



SEKHUKHUNE

District Municipality

Sekhukhune District Municipality

(Registration number DC 47)

Annual Financial Statements
for the year ended June 30, 2012

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

General Information

Legal form of entity	Local Government - Municipality
Nature of business and principal activities	Government Works
Mayoral committee Executive Mayor	Cllr Magabe D Cllr Mahlo SA Cllr Nchabeleng TL Cllr Seloane LM Cllr Mokganyetsi MJ Cllr Mokoka KSD Cllr Matlala RM Cllr Mamahlako M Cllr Kgoloko M
Councillors	Cllr Mathebe NC Cllr Thamaga MM Cllr Mathale MJ Cllr Sihlangu TL Cllr Mamahlako PM Cllr Mafefe OH Cllr Makuwa TH Cllr Mokwana LW Cllr Tala DL Cllr Makitla RJ Cllr Thobejane MD Cllr Tau LC Cllr Thokoane MJ Cllr Tshoma LH Cllr Masemola HR Cllr Mashabela MR Cllr Matjomane GD Cllr Moifo KH Cllr Mokhabela QE Cllr Mokoka KSD Cllr Moropane NM Cllr Mahlobogoane ST Cllr Maitula BM Cllr Makgoga NH Cllr Marapi MS
Grading of local authority	High capacity municipality
Accounting Officer	Mokoko MF
Chief Finance Officer (CFO)	Mokono M
Registered office	No 3 Wes Street Groblersdal 0470
Business address	No 3 Wes Street Groblersdal

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General Information

	0470
Postal address	Private Bag X8611 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Auditor-General
Development Entity	Sekhukhune Development Agency (Pty) Ltd
Audit committee members	M Mokwele - Chairperson M Mohohlo M Mahonga B Mahlobogoana D Manzini

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Abbreviations

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

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Accounting Officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on November 30, 2012 and were signed on its behalf by:

MF Mokoko

Friday, November 30, 2012

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Officer's Report

The accounting officer submits her report for the year ended June 30, 2012.

1. Review of activities

Main business and operations

The municipality is engaged in government works. The municipality operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality is 158,323,796 (2011: surplus 220,253,381).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
MF Mokoko

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a three monthly basis.

Councillors

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
 - ordinary councillors and members of the Mayoral committee

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Accounting Officer's Report

Executive Mayor and Speaker

The roles of the Speaker and Executive Mayor are separated with responsibilities divided between them so that no individual has unfettered powers of discretion

Remuneration

The remuneration of the Accounting Officer, and the directors are determined by council.

Salaries and allowances of Councillors, loans made to Councillors if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 28 of these financial statements are within Upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act.

Council meetings

Council has met on thirteen separate occasions during the financial year. Council meetings are scheduled to take place at least four times per annum.

Council meetings are open to the public..

Audit committee

Mr Mokwele Moloto was the chairperson of the audit committee. The committee met four times during the financial year and held three special meetings to review matters necessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has employed a team of four internal auditors during the year under review.

6. Interest in controlled entities

Name of controlled entity	Country of incorporation if not the RSA	
Sekhukhune Development Agency (Pty) Ltd	RSA	-

Details of the municipality's investment in controlled entities are set out in note 4.

7. Bankers

The municipality bank primarily with ABSA Bank

8. Auditors

Auditor-General will continue in office for the next financial period.

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Annual Financial Statements for the year ended June 30, 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	8	1,723,707	2,630,840
Receivables from exchange transactions	9	17,216,218	20,142,346
VAT receivable	10	32,083,617	105,094,421
Consumer debtors	11	12,380,940	33,268,279
Cash and cash equivalents	12	216,864,045	19,412,989
		280,268,527	180,548,875
Non-Current Assets			
Property, plant and Equipment	3	3,418,051,670	3,177,507,027
Total Assets		3,698,320,197	3,358,055,902
Liabilities			
Current Liabilities			
Other financial liabilities	13	642,839	609,084
Finance lease obligation	14	598,376	636,856
Operating lease liability	6	120,792	12,762
Payables from exchange transactions	17	207,631,142	175,104,449
Unspent conditional grants and receipts	15	142,609,898	11,661,519
Provisions	16	21,417,873	17,243,181
		373,020,920	205,267,851
Non-Current Liabilities			
Other financial liabilities	13	4,596,538	5,224,627
Finance lease obligation	14	427,551	1,025,924
Operating lease liability	6	450,373	524,329
Provisions	16	43,922,443	36,772,198
		49,396,905	43,547,078
Total Liabilities		422,417,825	248,814,929
Net Assets		3,275,902,372	3,109,240,973
Net Assets			
Accumulated surplus		3,275,902,372	3,109,240,973

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Annual Financial Statements for the year ended June 30, 2012

Statement of Financial Performance

Figures in Rand		2012	2011
Revenue			
Service charges	19	31,643,370	35,543,976
Government grants & subsidies	20	663,529,798	687,403,713
Sundry income		-	-
Other income		2,192,761	998,176
Interest received	27	13,500,056	10,195,812
Gains on disposal of assets	27	-	267,192
Total Revenue		710,865,985	734,408,869
Expenditure			
Employee cost	24	(190,749,352)	(159,518,750)
Remuneration of councillors	25	(6,433,858)	(6,884,994)
Depreciation and amortisation	28	(62,269,407)	(70,503,674)
Finance costs	29	(1,248,381)	(669,130)
Debt impairment	26	(11,632,340)	(11,353,857)
Water related expenses		(14,323,476)	(21,766,866)
Repairs and maintenance		(7,543,407)	(7,662,772)
Bulk purchases	31	(91,329,718)	(56,808,682)
General Expenses	22	(167,012,250)	(178,986,763)
Total Expenditure		(552,542,189)	(514,155,488)
Surplus for the year		158,323,796	220,253,381

