
Small Tools & Equipment	71 122	13 251
Software Expenses	900 774	601 626
Special Projects	594 948	717 703
Security Services	770 512	750 050
Sundry Expenses	12 494	22 429
Telephone	1 346 665	1 324 430
Training and Courses	1 030 496	1 344 389
Travel and subsistence : Councillors	998 075	583 693
Travel and subsistence : Officials	4 316 829	3 881 994
Vehicles : Fuel and Oil	1 138 257	954 462
Vehicles : Licenses	43 093	32 048
Water supply	101 130	29 867
Workman's Compensation	377 722	698 294
Bacterial Testing and Analysis	107 505	110 637
Pauper Burials	-	-
Pest Control	17 868	1 950
Rental: Office	490 825	103 855
Uniforms and Protective Clothing	250 265	199 845
Furniture removal costs	-	-
Bursaries for Officials	158 845	161 856
Fraud hotline	1 732	1 798
Promotion and marketing	316 173	243 867
Employee assistance program	-	172 200
Community learnership programs	402 347	547 363
Other	1 875 103	1 674 895
25 466 398	23 537 540	

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
28. GAIN / (LOSS) ON DISPOSAL OF PPE		
Property, plant and equipment	-	38
Investment property	-	-
Other financial assets	-	-
Total gain / (loss) on disposal of PPE	-	38
29. (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS		
Property, plant and equipment	-2 139 991	136 149
Investment property	-	-
Other financial assets	-	-
Total gain / (loss) on disposal of PPE	-2 139 991	136 149
30. PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value	100 000	125 000
Other financial assets	-	-
Total profit / (loss) on fair value adjustment	100 000	125 000
31. CASH GENERATED BY OPERATIONS		
Surplus for the year	278 970 938	80 767 655
Adjustment for:		
Depreciation and amortisation	-	3 007 316
Gain / (loss) on disposal of PPE	-	-38
Contribution to provisions - non-current	884 183	3 148 303
Contribution to provisions - current	-884 183	15 182
Finance costs	-	307 228
Fair value adjustments	-100 000	-125 000
(Impairment loss) / reversal of impairment loss	2 139 991	-136 149
Interest earned	-2 805 870	-2 492 526
Operating surplus before working capital changes:	278 205 060	84 491 970
(Increase) / decrease in trade receivables	-45 846 964	7 633 666
(Increase) / decrease in other receivables	-	-
(Decrease) / increase in conditional grants and receipts	59 120 126	-6 663 872
(Decrease) / increase in trade payables	12 062 724	3 186 874
(Decrease) / increase in deposits	-	-
(Increase) / decrease in VAT receivable	-34 450 601	6 384 731
Cash generated by / (utilised in) operations	269 090 344	95 033 370

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following :

Bank balances and cash	46 686 488	33 483 793
Bank overdrafts	-	-
Total cash and cash equivalents (net of bank overdrafts)	46 686 488	33 483 793

33. CHANGE IN ACCOUNTING POLICY, CORRECTION OF ERROR, CHANGE IN ESTIMATE AND RESTATEMENT OF COMPARATIVE INFORMATION

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
34.1 Unauthorized expenditure		
Balance brought forward	38 185 382	23 934 032
Unauthorized expenditure current year	33 326 727	14 251 350
Condoned or written-off by council	-	-
Recovery of unauthorized expenditure	-	-
Balance carried forward	71 512 109	38 185 382
34.1.1 Over expenditure on operating budget for the 2008/09 year	7 055 765	7 055 765
The over expenditure on individual votes for the 2008/09 financial year is cash backed and will be presented to council for approval in the 2010/11 financial year.		
34.1.2 Over expenditure on operating budget for the 2009/10 year	16 878 267	16 878 267
The over expenditure on individual votes for the 2009/10 financial year is cash backed and will be presented to council for approval in the 2012/13 financial year.		
34.1.3 Over expenditure on operating budget for the 2010/11 year	14 251 350	14 251 350
The over expenditure on individual votes for the 2010/11 financial year is cash backed and will be presented to council for approval in the 2012/13 financial year.		
34.1.4 Over expenditure on operating budget for the 2011/12 year	33 326 727	-
The over expenditure on individual votes for the 2011/12 financial year is cash backed and will be presented to council for approval in the 2012/13 financial year.		
34.2 Fruitless and wasteful expenditure		
Balance brought forward	-	91 848
Fruitless and wasteful expenditure current year	-	-
Condoned or written-off by council	-	-91 848
Recovery of fruitless and wasteful expenditure	-	-
Balance carried forward	-	-

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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34.3 Irregular expenditure

Balance brought forward	15 969 333	16 815 872
Irregular expenditure current year	-	-
Condoned or written-off by council	-	-846 539
Recovery of irregular expenditure	-	-
Balance carried forward	15 969 333	15 969 333

34.3.4 Contract appointment: BDM2007-012C

	5 863 287	5 863 287
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The contract for the internal sewer network on the Utlwanang Bucket Eradication project was awarded to Shatsane / Above and Beyond Trading JV. The bid was however not awarded to the qualifying bidder with the highest points. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2012/13 financial year.

