



Tswelopele Local Municipality
(Registration number FS183)
Annual Financial Statements
for the year ended 30 June 2012

Tswelopele Local Municipality

(Registration number FS183)

Annual Financial Statements for the year ended 30 June 2012

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Mayoral committee	
Executive Mayor	Mathibe, ME
Councillors	Matlakala, TA (Speaker) Moalosi, PP (Chief Whip) Baleni, MS Bonokwane, MS Eseu, BP Horn, C Joubert, EC Njodina, DA Ngexe, MJ Phukuntsi, KR Raseu, MW Taedi, TT Taljaard, MJ Snyer, MM
Grading of local authority	Medium Capacity Grade 3 in terms of the Remuneration of Public Office Bearers Act.
Accounting Officer	KJ Motlhale (Municipal Manager)
Chief Finance Officer (CFO)	JW Young
Business address	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa

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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)

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

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

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2012 and were signed on its behalf by:

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Accounting Officer's Responsibilities and Approval

K J Motihale
Municipal Manager

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Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Cash and cash equivalents	3	15 219 754	7 797 431
Consumer debtors	4	6 428 236	7 265 556
Inventories	5	166 493	88 792
Other receivables from non-exchange transactions	6	4 311 139	-
Receivables from exchange transactions	7	669 198	167 517
VAT receivable	8	1 559 460	4 588 385
		28 354 280	19 907 681
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	816 680	1 067 100
Intangible assets	10	12 091	49 503
Investment property	11	23 876 000	18 249 000
Investment in unlisted shares	12	823 107	834 956
Property, plant and equipment	13	316 933 432	301 555 175
		342 461 310	321 755 734
Total Assets		370 815 590	341 663 415
Liabilities			
Current Liabilities			
Consumer deposits	14	478 702	451 907
Current portion of long-term provision	15	425 000	426 000
Finance lease obligation	16	601 962	471 706
Operating lease liability		-	3 609
Other financial liabilities	17	566 036	505 240
Payables from exchange transactions	18	23 563 721	15 675 946
Unspent conditional grants and receipts	19	2 546 130	2 320 438
Provisions	20	442 000	372 000
		28 623 551	20 226 846
Non-Current Liabilities			
Finance lease obligation	16	908 595	1 497 390
Other financial liabilities	17	12 484 907	13 048 932
Provisions	20	8 284 317	7 243 441
		21 677 819	21 789 763
Total Liabilities		50 301 370	42 016 609
Net Assets		320 514 220	299 646 806

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Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Net Assets			
Accumulated surplus		320 514 220	299 646 806

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	22	6 571 275	5 067 801
Service charges	23	27 754 677	24 896 892
Rental of facilities and equipment		389 623	439 795
Interest received (trading)		265 387	340 586
Fines		96 430	132 844
Licences and permits		1 100	8 146
Government grants and subsidies	24	97 697 348	65 076 588
Sale of game		197 300	-
Other income	25	532 727	1 001 200
Interest received - investment	28	815 952	737 655
Dividends received	28	69 042	15 359
Total Revenue		134 390 861	97 716 866
Expenditure			
Personnel	26	(32 664 458)	(31 249 719)
Remuneration of councillors	27	(3 670 373)	(3 722 629)
Depreciation and amortisation	29	(19 753 250)	(22 820 418)
Finance costs	30	(1 998 095)	(2 059 767)
Debt impairment	32	(6 260 335)	(7 359 264)
Repairs and maintenance		(5 534 176)	(3 129 592)
Bulk purchases	33	(24 839 234)	(17 647 016)
General expenses	34	(19 595 475)	(18 238 497)
Total Expenditure		(114 315 396)	(106 226 902)
Fair value adjustments on game		176 804	(317 510)
Fair value adjustments		615 151	1 150 278
Surplus (deficit) for the year		20 867 420	(7 677 268)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	463 551 562	463 551 562
Adjustments		
Correction of errors	(156 227 488)	(156 227 488)
Balance at 01 July 2010 as restated	307 324 074	307 324 074
Changes in net assets		
Surplus/(deficit) for the period	(7 677 268)	(7 677 268)
Total changes	(7 677 268)	(7 677 268)
Opening balance as previously reported	450 725 792	450 725 792
Adjustments		
Correction of prior period errors	(151 078 992)	(151 078 992)
Balance at 01 July 2011 as restated	299 646 800	299 646 800
Changes in net assets		
Surplus/(deficit) for the period	20 867 420	20 867 420
Total changes	20 867 420	20 867 420
Balance at 30 June 2012	320 514 220	320 514 220