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total Assets
Opening balance as previously reported	2,198,909,998	2,198,909,998
Adjustments		
Prior year adjustments	675,583,927	675,583,927
Balance at July 01, 2010 as restated	2,874,493,925	2,874,493,925
Changes in net assets		
Prior period errors	(26,139,801)	(26,139,801)
Current year adjustments	40,633,468	40,633,468
Net income (losses) recognised directly in net assets	14,493,667	14,493,667
Surplus for the year	220,253,381	220,253,381
Total recognised income and expenses for the year	234,747,048	234,747,048
Total changes	234,747,048	234,747,048
Opening balance as previously reported	2,433,657,043	2,433,657,043
Adjustments		
Correction of errors	683,921,533	683,921,533
Balance at July 01, 2011 as restated	3,117,578,576	3,117,578,576
Changes in net assets		
Surplus for the year	158,323,796	158,323,796
Total changes	158,323,796	158,323,796
Balance at June 30, 2012	3,275,902,372	3,275,902,372
Note(s)		

Sekhukhune District Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Equitable share		330,877,000	274,263,867
Sale of goods and services		40,898,369	11,090,193
Grants		463,601,177	414,993,440
Interest income		13,500,056	10,195,812
Other receipts		5,118,889	998,176
		<u>853,995,491</u>	<u>711,541,488</u>
Payments			
Employee costs		(185,858,273)	(145,270,690)
Suppliers		(172,833,918)	(166,374,618)
Finance costs		(1,248,381)	(669,130)
		<u>(359,940,572)</u>	<u>(312,314,438)</u>
Net cash flows from operating activities	32	<u>494,054,919</u>	<u>399,227,050</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(295,372,676)	(369,481,174)
Proceeds on disposal of property, plant and equipment	3	-	18,086,642
Proceeds from sale of financial assets		-	(5,000,000)
Net cash flows from investing activities		<u>(295,372,676)</u>	<u>(356,394,532)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(594,334)	(527,521)
Grant received in advance		-	(74,995,000)
Finance lease payments		(636,853)	(863,053)
Net cash flows from financing activities		<u>(1,231,187)</u>	<u>(76,385,574)</u>
Net increase/(decrease) in cash and cash equivalents		197,451,056	(33,553,056)
Cash and cash equivalents at the beginning of the year		19,412,989	52,966,045
Cash and cash equivalents at the end of the year	12	<u>216,864,045</u>	<u>19,412,989</u>

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

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

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

Provisions

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and Equipment

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

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

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

Property, plant and Equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.2 Property, plant and Equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Average useful life
Buildings	15-30 years
Furniture and fixtures	3-10 years
Motor vehicles	5-7 years
Office equipment	3-10 years
Infrastructure	
• Roads, pavements, bridges and storm water	1-100 years
• Water reservoirs and reticulation	5-80 years
• Street names, signs and parking meters	7-20 years
Community	
• Parks and gardens	10-30 years
• Sport fields	20-30 years
• Community halls	30 years
Security measures	3-10 years
Specialised vehicles	15-20 years

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

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Accounting Policies

1.2 Property, plant and Equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

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

1.3 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.4 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.5 Financial instruments

Classification

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

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

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

Subsequent measurement

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

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

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Sekhukhune District Municipality

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1.5 Financial instruments (continued)

Impairment of financial assets

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

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

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

Impairment losses are recognised in surplus or deficit.

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

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

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

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

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

Sekhukhune District Municipality

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Accounting Policies

1.5 Financial instruments (continued)

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Financial liabilities and equity instruments

Gains and losses

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

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

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

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

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.7 Inventories

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

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

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

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

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

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

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

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

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

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

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.8 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.9 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.10 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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Accounting Policies

1.10 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Accounting Policies

1.11 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Sekhukhune District Municipality

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Accounting Policies

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

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

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

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Sekhukhune District Municipality

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Accounting Policies

1.18 Irregular expenditure (continued)

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Sekhukhune District Municipality

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Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	April 01, 2011	
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	April 01, 2011	
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	April 01, 2011	
• IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	April 01, 2011	
• IGRAP 6: Loyalty Programmes	April 01, 2011	
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	April 01, 2011	
• IGRAP 9: Distributions of Non-cash Assets to Owners	April 01, 2011	
• IGRAP 10: Assets Received from Customers	April 01, 2011	
• IGRAP 13: Operating Leases – Incentives	April 01, 2011	
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	April 01, 2011	
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	April 01, 2011	
• GRAP 1 (as revised 2010): Presentation of Financial Statements	April 01, 2011	
• GRAP 2 (as revised 2010): Cash Flow Statements	April 01, 2011	
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	April 01, 2011	
• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	April 01, 2011	
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	April 01, 2011	
• GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	April 01, 2011	
• GRAP 11 (as revised 2010): Construction Contracts	April 01, 2011	
• GRAP 12 (as revised 2010): Inventories	April 01, 2011	
• GRAP 13 (as revised 2010): Leases	April 01, 2011	
• GRAP 14 (as revised 2010): Events After the Reporting Date	April 01, 2011	
• GRAP 16 (as revised 2010): Investment Property	April 01, 2011	
• GRAP 17 (as revised 2010): Property, Plant and Equipment	April 01, 2011	
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	April 01, 2011	
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	April 01, 2011	
• GRAP 105: Transfers of functions between entities under common control	April 01, 2011	

2.2 Standards and interpretations issued, but not yet effective

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

Sekhukhune District Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 01, 2013	
• GRAP 24: Presentation of Budget Information in the Financial Statements	April 01, 2012	
• GRAP 103: Heritage Assets	April 01, 2012	
• GRAP 21: Impairment of non-cash-generating assets	April 01, 2012	
• GRAP 26: Impairment of cash-generating assets	April 01, 2012	
• GRAP 104: Financial Instruments	April 01, 2012	
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	April 01, 2013	
• GRAP 106: Transfers of functions between entities not under common control	April 01, 2014	
• GRAP 107: Mergers	April 01, 2014	
• GRAP 20: Related parties	April 01, 2013	