34.3.5 Contract appointment: BDM2007-013C

	7 482 065	7 482 065
--	------------------	------------------

The contract for the internal sewer network on the Boitumelong Bucket Eradication project was awarded to Faiaud Transport Services / Are Berekeng JV. The bid was however not awarded to the qualifying bidder with the highest points. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2012/13 financial year.

34.3.6 Contract appointment: BDM2007-019C

	1 567 155	1 567 155
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The contract for the Supply and Installation of Water Connections and Pre-Cast Toilets to 150 stands in Colridge project was awarded to Tshupetso Dikiro Construction. The bid was however not awarded to the qualifying bidder with the highest points. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2012/13 financial year.

34.3.7 Contract appointment: BDM2007-025A

	611 400	611 400
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The contract for the supply of security services was awarded to M and DJ Security Solutions. The bid was however not awarded to the qualifying bidder with the highest points. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2012/13 financial year.

34.3.8 Mayoral vehicle: deemed private use

	445 426	445 426
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The municipality provided a council vehicle to the former Executive Mayor for his exclusive use. As no accurate records were maintained to distinguish between private and business use, the entire kilometers travelled for the year is deemed to be private. The deemed private portion of the use thereof is in excess of the upper limits for remuneration of councillors per the Public Office Bearers Act. This expense will be investigated and presented to council for decision on recovery or write-off in the 2012/13 financial year.

i) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

ii) No criminal or disciplinary steps were taken as a result of losses from the above.

iii) No material losses have been recovered or written-off.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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35. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.1 Contributions to organised local government: SALGA NW

Opening balance	-	-
Council subscriptions	219 280	361 445
Amount paid - current year	-219 280	-361 445
Amount paid - previous year	-	-
Balance overpaid (included in debtors)	-	-

35.2 Audit fees

Opening balance	-	-
Current year audit fees	474 307	1 485 873
Amount paid - current year	-474 307	-1 485 873
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

35.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in **Note 4**. All VAT returns have been submitted by the due date throughout the year.

35.4 PAYE and UIF

Opening balance	6 474	-2 081
Current year payroll deductions	12 403 927	10 766 347
Amount paid - current year	-12 403 927	-10 766 347
Amount paid - previous year	-6 474	8 555
Amounts written-off	-	-
Balance unpaid (included in debtors)	-	6 474

The balance carried forward represents overpayments made to SARS in previous years. This matter was resolved with SARS in the 2009/10 financial year.

35.5 Pension and medical aid deductions

Opening balance	3 520	1 541
Current year payroll deductions and council contributions	13 469 232	12 507 844
Amount paid - current year	-13 469 232	-12 507 844
Amount paid - previous year	-3 142	1 979
Amounts written-off	-	-
Balance unpaid (included in debtors)	378	3 520

The balance unpaid represents pension and medical aid differences on control accounts brought forward from previous years. These accounts have now been reconciled.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

35.6 Councillors' arrear consumer accounts

The following sundry debtor balances were outstanding for more than 90 days from councillors:

Cllr. GKM Lobelo	46 035	46 035
Cllr. CE Tladinyane	9 066	9 066
Cllr. SKM Namusi	774	774
Cllr. P Letebele	5 356	5 356
	61 231	61 231

No arrears are outstanding from any councillor to the municipality for rates or services.