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		45 252 956	33 096 167
Grants		96 762 437	65 076 588
Interest income		815 952	737 655
Dividends received		69 042	15 359
		142 900 387	98 925 769
Payments			
Employee costs		(36 810 998)	(34 483 553)
Suppliers		(55 581 372)	(48 985 915)
Finance costs		(1 604 242)	(1 688 298)
		(93 996 612)	(85 157 766)
Net cash flows from operating activities	35	48 903 775	13 768 003
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(34 870 971)	(14 009 827)
Proceeds from sale of property, plant and equipment	13	-	26 818
Purchase of investment property	11	(5 000 000)	-
Purchase of other intangible assets	10	(223 117)	(201 600)
Purchase of biological assets that form part of an agricultural activity	9	(133 441)	(154 700)
Proceeds from sale of biological assets that form part of an agricultural activity	9	102 698	273 390
Other cash item		-	(118 690)
Net cash flows from investing activities		(40 124 831)	(14 184 609)
Cash flows from financing activities			
Repayment of other financial liabilities		(503 229)	(448 365)
Movement in other liability		(1 000)	182 300
Finance lease payments		(852 392)	(778 313)
Other cash item		-	154 001
Net cash flows from financing activities		(1 356 621)	(890 377)
Net increase/(decrease) in cash and cash equivalents		7 422 323	(1 306 983)
Cash and cash equivalents at the beginning of the year		7 797 431	9 104 414
Cash and cash equivalents at the end of the year	3	15 219 754	7 797 431

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Accounting Policies

1. Presentation of Annual Financial Statements

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

The standards are summarised as follows:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associate
GRAP 8 Interests in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economics
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment (PPE)
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 101 Agricultural
GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102 Intangibles
GAMAP 9 Revenue from Government Grants
IGRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2 Changes in existing decommissioning, restoration and similar liabilities
IPSA 20 Related Party Disclosures
IFRS 7 Financial Instruments: Disclosure
IAS 19 Employee Benefits
IAS 32 Financial Instruments: Presentation
IAS 36 Impairment of Assets
IAS 39 Financial Instruments: Recognition and Measurement

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

GRAP 18 Segment Reporting
GRAP 20 Related Party Disclosure
GRAP 23 Revenue from Non-exchange Transactions
GRAP 24 Presentation of Budget Information
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash Generating Assets

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GRAP 104 Financial Instruments

GRAP 105 Transfer of Functions between entities under Common Control

GRAP 106 Transfer of Functions between Entities Not under Common Control

GRAP 107 Mergers

GRAP 103 Heritage assets

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.

These accounting policies are consistent with the previous period, except for the changes set out in the note of "Changes in accounting policy."

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

1.1 Significant judgements and sources of estimation uncertainty

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

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

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

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 is recognised 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.

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1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

1.2 Biological assets that form part of an agricultural activity

The fair value of livestock is determined based on market prices of game of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

1.3 Investment property

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

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

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

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

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

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

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Accounting Policies

1.3 Investment property (continued)

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

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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

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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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
Land and buildings	
• Land	Indefinite
• Buildings	30 - 45 years
Leased assets	5 years
Furniture and fixtures	6 years
IT equipment	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 - 30 years
• Sewerage	20 - 30 years
• Water	20 - 30 years
Other property, plant and equipment	10 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.