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3. Property, plant and Equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4,260,625	-	4,260,625	4,260,625	-	4,260,625
Buildings	10,184,871	(2,933,279)	7,251,592	8,264,378	(2,589,012)	5,675,366
Leasehold property	4,293,083	(3,425,111)	867,972	4,293,083	(2,836,496)	1,456,587
Furniture and fixtures	3,636,779	(1,665,223)	1,971,556	2,343,789	(1,227,300)	1,116,489
Motor vehicles	6,757,680	(1,266,623)	5,491,057	1,255,426	(1,129,564)	125,862
Office equipment	5,370,947	(2,987,214)	2,383,733	3,008,910	(2,583,348)	425,562
Community	92,046,954	(63,361,809)	28,685,145	92,046,954	(58,329,915)	33,717,039
Roads and Stormwater	2,015,623,386	(1,179,042,493)	836,580,893	2,010,781,542	(1,156,013,447)	854,768,095
Capital work in progress	1,535,384,321	-	1,535,384,321	1,283,303,516	-	1,283,303,516
Emergency equipment	1,488,033	(531,219)	956,814	537,448	(466,367)	71,081
Bins and containers	197,430	(9,876)	187,554	8,848	(5,266)	3,582
Wastewater network	192,939,800	(73,113,609)	119,826,191	192,939,800	(69,289,990)	123,649,810
Water network	1,317,732,146	(443,527,929)	874,204,217	1,284,061,686	(415,128,273)	868,933,413
Total	5,189,916,055	(1,771,864,385)	3,418,051,670	4,887,106,005	(1,709,598,978)	3,177,507,027

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	New assets found	Depreciation	Total
Land	4,260,625	-	-	-	-	4,260,625
Buildings	5,675,366	-	1,920,493	-	(344,267)	7,251,592
Leasehold property	1,456,587	-	-	-	(588,615)	867,972
Furniture and fixtures	1,116,489	55,940	-	1,241,050	(441,923)	1,971,556
Motor vehicles	125,862	1,274,754	-	4,227,500	(137,059)	5,491,057
Office equipment	425,562	1,347,007	-	1,015,030	(403,866)	2,383,733
Community	33,717,039	-	-	-	(5,031,894)	28,685,145
Roads and Stormwater	854,768,095	-	4,841,844	-	(23,029,046)	836,580,893
Capital work in progress	1,283,303,516	292,513,604	(40,432,799)	-	-	1,535,384,321
Emergency Equipment	71,081	-	-	950,585	(64,852)	956,814
Bins and containers	3,582	181,371	-	7,210	(4,609)	187,554
Wastewater network	123,649,810	-	-	-	(3,823,619)	119,826,191
Water network	868,933,413	-	33,670,460	-	(28,399,656)	874,204,217
	3,177,507,027	295,372,676	(2)	7,441,375	(62,269,406)	3,418,051,670

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

3. Property, plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	4,260,625	-	-	-	-	4,260,625
Buildings	6,131,773	-	-	-	(456,407)	5,675,366
Leasehold property	2,256,999	-	-	-	(800,412)	1,456,587
Furniture and fixtures	7,519,188	285,767	(5,297,020)	-	(1,391,446)	1,116,489
Motor vehicles	9,114,458	-	(6,455,088)	-	(2,533,508)	125,862
Office equipment	7,728,460	1,171,076	(6,067,342)	-	(2,406,632)	425,562
Community	25,716,293	-	-	12,594,806	(4,594,060)	33,717,039
Roads and Stormwater	859,790,355	-	-	19,921,015	(24,943,275)	854,768,095
Capital work in progress	976,604,766	368,024,331	-	(61,325,581)	-	1,283,303,516
Emergency Equipment	71,081	-	-	-	-	71,081
Bins and containers	3,582	-	-	-	-	3,582
Wastewater network	127,473,680	-	-	-	(3,823,870)	123,649,810
Water network	869,760,703	-	-	28,809,758	(29,637,048)	868,933,413
	2,896,431,963	369,481,174	(17,819,450)	(2)	(70,586,658)	3,177,507,027

Assets subject to finance lease (Net carrying amount)

Leased assets	867,972	1,456,587
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Investments in controlled entities

Name of company	Held by	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Sekhukhune Development Agency (Pty) Ltd	Sekhukhune District Municipality	100.00 %	100.00 %	-	-

The carrying amounts of controlled entities are shown net of impairment losses.

5. Other financial assets

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

6. Operating lease asset (accrual)

Non-current liabilities	(450,373)	(524,329)
Current liabilities	(120,792)	(12,762)
	(571,165)	(537,091)

Lease payments (excluding costs for services such as insurance and maintenance) are recognised as an expense in the statement of financial performance on a straightline basis. The difference between the actual payments and the straight line payments are reflected as operating lease accruals.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
7. Employee benefit obligations		
Defined contribution plan		
It is the policy of the municipality to provide retirement benefits to all its 887 employees.		
The municipality is under no obligation to cover any unfunded benefits.		
8. Inventories		
Consumable stores	1,575,590	2,469,867
Water	148,117	160,973
	1,723,707	2,630,840
Carrying value of inventories carried at fair value less costs to sell	2,425,026	2,630,840
Inventories recognised as an expense during the year	-	2,334,189
9. Receivables from exchange transactions		
Employee costs in advance	161,387	-
Interest receivable	500,072	-
Loan Tubatse	-	5,000,000
Sundry Debtors	16,554,759	15,142,346
	17,216,218	20,142,346
10. VAT receivable		
VAT	32,083,617	105,094,421