35.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act

No non-compliance with Chapter 11 of the MFMA

35.8 Summary of investments (call accounts)

Description	Bank	Account no	Balance R
MIG	Standard Bank	048558575-001	108 626
Provincial Led Projects	Standard Bank	048558583-001	-
NIG	Standard Bank	048558591-001	-
DWAF	Standard Bank	048558605-001	68 253
Department of Sport Grant	Standard Bank	048558621-001	920 262
Disaster Management Fund	Standard Bank	048558648-001	2 215 230
MSIG	Standard Bank	048558672-001	806 481
Two Room Clinic Fund	Standard Bank	048558818-001	-
FMG	Standard Bank	048558834-001	508 041
Rural Sanitation Program (DDL&H)	Standard Bank	048547123-002	35 647
Deployment of Engineer Grant (DDL&H)	Standard Bank	048558877-001	48 451
Bucket Eradication Grant (DDL&H)	Standard Bank	048558702-001	-
LG Seta Grant	Standard Bank	048558826-001	-
Guarantees	Standard Bank	048558842-001	766 036
Leave Provision	Standard Bank	048558850-001	2 034 432
Transition grant: IMMIS	Standard Bank	348481713	105 753
Fire and emergency	Standard Bank	348481721	4 827 219
Election fund	Standard Bank	348481748	-
Rural Water Program (DDL&H)	Standard Bank	048551627-001	59
Vuna Awards Grant	Standard Bank	048551635-001	543 023
Department of Transport Grant	Standard Bank	048551643-001	-
Six month investment	First National Bank	71230646229	4 592 224
National Department of Public Works	Standard Bank	048551376-001	18 571 788
			36 151 524

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

35.9 Deviation from and ratification of minor breaches of procurement processes

No deviation from and ratification of minor breaches of procurement processes during the year.

36. CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure

Other

114 012 491

111 020 878

2 991 613

114 012 491

111 020 878

2 991 613

- Approved but not yet contracted for

Infrastructure

Other

148 719 773

143 669 773

5 050 000

148 719 773

143 669 773

5 050 000

Total

262 732 264

262 732 264

This expenditure will be financed from:

- External loans

- Government grants

- Own resources

14 000 000

139 528 058

109 204 206

14 000 000

139 528 058

109 204 206

Total

262 732 264

262 732 264

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

36.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

- Within one year
- In the second to fifth year inclusive
- After five years

1 432 949	1 432 949
915 842	915 842
-	-

Total

2 348 790	2 348 790
------------------	------------------

There are no future sublease payments expected.

Operating leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties and office equipment. Leases are negotiated for an average term of 3 years and rentals are fixed. No contingent rent is payable.

Operating leases - lessor

Minimum lease payments due

- Within one year
- In the second to fifth year inclusive
- After five years

583 057	583 057
1 020 351	1 020 351
-	-

Total

1 603 408	1 603 408
------------------	------------------

Operating leases consists of the following:

Certain of the municipality's property is held to generate rental income. Rental of property is expected to generate rental yields of 19% on an ongoing basis. The lease agreement is cancellable with 6 months notice and has a term of 3 years. There are no contingent rents receivable.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

37. EMPLOYEE BENEFIT INFORMATION

37.1 Pension Funds

Councillors and employees belong to 4 defined contribution retirement funds:

37.1.1 Cape Joint Retirement Fund

The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2009. This valuation indicated that the fund is in a sound financial condition at the valuation date.

37.1.2 Municipal Councillors Pension Fund

The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

37.1.3 National Fund for Municipal Workers

The last actuarial valuation of the National Fund for Municipal Workers was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

37.1.4 Municipal Gratuity Fund

The last actuarial valuation of the Municipal Gratuity Fund was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

Contributions

An amount of R5,894,649 (2011 : R5,489,961) was contributed by Council in respect of councillor and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

37.2 Medical aid

An amount of R3,350,834 (2011 : R5,315,138) was provided and contributed by Council in respect of councillors and employees medical aid. These contributions have been expensed and are included in employee related costs for the year.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

38. CONTINGENT LIABILITIES

38.1 DBSA loans transfer from Dr Kenneth Kaunda District Municipality

The then Southern District Municipality had prior to 2000 taken up loans from the DBSA to finance the upgrading of infrastructure assets in the Mamusa and Lekwa-Teemane Local Municipalities. On 29 September 2000, the then Bophirima District Municipality was established in accordance with the demarcation process. As a result of this process these infrastructure assets were then located within the area of jurisdiction of the Dr Ruth S Mompoti District Municipality. Certain transitional provisions relating to the transfer of assets and liabilities were proclaimed. In accordance with this clause, these matters will vest in the Dr Ruth S Mompoti District Municipality with effect from the date when such a determination is made by the MEC. On 5 December 2008, Official Notice no 18 of 2008 per Provincial Gazette 6562 was issued in terms of which the DBSA loans were transferred retrospectively to the Dr Ruth S Mompoti District Municipality. The municipality is objecting to the Official Notice based on the following main principles:

- a) Proper consultation with the Dr Ruth S Mompoti District Municipality regarding the transfer of the loans was not done prior to the issuing of the Notice as per Section 16(1)(h) of the Municipal Structures Act.

- b) The transfer of the loans will affect the Municipality's cash flow and as a consequence limit it from performing its functions or exercising the powers assigned to it. This is contrary to the requirements per Section 14(2)(b)(iii) of the Municipal Structures Act.