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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	Useful life
Software licenses	1 year
Computer software	3 years
Websites	Indefinite

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Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are derecognised:

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

1.6 Financial instruments

Classification

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

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables

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

Initial recognition and measurement

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

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

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

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

Regular way purchases of financial assets are accounted for at .

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.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

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

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1.6 Financial instruments (continued)

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.

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.

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1.6 Financial instruments (continued)

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.

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.

Derivatives

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

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

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

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

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Accounting Policies

1.6 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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1.6 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.7 Leases

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

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

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Accounting Policies

1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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 return on the remaining balance of the liability.

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

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.

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Accounting Policies

1.8 Inventories

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

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

Inventories are 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 would incur 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.

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

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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Accounting Policies

1.9 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.10 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.

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Accounting Policies

1.10 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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Accounting Policies

1.10 Provisions and contingencies (continued)

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

1.11 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.

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 .

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Accounting Policies

1.11 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest 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 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.

1.12 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.

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.

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Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

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

1.13 Investment income

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

1.14 Borrowing costs

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

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

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.

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Accounting Policies

1.16 Unauthorised expenditure (continued)

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. Unless the definition is met 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. Unless the definition is met 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 the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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

Irregular expenditure that was incurred and identified during the current financial 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 unless the definition and recognition criteria are met and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

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

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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2. New standards and interpretations

2.1 Standards issued and not yet effective

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

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 18 Segment Reporting	Years beginning on or after 1 July 2012	Low
GRAP 20 Related Party Disclosure	Years beginning on or after 1 July 2012	Low
GRAP 23 Revenue from Non-exchange Transactions	Years beginning on or after 1 July 2012	Low
GRAP 24 Presentation of Budget Information	Years beginning on or after 1 July 2012	Significant (moved from appendixes to notes)
GRAP 25 Employee Benefits	Years beginning on or after 1 July 2012	Low
GRAP 26 Impairment of Cash Generating Assets	Years beginning on or after 1 July 2012	Low
GRAP 104 Financial Instruments	Years beginning on or after 1 July 2012	Low
GRAP 105 Transfer of Functions between entities under Common Control	Years beginning on or after 1 July 2012	Low
GRAP 106 Transfer of Functions between Entities Not under Common Control	Years beginning on or after 1 July 2012	Low
GRAP 107 Mergers	Years beginning on or after 1 July 2012	Low

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 103 Heritage assets	Years beginning on or after 1 July 2012	Low
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	5 718 004	309 820
Short-term deposits	9 501 750	7 487 611
	15 219 754	7 797 431

The municipality had the following bank accounts

Description / Account number	Bank statement balances		
	30 June 2012	30 June 2011	30 June 2010
ABSA Bank - Cheque account - 810142227	5 718 004	306 880	4 779 764
ABSA Bank - Money Market account - 9108352550	4 473 716	4 242 395	4 321 710
Nedbank - 32 Day notice account - 03/7662023052/00000 3	5 028 034	-	-
Stanlib - Cash Plus fund - 551621715	-	3 245 216	-
Total	15 219 754	7 794 491	9 101 474

4. Consumer debtors

Gross balances		
Rates	5 802 385	4 534 304
Electricity	2 132 672	2 597 530
Water	6 494 558	6 377 221
Sewerage	9 287 487	8 641 160
Refuse	6 684 078	6 306 135
Housing rental	1 305 522	1 207 121
	31 706 702	29 663 471