The municipality is registered for Value Added Tax on a cash basis and payments are made to SARS on the 30th of each month.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
11. Consumer debtors		
• Sekhukhune District Municipality		
Consumer debtors from local municipalities	31,466,058	24,736,867
Water and other services	10,390,590	26,374,780
	41,856,648	51,111,647
Less: Provision for debt impairment		
Consumer debtors from local municipalities	(20,850,108)	(17,842,368)
Water and other services	(8,625,600)	(1,000)
	(29,475,708)	(17,843,368)
Net balance		
Consumer debtors from local municipalities	10,615,950	6,894,499
Water and other services	1,764,990	26,373,780
	12,380,940	33,268,279
Consumer debtors from local municipalities		
Current (0 -30 days)	2,455,340	1,375,031
31 - 60 days	2,153,831	566,009
61 - 90 days	538,777	394,277
91 - 120 days	407,061	3,622,757
121 - 365 days	1,484,799	668,818
> 365 days	3,576,142	267,607
	10,615,950	6,894,499
Water and other services		
Current (0 -30 days)	210,333	3,694,911
31 - 60 days	506,796	1,762,576
61 - 90 days	104,359	16,148,255
90-120 days	943,502	4,768,038
	1,764,990	26,373,780
Reconciliation of debt impairment provision		
Balance at beginning of the year	(17,843,368)	-
Contributions to provision	(11,632,340)	(17,843,368)
	(29,475,708)	(17,843,368)

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	116,848,809	19,397,753
Short-term deposits	100,015,236	15,236
	216,864,045	19,412,989

The municipality had the following bank accounts

Description and account number	Bank statement balances		Cash book balances		
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	
ABSA BANK - Short Term Investment - 20 6957 5541	1,069	1,069	-	1,069	-
NEDBANK - Short Term Investment -	100,000,000	-	-	-	-
STANDARD BANK - Short Term Investment - 334783232	14,167	14,167	-	14,167	-
ABSA BANK - Primary Account - 4053013501	161,377,768	30,087,976	-	116,848,809	19,397,753
Total	261,393,004	30,103,212	-	216,864,045	19,412,989

13. Other financial liabilities

Held at amortised cost

Loan from Anglo Platinum - Short Term Portion The loan is interest free, unsecured and repayable in bi - annual instalments of R542 690. The loan is amortised using the effective interest rate method	642,839	609,084
Loan from Anglo Platinum - Long Term Portion	4,596,538	5,224,627

5,239,377 **5,833,711**

Non-current liabilities

At amortised cost	4,596,538	5,224,627
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Current liabilities

At amortised cost	642,839	609,084
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5,239,377 **5,833,711**

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
14. Finance lease obligation		
Minimum lease payments due		
- within one year	730,230	853,172
- in second to fifth year inclusive	453,601	1,171,068
	<u>1,183,831</u>	<u>2,024,240</u>
Less: future finance charges	(145,142)	(361,460)
Present value of minimum lease payments	<u>1,038,689</u>	<u>1,662,780</u>
Present value of minimum lease payments due		
- within one year	611,138	636,854
- in second to fifth year inclusive	427,551	1,025,926
	<u>1,038,689</u>	<u>1,662,780</u>
Non-current liabilities	427,551	1,025,924
Current liabilities	598,376	636,856
	<u>1,025,927</u>	<u>1,662,780</u>

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

The average lease term was 3-5 years and the average effective borrowing rate was 15% (2011: 15%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	125,741,368	-
Municipal Finance Management Grant	1,406,956	1,931,956
RTSIG Grant	1,571,279	-
DWA - WSOG Refurbishment Grant	13,890,295	6,229,563
DWA Drought Relief Grant	-	3,500,000
	<u>142,609,898</u>	<u>11,661,519</u>

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

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

See note 20 for reconciliation of grants from National/Provincial Government.

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

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

16. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	34,017,047	2,014,245	-	36,031,292
Provision for bonus	4,270,626	-	(45,963)	4,224,663
Provision for leave pay	12,972,555	4,220,655	-	17,193,210
Provision for long service awards	2,755,151	5,136,000	-	7,891,151
	54,015,379	11,370,900	(45,963)	65,340,316

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	18,346,829	15,670,218	-	34,017,047
Provision for bonus	2,025,718	4,270,626	(2,025,718)	4,270,626
Provision for leave pay	11,928,404	12,972,555	(11,928,404)	12,972,555
Employee benefit cost	-	2,755,151	-	2,755,151
	32,300,951	35,668,550	(13,954,122)	54,015,379

Non-current liabilities	43,922,443	36,772,198
Current liabilities	21,417,873	17,243,181
	65,340,316	54,015,379

17. Payables from exchange transactions

Trade payables	81,876,358	58,223,657
Local Municipalities Services	12,596,858	14,606,372
Employee Cost	(3,004)	(231,542)
Unknown Income	294,915	-
Retention and Cessions	112,866,015	102,505,962
	207,631,142	175,104,449

18. Revenue

Service charges	31,643,370	35,543,976
Government grants & subsidies	663,529,798	687,403,713
	695,173,168	722,947,689

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

Service charges	31,643,370	35,543,976
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The amount included in revenue arising from non-exchange transactions is as follows:

Grants received	663,529,798	687,403,713
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Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
19. Service charges		
Sale of water	26,044,536	34,766,262
Sewerage and sanitation charges	5,598,834	777,714
	31,643,370	35,543,976

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
20. Government grants and subsidies		
Equitable share	330,877,000	274,263,867
Municipal Systems Improvement Grant	790,000	-
DWA - WSOG Refurbishment Grant	2,339,268	-
Municipal infrastructure grant - Operational Grant	3,500,000	-
RTSIG Grant	115,721	-
Municipal Finance Grant	1,250,000	218,857
EPWP grant	2,742,000	2,755,900
DWA - O&M	29,108,000	53,824,715
ACIP - Department of Human Settlements	4,671,240	9,045,739
ACIP - Department of Water Affairs	-	5,000,000
RBIG	73,169,937	56,099,635
Municipal Infrastructure Grant	214,966,632	286,195,000
	663,529,798	687,403,713

Equitable Share

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

Municipal Infrastructure Grant

Current-year receipts	344,208,000	286,195,000
Conditions met - transferred to revenue	(218,466,632)	(286,195,000)
	125,741,368	-