The Dr Ruth Segomotsi Mompoti District Municipality remains committed in resolving the matter in order to reach agreement with all parties involved for the transfer of assets and liabilities from the Dr Kenneth Kaunda District Municipality. The total outstanding balance (including arrears) of the DBSA loans as at 30 June 2010 amount to R64,856,865.84.

38.2 Various legal proceedings

38.2.1 Santam Insurance Company

The municipality received a letter of demand from Deneys Reits Attorneys who act on behalf of Santam Insurance Company who in turn are the insurers of a number of insured parties. The claim is in respect of damages suffered by the insured parties as a result of floods that took place during or about January 2010. No formal legal proceedings have been instituted. The Municipality's financial exposure, should the parties be successful in their actions, is estimated at R30,000,000.00.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

38.2.2 Maseramule Attorneys

Messrs Maseramule Attorneys rendered legal advice to the Municipality and thereafter rendered an account in an amount of approximately R115,000.00 which the Municipality concluded to be excessive. Messrs Maseramule attorneys have been requested to present their account for taxation and we are currently awaiting such taxation. The Municipality's financial exposure, should the claim succeed, is estimated at R130,000.00.

38.2.3 Ultimate Dynamics

The legal action instituted by Ultimate Dynamic was defended and eventually settled on the basis that the Naledi Local Municipality made payment to Ultimate Dynamic and that the District Municipality made funds available so as to enable the Naledi Local Municipality to make the relevant payment. Currently the District Municipality's own Legal Bill is to be paid and the Municipality's financial exposure is estimated in an amount of R10,700.00

38.2.4 GEPF

The GEPF claims payment from the District Municipality in amount of R748,457.89 being in respect of alleged additional liability that the GEPF had at the result of the resignation of a former employee of the Municipality. The Municipality denies indebtedness, but should the claim succeed, the Municipality's financial exposure is estimated at an amount of R800,000.00.

38.2.5 M&DJ Security Solutions

M & DJ Security Solutions instituted action against the Municipality for the recovery of an amount of R27,930.00 being in respect of security services allegedly rendered to the Municipality. The claim was defended and on the 14th of October 2010 the Plaintiff's claim was dismissed with costs due to the fact that the Plaintiff was not present at Court on the date that the matter would have been heard. The Municipality's financial exposure is estimated at R8,000.00 being its own legal costs.

38.2.6 Mutual & Federal

The municipality received a letter of demand from Messrs Deneys Reits Attorneys acting on behalf of Mutual & Federal Insurance Company who in turn act as insurers for a number of claimants. The claimants' claim is in respect of damages suffered as a result of flooding that took place during or about January 2010. No formal litigation has been proceeded with, but should the claimants claims against the Municipality be successful, we estimate the municipality's financial exposure at an amount of R8.000.000.00.

38.2.7 Khasu Engineering (Pty) Ltd

Khasu Engineering [Pty] Ltd directed a letter of demand to the Municipality via its attorneys Messrs Roos Hattingh for payment of an amount of R2,000,000.00 whilst the Municipality is of the opinion no amount is due and payable to the claimant. Should the claimant be successful in its claim we estimate the Municipality's financial exposure at an amount of R2,200,000.00.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

39. CONTINGENT ASSETS

39.1 Land to be transferred

Land to the value of R311,500 which is owned by the Municipality, but never correctly registered in the name of the Municipality, is currently still in the process of being transferred to the Dr Ruth S Mompoti District Municipality from National Government before it can be transferred to the respective land owners in terms of the various sales agreements. The transactions are estimated to be complete by 30 June 2011.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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40. RELATED PARTIES

40.1 Catering services

54 240	27 500
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Certain catering services were performed for the municipality during the year by the wife of the Chairperson of the Finance Potfolio Committee, Cllr. PK Thiba.

40.2 Local economic development project

-	28 969
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An allocation in terms of the municipality's LED policy was made to Rams All Holdings Motorsport, which is owned by the daughter of a member of Council, Cllr. JA Adonis.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

41. EVENTS AFTER THE REPORTING DATE

The following material post balance events have occurred after year-end and up to the date of the completion of these financial statements:

Appointment of major contracts:

BDM2005-008 - Section 78 Assessment and update and finalization of WSDP's	-	1 100 000
BDM2008-014 - Supply of Security Services	-	112 361
BDM2008-015 - Bophirima Rural Water Supply Programme (2008/11)	-	32 750 596
RDM2008-024 - Emergency repairs at Water Plant in Mamusa	-	2 301 231
RDM2011-012 - Supply and Delivery of Fencing Material at Ganyesa Village in Kagisano Municipality	-	509 864
RDM2011-015 - Development of the Spatial Development Frameworks	-	622 807
RDM2011-022 - Service provider to assist with Special Forensic Audit and Investigation	-	345 105
RDM2011-035 - Renovation of Ablusion Facilities at Wenzel Dam Schweizer Reneke	-	410 119
RDM2011-038 - Bulk Water Supply Upgrading Taung: Naledi Bulk Water Supply	-	241 785 018
RDM2011-048 - Supply and Delivery of Network Hardware	-	392 394
RDM2011-049 - Annual Contract for the Supply and Delivery of Cold Asphalt 25kg (Cold Mix)	-	1 519 404
RDM2011-057 - Supply and Delivery of Bauer	-	376 545
RDM2011-067 - Supply and Delivery of Voice Recording and logger solution	-	166 270
RDM2011-068 - Dr Ruth Segomotsi Mompoti District Municipality Rural Sanitation Programme	-	43 000 000
RDM2011-069 - Supply and Delivery of 2x Black and White Digital Copier/Printer/Scanner	-	962 555
RDM2011-070 - Supply and Delivery of 1x Colour Digital Copier/Printer/Scanner	-	970 572
RDM2011-071 - Supply And Delivery of 4x2 Single Cab for Leon Taljaard Nature Reserve	-	199 075
RDM2011-075 - Implementation of Learnership - Horticulture	-	2 526 316
RDM2011-076 - Implementation of Learnership - Municipal Roads Maintenance	-	2 526 316
RDM2011-078 - Supply and Delivery of SUV Vehicle	-	777 344
RDM2011-081 - Supply and Delivery of Live Game for Leon Taljaard nature reserve	-	472 000
RDM2012-010 - Design and management of NURP	-	5 458 859
RDM2012-014 - Microwave Link Digital RF Repeater Management and Communication Control	-	1 790 799
RDM2012-015 - Supply of Fire Engines and Equipments	-	2 180 017
RDM2012-016 - Provision of Security Services	-	3 986 407
RDM2012-018 - Development of Rural Road Asset Management Systems (RAMS)	-	1 401 754
RDM2012-022 - Emergency Rehabilitation of Vryburg Waste Water Treatment Plant	-	3 265 295
	-	351 909 023

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

42. RISK MANAGEMENT

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

42.1 Maximum credit risk exposure

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

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

42.2 Liquidity risk

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

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

Liquidity risk is mitigated by the fact that sundry debtors have been adequately provided for as impaired and that the Municipality has no consumer debtors that will affect available cash balances.

42.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits

The average interest rate earned was recalculated to show the effect of increases and decreases as follows:

Assumption and change

Interest earned (Average interest rate 30 June 2012 - 4.08% and 30 June 2011 - 8.76%):	1 394 885	1 450 162
Actual interest rate: -1%	1 053 002	1 284 618
Actual interest rate: +1%	1 736 769	1 615 705

- Development Bank of South Africa loan

The average interest rate paid was recalculated to show the effect of increases and decreases as follows:

Assumption and change

Interest paid (Average interest rate 30 June 2012 - 0% and 30 June 2011 - 6.75%):	-	277 046
Actual interest rate: -1%	-	236 002
Actual interest rate: +1%	-	318 090

The interest rate risk on the Development Bank of South Africa loan is mitigated by the fact that the current loan is short-term and the interest rate is fixed for the duration of the loan.

42.4 Other price risk

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

The municipality does not carry any direct consumer debtors as the Water Services Authority in the District. Water and sewerage services are currently performed by appointed water service providers. The municipality is therefore not exposed to the non-payment risk that consumer debtors present.

Long-term Receivables and Other Debtors are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

43. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in **Annexures E(1) and E(2)**.

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Annual remuneration	Performance bonuses	Car allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

44. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS

30 June 2012

Corporate services	793 738	-	105 000	118 679	1 017 417
Special projects	737 535	-	94 500	77 537	909 572
Internal audit	578 087	-	45 500	83 315	706 902
Engineering services	293 837	-	75 000	56 969	425 807
Project management unit	895 019	-	180 000	11 912	1 086 930
Economic developm, tourism & agriculture	734 297	-	94 500	77 513	906 310
Community services	676 752	-	126 000	92 529	895 281
Total	4 709 265	-	720 500	518 454	5 948 219

30 June 2011

Corporate services	725 442	-	105 000	114 772	945 214
Special projects	688 667	-	94 500	77 624	860 791
Internal audit	701 102	98 000	102 692	134 815	1 036 608
Fire and disaster management	496 212	87 658	82 249	99 579	765 698
Engineering services	607 709	119 372	180 000	123 981	1 031 062
Project management unit	749 320	102 200	180 000	11 526	1 043 046
Economic developm, tourism & agriculture	694 391	-	94 500	77 779	866 669
Community services	594 766	-	115 500	84 528	794 794
Total	5 257 609	407 230	954 441	724 602	7 343 882