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Figures in Rand	2012	2011
4. Consumer debtors (continued)		
Less: Provision for debt impairment		
Rates	(4 659 707)	(3 495 064)
Electricity	(301 412)	(167 000)
Water	(5 237 466)	(4 960 432)
Sewerage	(8 105 145)	(7 430 927)
Refuse	(5 664 357)	(5 351 908)
Housing rental	(1 310 379)	(992 584)
	(25 278 466)	(22 397 915)
Net balance		
Rates	1 142 678	1 039 240
Electricity	1 831 260	2 430 530
Water	1 257 092	1 416 789
Sewerage	1 182 342	1 210 233
Refuse	1 019 721	954 227
Housing rental	(4 857)	214 537
	6 428 236	7 265 556
Rates (non-exchange transaction)		
Current (0 -30 days)	388 400	228 470
31 - 60 days	116 447	79 568
61 - 90 days	92 511	72 873
91 - 120 days	83 272	69 108
121 - 365 days	5 121 755	4 084 285
Impairment	(4 659 707)	(3 495 064)
	1 142 678	1 039 240
Electricity		
Current (0 -30 days)	1 746 203	2 054 832
31 - 60 days	51 627	115 737
61 - 90 days	15 287	15 269
91 - 120 days	13 885	15 333
121 - 365 days	305 670	396 359
Impairment	(301 412)	(167 000)
	1 831 260	2 430 530

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
4. Consumer debtors (continued)		
Water		
Current (0 -30 days)	505 867	491 308
31 - 60 days	187 656	139 472
61 - 90 days	180 733	144 379
91 - 120 days	167 959	140 096
121 - 365 days	5 452 343	5 461 966
Impairment	(5 237 466)	(4 960 432)
	1 257 092	1 416 789
Sewerage		
Current (0 -30 days)	394 030	276 732
31 - 60 days	209 226	191 366
61 - 90 days	204 153	183 644
91 - 120 days	204 642	180 631
121 - 365 days	8 275 437	7 808 787
Impairment	(8 105 146)	(7 430 927)
	1 182 342	1 210 233
Refuse		
Current (0 -30 days)	333 181	197 059
31 - 60 days	144 911	138 251
61 - 90 days	142 561	130 745
91 - 120 days	150 323	128 100
121 - 365 days	5 913 101	5 711 980
Impairment	(5 664 356)	(5 351 908)
	1 019 721	954 227
Housing rental		
Current (0 -30 days)	22 069	14 560
31 - 60 days	26 323	8 111
61 - 90 days	7 819	30 471
91 - 120 days	6 469	7 722
121 - 365 days	1 242 842	1 146 257
Impairment	(1 310 379)	(992 584)
	(4 857)	214 537

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4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2 350 738	2 237 679
31 - 60 days	596 636	567 941
61 - 90 days	509 732	485 216
91 - 120 days	483 614	460 355
121 - 365 days	24 085 514	22 927 123
	28 026 234	26 678 314
Industrial/ commercial		
Current (0 -30 days)	723 265	828 827
31 - 60 days	46 552	53 346
61 - 90 days	39 242	44 969
91 - 120 days	29 395	33 685
121 - 365 days	1 243 759	1 425 288
	2 082 213	2 386 115
National and provincial government		
Current (0 -30 days)	490 518	184 060
31 - 60 days	109 459	41 073
61 - 90 days	108 151	40 582
91 - 120 days	110 568	41 489
121 - 365 days	779 560	292 519
	1 598 256	599 723
Impaired consumer debtor balance	6 428 236	7 265 556
Gross consumer debtor mpairment	(25 278 466)	(22 397 915)
Gross consumer debtor balance	31 706 702	29 663 471
Reconciliation of debt impairment provision		
Balance at beginning of the year	(22 397 915)	(22 652 100)
Contributions to provision	(6 260 335)	(7 359 264)
Debt impairment written off against provision	3 379 784	7 613 449
	(25 278 466)	(22 397 915)

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5. Inventories

Water	61 522	-
Fuel (Diesel)	29 025	34 114
Electrical	43 104	24 396
Water equipment	20 801	16 595
Mechanical	12 041	13 687
	166 493	88 792

6. Other receivables from non-exchange transactions

Government grants and subsidies	4 311 139	-
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Other receivables from non-exchange transactions

An amount of R 6,503,962.20 was approved by NLDTF (Lotto) for the construction of a synthetic athletics track in Tikwana, Hoopstad. R 4,311,139 is still owed to the municipality even though R 5,701,620.89 has been spent on the project.