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

Municipal Finance Management Grant

Balance unspent at beginning of year	1,931,956	1,150,812
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,250,000)	(218,856)
Transferred back to Treasury	(525,000)	-
	1,406,956	1,931,956

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

Agriculture Feasibility Study - LED

Balance unspent at beginning of year	-	(1,072,450)
Current-year receipts	-	1,072,450
	-	-

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

Water Infrastructure and O&M Grants - DWA

Current-year receipts	29,108,000	50,059,278
Conditions met - transferred to revenue	(29,108,000)	(50,059,278)
	-	-

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

RTSIG Grant

Current-year receipts	1,687,000	-
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Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
20. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(115,721)	-
	1,571,279	-
Conditions still to be met - remain liabilities (see note 15).		
DWA Refurbishment		
Balance unspent at beginning of year	6,229,563	-
Current-year receipts	10,000,000	10,000,000
Conditions met - transferred to revenue	(2,339,268)	(3,770,437)
	13,890,295	6,229,563
Conditions still to be met - remain liabilities (see note 15).		
EPWP Infrastructure Grant		
Current-year receipts	2,742,000	-
Conditions met - transferred to revenue	(2,742,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 15).		
DWA Drought Relief Grant		
Balance unspent at beginning of year	3,500,000	3,500,000
Transferred back to Treasury	(3,500,000)	-
	-	3,500,000
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
21. Other revenue		
Other income	2,192,761	998,176

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
22. General expenses		
Advertising	711,465	665,649
Assessment rates & municipal charges	545,311	470,025
Auditors remuneration	4,612,727	1,930,561
Bank charges	131,159	122,214
Commission paid	9,499,365	23,625,005
Computer expenses	190,288	399,465
Professional and consulting fees	32,683,368	12,690,123
Consumables	1,966,443	518,526
Entertainment	210,293	469,364
Fines and penalties	-	956,334
Gifts	-	51,200
Insurance	1,890,670	1,373,714
Community services	8,284,578	7,442,227
IT expenses	2,459,541	1,097,029
Lease rentals on operating lease	5,491,096	5,518,854
Fuel expenses	5,656,655	6,258,310
Restoration of landfill site provision	2,188,915	1,732,103
Promotions and sponsorships	207,359	-
Levies	63,428	-
Magazines, books and periodicals	6,500	59,693
Motor vehicle expenses	4,936,041	10,043,709
Placement fees	596,399	25,949
Printing and stationery	112,789	124,248
Protective clothing	293,002	-
Project maintenance costs	9,588,705	15,114,718
Llicense fees	90,378	1,038,956
Security (Guarding of municipal property)	13,098,432	12,760,098
Skills Development Levy	1,122,355	1,054,350
Subscriptions and membership fees	250,526	1,476,383
Telephone and fax	4,039,985	1,247,072
Training	95,494	113,193
Travelling and subsistence	12,227,426	9,745,954
Free basic water and electricity	-	597,825
Grant to Sekhukhune Development Agency	1,057,579	1,047,632
Restoration of landfill site provision	3,311,001	16,251,592
FMG expenditure	690,689	211,358
Water distribution	14,637,462	29,506,897
Chemicals	4,662,016	4,591,806
Other expenses	19,402,810	8,654,627
	167,012,250	178,986,763

23. Operating surplus/(deficit)

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

Operating lease charges

Premises		
• Contractual amounts	4,217,782	3,837,492
Equipment		
• Contractual amounts	1,273,314	1,681,362
	5,491,096	5,518,854
Gain on sale of property, plant and equipment	-	267,192
Depreciation on property, plant and equipment	62,269,407	70,503,674
Employee costs	197,183,210	166,403,744

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
24. Employee related costs		
Basic	125,515,690	101,358,863
Bonus	17,167,250	10,737,674
Medical aid - company contributions	5,199,786	4,592,540
UIF	934,485	787,863
Other payroll levies	265,711	322,455
Leave pay provision charge	942,777	1,044,151
Overtime payments	2,277,441	588,819
Long-service awards	-	792,611
Transport allowance	12,993,620	11,812,656
Housing benefits and allowances	2,265,154	2,264,850
Group life insurance	519,014	671,689
Uniform allowance	15,965	123,520
Pension Fund	16,320,866	14,685,498
Telephone allowance	771,010	263,038
	185,188,769	150,046,227

Remuneration of municipal manager

Annual Remuneration including Benefits and Allowances	199,932	767,598
Car Allowance	27,987	72,000
Acting allowance	27,734	-
Cellphone allowance	4,775	-
Contributions to UIF, Medical and Pension Funds	12,281	39,657
Severance Package	-	1,146,028
Grouplife	15,400	4,788
Skill levy	2,218	9,582
	290,327	2,039,653

The Municipal Manager was appointed in April 2012.

Remuneration of chief finance officer

Annual Remuneration including benefits and allowances	-	857,817
Car Allowance	-	72,000
Acting allowance	314,261	-
Contributions to UIF, Medical and Pension Funds	-	18,088
Grouplife	-	3,464
Skills Levy	-	9,026
	314,261	960,395

The Chief Finance Officer's position was vacant during the financial year.

Remuneration of Director Administration

Annual Remuneration including benefits and allowances	-	770,717
Car Allowance	-	96,000
Contributions to UIF, Medical and Pension Funds	-	35,416
Grouplife	-	4,805
Skills levy	-	7,143
	-	914,081

The division was merged into Corporate services during the current year.