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Total
	R	R	R	R	R	R	R	R
45. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE								
Carrying values at 1 July 2011	16 400 744	1 362 298 041	12 210 812	825 806	426 759	975 986	2 476 023	1 395 614 171
Cost	3 374 744	1 400 101 746	17 772 592	1 730 959	973 689	1 646 970	5 478 366	1 431 079 066
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	13 026 000	-	-	-	-	-	-	13 026 000
Accumulated depreciation	-	-37 803 705	-5 561 780	-905 153	-546 931	-670 984	-3 002 343	-48 490 895
- Cost	-	37 803 705	5 561 780	905 153	546 931	670 984	3 002 343	48 490 895
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	2 247 991	-	1 298 851	455 849	201 582	198 610	1 230 957	5 633 840
Capital under construction	247 500	252 433 334	-	-	-	-	-	252 680 834
Increases / decreases in revaluation	-2 114 991	-	-	-	-	-	-	-2 114 991
Depreciation	-	-	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-	-	-	-	-	-
Cost / revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Impaired losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	16 781 244	1 614 731 375	13 509 662	1 281 656	628 340	1 174 595	3 706 980	1 651 813 853
Cost	3 622 244	1 652 535 080	19 071 442	2 186 808	1 175 271	1 845 580	6 709 323	1 687 145 749
Revaluation	13 159 000	-	-	-	-	-	-	13 159 000
Accumulated depreciation	-	-37 803 705	-5 561 780	-905 153	-546 931	-670 984	-3 002 343	-48 490 895
- Cost	-	37 803 705	5 561 780	905 153	546 931	670 984	3 002 343	48 490 895
- Revaluation	-	-	-	-	-	-	-	-

Refer to **Appendix B** for more detail on property, plant and equipment

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

	Land and buildings	Infrastructure	Official vehicles	Machinery and equipment	Office equipment	Office furniture	Computer equipment	Total
	R	R	R	R	R	R	R	R
RECONCILIATION OF CARRYING VALUE								
Carrying values at 1 July 2010	13 287 137	1 294 589 652	11 292 395	951 657	445 441	857 273	2 563 800	1 323 987 355
Cost	422 537	1 332 393 357	15 543 416	1 589 873	884 347	1 343 635	4 594 207	1 356 771 372
Correction of error (Note 33)	-	-	-	-	-	-	-	-
Revaluation	12 864 600	-	-	-	-	-	-	12 864 600
Accumulated depreciation	-	-37 803 705	-4 251 021	-638 216	-438 906	-486 362	-2 030 407	-45 648 617
- Cost	-	37 803 705	4 251 021	638 216	438 906	486 362	2 030 407	45 648 617
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	35 070	-	2 229 176	144 243	89 343	303 335	884 159	3 685 325
Capital under construction	2 952 207	67 708 389	-	-	-	-	-	70 660 596
Increases / decreases in revaluation	126 330	-	-	-	-	-	-	126 330
Depreciation	-	-	1 475 758	266 975	108 025	184 622	971 936	3 007 316
- based on cost	-	-	1 475 758	266 975	108 025	184 622	971 936	3 007 316
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-	-3 119	-	-	-	-3 119
Cost / revaluation	-	-	-	-3 157	-	-	-	-3 157
Accumulated depreciation	-	-	-	38	-	-	-	38
Impaired losses	-	-	-165 000	-	-	-	-	-165 000
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2011	16 400 744	1 362 298 041	12 210 812	825 806	426 759	975 986	2 476 023	1 395 614 171
Cost	3 374 744	1 400 101 746	17 772 592	1 730 959	973 689	1 646 970	5 478 366	1 431 079 066
Revaluation	13 026 000	-	-	-	-	-	-	13 026 000
Accumulated depreciation	-	-37 803 705	-5 561 780	-905 153	-546 931	-670 984	-3 002 343	-48 490 895
- Cost	-	37 803 705	5 561 780	905 153	546 931	670 984	3 002 343	48 490 895
- Revaluation	-	-	-	-	-	-	-	-