7. Receivables from exchange transactions

Prepayments	176 895	100 536
Other receivables	295 003	66 981
Other receivables (Sale of game)	197 300	-
	669 198	167 517

8. VAT receivable

VAT receivable	1 559 460	4 588 385
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9. Biological assets that form part of an agricultural activity

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	816 680	-	816 680	1 067 100	-	1 067 100

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9. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2012

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Deaths and donations	Total
Biological assets - game	1 067 100	133 441	(102 698)	176 804	(457 967)	816 680

Reconciliation of biological assets that form part of an agricultural activity - 2011

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Deaths and donations	Total
Biological assets - game	1 534 450	154 700	(273 390)	(317 510)	(31 150)	1 067 100

Non - Financial information

Quantities of each biological asset

Blesbok	34	56
Blue Wildebeest	2	28
Oryx	32	42
Kudu	21	28
Lechwe	4	17
Impala	12	24
Red Hartebeest	6	6
Springbok	224	268
Black Springbok	24	43
Black Wildebeest	77	116
Ostrich	19	21
Zebra	10	10
	465	659

Methods and assumptions used in determining fair value

Bid prices obtained from game auctions were used as the fair value of game.

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10. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	458 537	(457 773)	764	235 420	(198 970)	36 450
Computer software	1 335	-	1 335	3 061	-	3 061
Website	9 992	-	9 992	9 992	-	9 992
Total	469 864	(457 773)	12 091	248 473	(198 970)	49 503

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Licenses	36 450	223 117	(258 803)	764
Computer software	3 061	-	(1 726)	1 335
Website	9 992	-	-	9 992
	49 503	223 117	(260 529)	12 091

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Licenses	22 746	201 600	(187 896)	36 450
Computer software	6 222	-	(3 161)	3 061
Website	9 992	-	-	9 992
	38 960	201 600	(191 057)	49 503

11. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 000	-	23 876 000	18 249 000	-	18 249 000

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11. Investment property (continued)

Reconciliation of investment property - 2012

	Opening balance	Additions	Fair value adjustments	Total
Investment property	18 249 000	5 000 000	627 000	23 876 000

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	17 210 000	1 039 000	18 249 000

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.

Details of valuation

The effective date of the revaluations was 29 June 2012. Revaluations were performed by an independent valuer, Mr R Pretorius [Quantity Surveyor, Professional Associated Valuer], of Modisenyane Property Consultants CC. Pretorius is not connected to the municipality and has got recent experience in location and category of the investment property being valued.

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

Amounts recognised in surplus and deficit for the year.

Change in fair value recognised in surplus or deficit	627 000	1 039 000
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12. Investment in unlisted shares

At fair value through surplus or deficit - designated

Unlisted shares	823 107	834 956
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Number of shares held at Senwes Limited 49 383

Number of shares held at Senwesbel Limited 75 732

Non-current assets

At fair value through surplus or deficit - designated	823 107	834 956
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12. Investment in unlisted shares (continued)

Fair value information

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

The following classes of financial assets at fair value through surplus or deficit are measured to fair value using available market prices:

- Senwes Limited R 9.00 per share (R 9.70 : 2011)
- Senwesbel Limited R 5.00 per share (R 4.70 : 2011)

Reconciliation of financial assets at fair value through surplus or deficit

Reconciliation of financial assets at fair value through surplus or deficit - 2012

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Senwes Limited	479 015	(34 568)	444 447
Senwesbel Beperk	355 940	22 720	378 660
	834 955	(11 848)	823 107

Reconciliation of financial assets at fair value through surplus or deficit - 2011

	Opening balance	Gains or losses in surplus or deficit	Closing balance
Senwes Limited	375 311	103 704	479 015
Senwesbel Limited	348 367	7 573	355 940
	723 678	111 277	834 955