Chief Audit Executive

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
24. Employee related costs (continued)		
Annual Remuneration	454,848	-
Car Allowance	154,715	-
Annual Bonuses	41,681	-
Contributions to UIF, Medical and Pension Funds	18,737	-
Grouplife	54,691	-
Cellphone	14,326	-
	738,998	-

The director was appointed as an executive from 01 July 2011

Corporate and human resources (corporate services)

Annual Remuneration including benefits and allowances	716,333	745,085
Car Allowance	113,918	96,000
Cellphone Allowance	17,918	-
Contributions to UIF, Medical and Pension Funds	36,338	20,452
Grouplife	9,405	5,974
Skills levy	7,632	7,635
	901,544	875,146

Director of Community services

Annual Remuneration including benefits and allowances	807,281	784,112
Car allowance	112,741	111,480
Cellphone allowance	17,400	-
Contributions to UIF, Medical and Pension Funds	1,547	1,537
Grouplife	10,744	6,367
Skills levy	9,031	8,001
	958,744	911,497

Director of Technical Services

Annual Remuneration including benefits and allowances	85,880	419,874
Car Allowance	11,688	100,100
Acting allowance	120,660	-
Contributions to UIF, Medical and Pension Funds	129	45,424
Skills levy	952	4,095
	219,309	569,493

The Director was appointed on 01st June 2012.

Planning and economic development

Annual Remuneration including benefits and allowances	178,719	349,865
Car Allowance	35,634	38,450
Acting allowance	190,894	-
Contributions to UIF, Medical and Pension Funds	5,819	21,635
Grouplife	-	955
Skills levy	2,113	3,597
Cellphone	3,184	-
	416,363	414,502

The Director was appointed on April 2012

Executive Mayor's office

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
24. Employee related costs (continued)		
Annual Remuneration including benefits and allowances	450,715	746,736
Car Allowance	72,720	84,000
Annual Bonus	54,858	-
Contributions to UIF, Medical and Pension Funds	12,169	63,124
Group life	46,200	11,412
Skills levy	2,097	7,395
Cell phone	28,674	-
	667,433	912,667

The director resigned on 31 March 2012

Strategic Management

Annual Remuneration including benefits and allowances	-	799,361
Car Allowance	-	5,000
Contributions to UIF, Medical and Pension Funds	-	54,919
Group life	-	1,994
Skills Levy	-	7,023
	-	868,297

The division has been merged onto Planning and development

Chief Operations Officer

Annual Remuneration	539,404	798,287
Car Allowance	234,001	81,000
Lumpsum payout	176,497	-
Contributions to UIF, Medical and Pension Funds	23,817	115,628
Group life	50,033	4,485
Skills levy	-	7,392
Cellphone	29,852	-
	1,053,604	1,006,792

The director resigned effective from 31 March 2012

All directors, non executive managers and other officials as per council cellphone policy are entitled to use of cellphone at council cost

25. Remuneration of councillors

Executive Mayor	672,809	605,167
Mayoral Committee Members	2,971,016	2,539,576
Speaker	522,917	549,376
Councillors	2,267,116	3,190,875
	6,433,858	6,884,994

In-kind benefits

The Executive Mayor, Deputy 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 is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

All councillors are entitled to the use of a cellphone at the cost of the council.

The Mayor has three full-time chauffeurs.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
26. Debt impairment		
Debt impairment	11,632,340	11,353,857
27. Investment revenue		
Interest revenue		
Bank and investments	12,320,614	10,195,812
Interest charged on trade and other receivables	1,179,442	-
	13,500,056	10,195,812
The amount included in Investment revenue arising from exchange transactions amounted to -R13 500 056.		
The amount included in Investment revenue arising from non-exchange transactions amounted to -R0.		
28. Depreciation and amortisation		
Property, plant and Equipment	62,269,407	70,503,674
29. Finance costs		
Bank and long term loans	793,338	-
Interest on Anglo Platinum loan	455,043	639,923
Other interest paid	-	29,207
	1,248,381	669,130
30. Auditors' remuneration		
Fees	4,594,215	1,930,561
Expenses	18,512	-
	4,612,727	1,930,561
31. Bulk purchases		
Electricity	18,406,819	10,388,298
Water	72,922,899	45,726,749
Bulk paper	-	693,635
	91,329,718	56,808,682

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
32. Cash generated from/(used in) operations		
Surplus / (deficit)	158,323,796	220,253,381
Adjustments for:		
Depreciation and amortisation	62,269,407	70,503,674
Proceeds from disposal of assets	-	(267,192)
Debt impairment	11,632,340	11,353,857
Movements in operating lease assets and accruals	34,074	87,237
Movements in provisions	11,324,937	21,133,054
Prior period error	896,233	-
Changes in working capital:		
Inventories	907,133	1,325,756
Receivables from exchange transactions	2,926,128	-
Consumer debtors	9,254,999	(24,453,783)
Prepayments	-	55,234,754
Payables from exchange transactions	32,526,689	32,020,605
VAT	73,010,804	10,182,113
Unspent conditional grants and receipts	130,948,379	1,853,594
	494,054,919	399,227,050
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Water	268,448,472	182,533,427
• Community Assets	3,949,306	-
• Sanitation	11,294,808	6,760,036
• Roads	11,604,011	6,578,261
	295,296,597	195,871,724
Not yet contracted for and authorised by Council		
• Water	49,094,400	201,060,506
• Community Assets	2,000,000	4,000,000
• Sanitation	70,364,200	61,854,031
• Roads	-	22,442,739
	121,458,600	289,357,276

This committed expenditure relates to infrastructure and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

34. Contingencies

The municipality is involved in number of litigation processes relating to dispute with creditors who allege that the municipality has defaulted on payments of goods and services rendered. The claims against the municipality total an amount of R 448 414 (2011 : R13 268 032).