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

	Loan number	Redeemable date	Balance at 30 June 2011 R	Received during the period R	Redeemed / written off during the period R	Balance at 30 June 2012 R		Carrying value of Property plant and equipment R	Other costs in accordance with the MFMA R
LONG-TERM LOANS									
DBSA loan @ 6.75% fixed	0002	2011	-	-	-	-		-	-
Botshelo Water Loan @ 0%	0001	2011	-	-	-	-		-	-
ABSA Finance - Vehicle loan @ Prime plus .343%	0001	2008	-	-	-	-		-	-
TOTAL EXTERNAL LOANS			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation						Accumulated depreciation					Transfers	Other movements	Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss / reversal of impairment loss	Closing balance			
	R	R	R	R	R	R	R	R	R	R	R			
Land and buildings	16 400 744	2 247 991	-2 114 991	247 500	-	16 781 244	-	-	-	-	-	-	-	16 781 244
Infrastructure	1 400 101 746	-	-	252 433 334	-	1 652 535 080	37 803 705	-	-	-	37 803 705	-	-	1 614 731 375
Official vehicles	17 772 592	1 298 851	-	-	-	19 071 442	5 561 780	-	-	-	5 561 780	-	-	13 509 662
Machinery and equipment	1 730 959	455 849	-	-	-	2 186 808	905 153	-	-	-	905 153	-	-	1 281 656
Office equipment	973 689	201 582	-	-	-	1 175 271	546 931	-	-	-	546 931	-	-	628 340
Office furniture	1 646 970	198 610	-	-	-	1 845 580	670 984	-	-	-	670 984	-	-	1 174 595
Computer equipment	5 478 366	1 230 957	-	-	-	6 709 323	3 002 343	-	-	-	3 002 343	-	-	3 706 980
TOTAL	1 444 105 066	5 633 840	-2 114 991	252 680 834	-	1 700 304 749	48 490 895	-	-	-	48 490 895	-	-	1 651 813 853

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost / Revaluation						Accumulated depreciation					Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Impairment loss / reversal of impairment loss	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	
Office of the Executive Mayor	1 459 277	1 043 649	-	-	-	2 502 926	667 579	-	-	-	667 579	1 835 347
Office of the Speaker	395 628	126 613	-	-	-	522 240	162 604	-	-	-	162 604	359 637
Office of the Municipal Manager	127 990	56 452	-	-	-	184 442	69 996	-	-	-	69 996	114 446
Internal audit	824 764	144 622	-	-	-	969 385	515 557	-	-	-	515 557	453 829
Budget and treasury office	2 407 259	167 083	-	-	-	2 574 342	1 236 178	-	-	-	1 236 178	1 338 164
Corporate services	10 264 469	2 652 634	-2 114 991	247 500	-	11 049 612	1 759 054	-	-	-	1 759 054	9 290 558
IDP and PIMS	356 628	12 284	-	-	-	368 912	204 571	-	-	-	204 571	164 341
Environmental health	429 946	91 261	-	-	-	521 208	226 941	-	-	-	226 941	294 266
Fire and disaster management	17 133 207	1 013 022	-	-	-	18 146 229	4 789 894	-	-	-	4 789 894	13 356 335
Engineering services	1 330 329 665	65 195	-	210 362 651	-	1 540 757 511	38 135 038	-	-	-	38 135 038	1 502 622 473
Project management unit	78 858 528	68 556	-	42 070 684	-	120 997 768	142 139	-	-	-	142 139	120 855 629
Economic development, tourism and agriculture	1 517 704	192 470	-	-	-	1 710 174	581 344	-	-	-	581 344	1 128 830
TOTAL	1 444 105 066	5 633 840	-2 114 991	252 680 834	-	1 700 304 749	48 490 895	-	-	-	48 490 895	1 651 813 853

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2012			2011		
	Actual income	Actual Expenditure	Surplus / (Deficit)	Actual income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
Office of the Executive Mayor	11 630 149	13 439 192	-1 809 043	11 077 140	12 168 695	-1 091 555
Office of the Speaker	2 496 629	3 062 706	-566 077	2 054 749	2 281 629	-226 880
Office of the Municipal Manager	2 171 041	2 740 178	-569 138	1 946 499	2 044 585	-98 086
Internal audit	9 290 178	7 659 092	1 631 086	7 548 781	7 305 983	242 798
Budget and treasury office	17 658 689	9 337 875	8 320 813	13 543 920	10 887 257	2 656 662
Corporate services	23 797 005	25 890 285	-2 093 280	15 441 873	22 235 781	-6 793 908
IDP and PIMS	5 180 906	4 271 928	908 978	5 034 449	8 291 147	-3 256 697
Environmental health	7 884 118	7 654 504	229 613	6 502 477	6 282 829	219 648
Fire and disaster management	16 239 785	14 551 437	1 688 348	19 674 832	14 119 367	5 555 465
Engineering services	299 690 336	69 472 502	230 217 834	124 572 118	69 174 192	55 397 927
Project management unit	80 489 283	45 704 529	34 784 754	40 058 586	17 286 196	22 772 390
Economic development, tourism and agriculture	20 310 901	14 083 852	6 227 049	20 028 179	14 638 288	5 389 891
Clinics	-	-	-	-	-	-
Total	496 839 019	217 868 081	278 970 938	267 483 605	186 715 950	80 767 655