The municipality's attorneys and management consider the likelihood of the actions against the municipality being successful as unlikely.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand 2012 2011

35. Related parties

Relationships

Acting Accounting Officer	MJ Ntshudisane
Suppliers with key management personnel that is also board members of the controlled entity	Abram Mashabela - Maximum Security and Mathomomayo Investment Holdings Mantsitsi Maphutha - MPRN Sekhukhune Development Agency (Pty) Ltd 4 Ntshudisane Construction CC
Controlled entities	
Supplier with key management that is also key management in Sekhukhune District Municipality	
Members of key management	MJ Ntshudisane. Refer to note 24 for details of all section 56 Managers.
Councillors	Refer to Note 25 for details of payments made

Related party transactions

Purchases from related parties

MPRN	905,809	4,762,703
Mathomomayo Investment Holdings	1,511,277	183,843

Rent paid to related parties

Ntshudisane Construction	-	87,247
Thaneka Consulting Projects	594,657	594,660
Maximum Security	7,363,997	14,382,274

36. Prior period errors

The following Prior period errors were identified and retrospectively corrected:

- Input VAT to the amount of R 8 095 638 was claimed from SARS during the year and it relates to transactions incurred in the previous years.
- SARS has disallowed Input VAT to the amount of R 5 480 071 which was claimed in the previous years.
- Trade and payables to the amount of R 4 342 382 from previous years could not be confirmed and was written off.
- Transferred assets from local municipalities with a carrying value of R 829 098 046 were incorrectly accounted for as payables in the previous years. The payable was reversed.
- Trade payables and expenditure was overstated with an amount of R 654 522 as a result that suppliers were paid directly from expenditure line items after a creditor was raised.
- The provision for landfill rehabilitation in the prior year did not agree to the report from the valuers. The expenditure and provision were understated with an amount of R15 902 127.
- Retention payments to the amount of R 9 760 152 were made to contractors in the prior year in excess of balances in the retention account.
- Moveable assets with a fair value of R 7 441 375 were identified during the year and were not accounted for in the prior years.
- Moveable assets with a carrying value of R 19 619 684 reported in the previous years could not be physically verified and have been written off.
- The water service debtors reported in the previous year did not agree to the debtors age analysis from local municipalities. The water service debtors was therefore understated with an amount of R 3 697 807.
- Accruals on bulk water services to the value of R26 443 860 were not recorded resulting in understatement of accruals and expenditure
- Opening balance of other financial liabilities was overstated by R 507 879 and also finance costs overstated.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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36. Prior period errors (continued)

- The unspent conditional grant and revenue from grants were understated and overstated retrospectively by an amount of R6 229 563 due to money not yet utilised erroneously recognised as revenue.

- Invalid unspent grant to the value of R1 578 700 was recognised in prior periods.

- Unspent conditional grant (DWA Drought relief) to the value of R 3 500 000 was not accounted for in the previous periods and was deducted from equitable shares during the year under review.

- Opening balance of buildings was overstated by an amount of R 6 437 481 and did not agree to the fixed asset register.

- Expenditure incurred in previous years was erroneously capitalised as Capital work in progress to the value of R98 384 402.

- Capital projects to the value of R53 853 037 completed in prior periods were capitalised during the year and this resulted in backlog depreciation to the amount of R 1 506 813

- An overpayment was made to the value of R15 142 346 to a service provider and a debtor was recognised in the prior year.

- Buildings to the value R 2 840 744 leased by the municipality was erroneously capitalised.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

VAT Receivable	-	11,356,541
Property, plant and equipment	-	(93,486,853)
Consumer debtors	-	5,461,401
Unspent conditional grants	-	(8,150,863)
Trades and payables	-	794,721,934
Provisions	-	(15,902,128)
Other financial liabilities	-	507,880
Receivables from exchange transactions	-	15,142,346

Statement of Financial Performance

General expenses	-	15,004,133
Finance costs	-	(507,880)
Bulk purchases	-	22,381,213
Employee costs	-	(3,714,011)
Grants	-	6,229,563
Depreciation	-	1,240,451
Revenue	-	6,229,563

Cash flow statement

37. Going concern

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

The ability of the municipality to continue as a going concern is dependent on funding from the national treasury.

38. Unauthorised expenditure

Unauthorised expenditure	4,316,554	2,615,598
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Unauthorised expenditure was incurred on projects not yet registered with MIG.

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
39. Fruitless and wasteful expenditure		
Opening balance	7,204,157	1,463,315
Movements	576,489	5,740,842
	7,780,646	7,204,157

The council has instituted investigations relating to fruitless and wasteful expenditure incurred in the previous years and the investigations are still in progress

Current year fruitless expenditure constitute of an amount R568 849 paid for interest charged on overdue accounts and R8 000 paid for breach of contract.

40. Irregular expenditure

Opening balance	215,878,250	1,463,475
Add: Irregular Expenditure - current year	63,144,022	214,414,775
	279,022,272	215,878,250

Analysis of expenditure awaiting condonation per age classification

Current year	63,144,022	-
Prior years	215,878,250	1,463,475
	279,022,272	1,463,475

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non compliance to SCM policy and Regulation 9544 (Government gazette No 34350). The municipality has not used the B-BBEEE status level of contributor in evaluating four contracts	No disciplinary action taken yet.	7,186,169
Non compliance to Section 26B of SCM policy as the municipality did not advertise a tender for a minimum period of 30 days as required.	No disciplinary action taken yet	12,434,060
Non compliance to GNR 868, Regulation 44 - Prohibition of awards to persons in the service of state		43,523,793
		63,144,022

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	205,773	198,567
Amount paid - current year	(205,773)	(198,567)
	-	-

PAYE and UIF

Current year subscription / fee	24,974,516	-
Amount paid - current year	(24,974,516)	-
	-	-

Sekhukhune District Municipality

Annual Financial Statements for the year ended June 30, 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
41. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	33,322,107	-
Amount paid - current year	(33,322,107)	-
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	32,083,617	105,094,421
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Goods and services	1,928,934	-

Sekhukhune District Municipality

Appendix A

June 2012

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at Thursday, June 30, 2011	Received during the period	Redeemed written off during the period	Balance at Saturday, June 30, 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Lease liability							
Finance lease - PPE	Various	1,662,780	-	636,853	1,025,927	867,972	-
		1,662,780	-	636,853	1,025,927	867,972	-
Annuity loans							
Rustenburg Platinum Mines	None	5,833,711	-	594,338	5,239,373	-	-
		5,833,711	-	594,338	5,239,373	-	-
Total external loans							
Lease liability		1,662,780	-	636,853	1,025,927	867,972	-
Annuity loans		5,833,711	-	594,338	5,239,373	-	-
		7,496,491	-	1,231,191	6,265,300	867,972	-

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

June 2012

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4,260,625	-	-	-	-	-	4,260,625	-	-	-	-	-	-	4,260,625
Landfill Sites (Separate for AFS purposes)	79,452,148	-	-	-	-	-	79,452,148	(58,128,834)	-	-	(4,392,486)	-	(62,521,320)	16,930,828
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	13,667,613	-	-	1,920,493	-	-	15,588,106	(5,151,503)	-	-	(514,179)	-	(5,665,682)	9,922,424
	97,380,386	-	-	1,920,493	-	-	99,300,879	(63,280,337)	-	-	(4,906,665)	-	(68,187,002)	31,113,877
Infrastructure														
Roads, Pavements & Bridges	2,010,781,542	-	-	4,841,844	-	-	2,015,623,386	(1,156,013,447)	-	-	(23,029,046)	-	(1,179,042,493)	836,580,893
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	1,284,061,686	-	-	33,670,460	-	-	1,317,732,146	(415,128,273)	-	-	(21,876,181)	-	(437,004,454)	880,727,692
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	192,939,800	-	-	-	-	-	192,939,800	(69,289,990)	-	-	(3,823,619)	-	(73,113,609)	119,826,191
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,487,783,028	-	-	38,512,304	-	-	3,526,295,332	(1,640,431,710)	-	-	(48,728,846)	-	(1,689,160,556)	1,837,134,776
Community Assets														
Parks & clinics and stadiums	12,594,806	-	-	-	-	-	12,594,806	(201,081)	(639,408)	-	-	-	(840,489)	11,754,317
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12,594,806	-	-	-	-	-	12,594,806	(201,081)	(639,408)	-	-	-	(840,489)	11,754,317

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

June 2012

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	1,255,426	1,274,754	-	-	-	4,227,500	6,757,680	(1,129,564)	-	-	(137,059)	-	(1,266,623)	5,491,057
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,343,789	55,940	-	-	-	1,241,050	3,640,779	(1,227,300)	-	-	(441,923)	-	(1,669,223)	1,971,556
Office Equipment	3,008,910	1,347,007	-	-	-	1,015,030	5,370,947	(2,583,348)	-	-	(403,866)	-	(2,987,214)	2,383,733
Office Equipment - Leased	4,293,083	-	-	-	-	-	4,293,083	(2,836,496)	-	-	(588,615)	-	(3,425,111)	867,972
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	8,848	181,371	-	-	-	7,210	197,429	(5,266)	-	-	(4,609)	-	(9,875)	187,554
Work in progress	1,283,303,516	292,183,938	-	(40,432,797)	-	-	1,535,054,657	-	-	-	-	-	-	1,535,054,657
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,294,213,572	295,043,010	-	(40,432,797)	-	6,490,790	1,555,314,575	(7,781,974)	-	-	(1,576,072)	-	(9,358,046)	1,545,956,529

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

June 2012

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	97,380,386	-	-	1,920,493	-	-	99,300,879	(63,280,337)	-	-	(4,906,665)	-	(68,187,002)	31,113,877
Infrastructure	3,487,783,028	-	-	38,512,304	-	-	3,526,295,332	1,640,431,710	-	-	(48,728,846)	-	1,689,160,556	1,837,134,776
Community Assets	12,594,806	-	-	-	-	-	12,594,806	(201,081)	(639,408)	-	-	-	(840,489)	11,754,317
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,294,213,572	295,043,010	-	(40,432,797)	-	6,490,790	1,555,314,575	(7,781,974)	-	-	(1,576,072)	-	(9,358,046)	1,545,956,529
	4,891,971,792	295,043,010	-	-	-	6,490,790	5,193,505,592	1,711,695,102	(639,408)	-	(55,211,583)	-	1,767,546,093	3,425,959,499
Total														
Land and buildings	97,380,386	-	-	1,920,493	-	-	99,300,879	(63,280,337)	-	-	(4,906,665)	-	(68,187,002)	31,113,877
Infrastructure	3,487,783,028	-	-	38,512,304	-	-	3,526,295,332	1,640,431,710	-	-	(48,728,846)	-	1,689,160,556	1,837,134,776
Community Assets	12,594,806	-	-	-	-	-	12,594,806	(201,081)	(639,408)	-	-	-	(840,489)	11,754,317
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,294,213,572	295,043,010	-	(40,432,797)	-	6,490,790	1,555,314,575	(7,781,974)	-	-	(1,576,072)	-	(9,358,046)	1,545,956,529
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4,891,971,792	295,043,010	-	-	-	6,490,790	5,193,505,592	1,711,695,102	(639,408)	-	(55,211,583)	-	1,767,546,093	3,425,959,499

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	83,712,773	-	-	-	-	-	83,712,773	(58,128,834)	-	-	-	-	(58,128,834)	25,583,939
Infrastructure	-	-	-	12,594,806	-	-	12,594,806	-	-	-	-	-	-	12,594,806
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sekhukhune District Municipality
Sekhukhune District Municipality
Appendix B

June 2012

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	83,712,773	-	-	-	-	-	83,712,773	(58,128,834)	-	-	-	-	(58,128,834)	25,583,939
Infrastructure	-	-	-	12,594,806	-	-	12,594,806	-	-	-	-	-	-	12,594,806
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	83,712,773	-	-	12,594,806	-	-	96,307,579	(58,128,834)	-	-	-	-	(58,128,834)	38,178,745
Total														
Land and buildings	83,712,773	-	-	-	-	-	83,712,773	(58,128,834)	-	-	-	-	(58,128,834)	25,583,939
Infrastructure	-	-	-	12,594,806	-	-	12,594,806	-	-	-	-	-	-	12,594,806
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	83,712,773	-	-	12,594,806	-	-	96,307,579	(58,128,834)	-	-	-	-	(58,128,834)	38,178,745