DR RUTH S MOMPATI DISTRICT MUNICIPALITY
APPENDIX E(1)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012				Explanation of significant variances greater than 10% versus budget
	Actual R	Budget R	Variance		
			R	%	
REVENUE					
Rental of facilities and equipment	571 557	541 662	29 895	6%	-
Interest earned - external investments	2 805 870	2 150 000	655 870	31%	-
Interest earned - outstanding debtors	-	-	-	0%	-
Government grants and subsidies	492 847 431	458 519 767	34 327 664	7%	Lower than anticipated conditional grants condition met due to lower than expected expenditure
Other income	514 161	308 600	205 561	67%	Mainly due to higher than expected reversal of impairment of receivables
TOTAL REVENUE	496 739 019	461 520 029	35 218 990	8%	
EXPENDITURE					
Employee related costs	62 145 620	64 952 457	2 806 836	4%	-
Remuneration of councillors	4 953 979	4 657 852	-296 127	-6%	-
Impairment of receivables	-6 166	500 000	506 166	101%	-
Collection costs	-	-	-	0%	-
Depreciation	-	4 352 500	4 352 500	100%	Mainly due to Infrastructure asset depreciation - difficult to predict at budget time
Repairs and maintenance	1 740 444	1 787 300	46 856	3%	-
Interest paid	-	5 000 000	5 000 000	100%	Lower than expected - no new loans taken up during the financial year
Bulk purchases	39 237 729	46 216 800	6 979 071	15%	-
Contracted services	51 840 623	35 551 048	-16 289 575	-46%	Slower than expected expenditure on rural sanitation and other key projects
Grants and subsidies paid	30 349 463	29 755 417	-594 047	-2%	Mainly due to faster implementation of NURP and community learnerships not expected
General expenses	25 466 398	22 003 580	-3 462 818	-16%	Mainly due to audit fees, travel and subsistence, special projects, etc.
TOTAL EXPENDITURE	215 728 090	214 776 953	-951 137	0%	
Gain / (loss) on disposal of PPE	-	-	-	-100%	Not anticipated per budget compilation
(Impairment loss) / reversal of impairment loss	-2 139 991	-	-2 139 991	100%	Not anticipated per budget compilation
Profit / (loss) on fair value adjustmen	100 000	-	100 000	100%	Not anticipated per budget compilation
NET SURPLUS / (DEFICIT) FOR THE YEAR	278 970 938	246 743 076	34 130 136	14%	

DR RUTH S MOMPATI DISTRICT MUNICIPALITY

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012							Explanation of significant variances greater than 10% versus budget
	Actual R	Increase in revaluation R	Under construction R	Total additions R	Budget R	Variance		
						R	%	
Office of the Executive Mayor	1 043 649	-	-	1 043 649	70 000	-973 649	-1391%	New equipment and furniture purchased not anticipated per budget
Office of the Speaker	126 613	-	-	126 613	60 000	-66 613	-111%	Lower than expected computer equipment purchased
Office of the Municipal Manager	56 452	-	-	56 452	15 000	-41 452	-276%	Lower than expected computer equipment purchased
Internal audit	144 622	-	-	144 622	85 000	-59 622	-70%	Lower than expected computer equipment purchased
Budget and treasury office	167 083	-	-	167 083	450 000	282 917	63%	Servers purchased not anticipated per budget
Corporate services	2 652 634	-2 114 991	247 500	2 900 134	13 450 000	10 549 866	78%	New offices and furniture purchased not anticipated per budget
IDP and PIMS	12 284	-	-	12 284	65 000	52 716	81%	Lower than expected computer equipment purchased
Environmental health	91 261	-	-	91 261	770 000	678 739	88%	Higher than expected computer equipment purchased
Fire and disaster management	1 013 022	-	-	1 013 022	645 000	-368 022	-57%	New fire engines purchased not anticipated per budget
Engineering services	65 195	-	210 362 651	210 427 846	135 641 970	-74 785 876	-55%	Lower than expected expenditure on rural water and other key projects
Project management unit	68 556	-	42 070 684	42 139 240	108 057 963	65 918 723	61%	Lower than expected expenditure on rural sanitation and other key MIG projects
Economic development, tourism and agriculture	192 470	-	-	192 470	90 000	-102 470	-114%	Mainly due to additions of new computers
TOTAL	5 633 840	-2 114 991	252 680 834	258 314 674	259 399 933	1 085 259	0%	