Total gains or losses for the year included in surplus or deficit for assets held at the end of the reporting year

Senwes Limited	(34 568)	103 704
Senwesbel Limited	22 720	7 573
	(11 848)	111 277

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13. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	90 965 238	(29 040 910)	61 924 328	90 965 238	(23 781 344)	67 183 894
Furniture and fixtures	1 115 415	(693 737)	421 678	1 086 775	(530 867)	555 908
IT equipment	55 805	(13 976)	41 829	-	-	-
Infrastructure	258 972 552	(71 301 078)	187 671 474	258 972 552	(59 078 792)	199 893 760
Land	16 971 980	(361 664)	16 610 316	16 971 980	(339 072)	16 632 908
Leasehold property	2 779 415	(1 948 715)	830 700	2 779 415	(1 532 739)	1 246 676
Other property, plant and equipment	10 205 615	(8 916 204)	1 289 411	9 657 649	(7 520 756)	2 136 893
Capital work in progress	48 143 696	-	48 143 696	13 905 136	-	13 905 136
Total	429 209 716	(112 276 284)	316 933 432	394 338 745	(92 783 570)	301 555 175

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land	16 632 908	-	(22 592)	16 610 316
Buildings	67 183 894	-	(5 259 566)	61 924 328
Leasehold property	1 246 676	-	(415 976)	830 700
Furniture and fixtures	555 908	28 640	(162 870)	421 678
IT equipment	-	55 805	(13 976)	41 829
Infrastructure	199 893 760	-	(12 222 286)	187 671 474
Other property, plant and equipment	2 136 893	547 966	(1 395 448)	1 289 411
Capital work in progress	13 905 136	34 238 560	-	48 143 696
	301 555 175	34 870 971	(19 492 714)	316 933 432

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land	16 655 499	-	-	(22 591)	16 632 908
Land and buildings	73 123 427	-	-	(5 939 533)	67 183 894
Leasehold property	1 802 178	-	-	(555 502)	1 246 676
Furniture and fixtures	695 417	24 903	-	(164 412)	555 908
Infrastructure	214 647 847	-	-	(14 754 087)	199 893 760
Other property, plant and equipment	2 083 923	79 788	(26 818)	-	2 136 893
Capital work in progress	-	13 905 136	-	-	13 905 136
	309 008 291	14 009 827	(26 818)	(21 436 125)	301 555 175

Included in the cost of land is the capitalised rehabilitation costs relating to the borrow pit which is situated on Bultfontein farm 396. The estimated cost of the rehabilitation is R 384,317 and is charged against the surplus in the statement of financial performance through the depreciation (R 22,591 per annum) of the asset.

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

14. Consumer deposits

Electricity	478 702	451 907
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15. Current portion of long-term provision

The current portion of the medical contribution provision amounts to R 425 000 (2011 :R 426 000)

The medical contribution is included as a provision as the municipality is obliged to make fixed monthly contributions to the medical aid schemes of retired employees. These contributions are payable till the date death.

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16. Finance lease obligation		
Minimum lease payments due		
- within one year	934 534	934 144
- in second to fifth year inclusive	1 119 877	2 040 245
	2 054 411	2 974 389
less: future finance charges	(543 854)	(1 005 293)
Present value of minimum lease payments	1 510 557	1 969 096
Present value of minimum lease payments due		
- within one year	601 962	471 706
- in second to fifth year inclusive	908 595	1 497 390
	1 510 557	1 969 096
Non-current liabilities	908 595	1 497 390
Current liabilities	601 962	471 706
	1 510 557	1 969 096

It is municipality policy to lease certain printing equipment under finance leases.

17. Other financial liabilities

Held at amortised cost

Annuity loans 13 050 943 13 554 172

All annuity loans are from The Development Bank of South Africa and endowments are made on a six-monthly basis. The last loan will be redeemed at 31 December 2015. The loans carry interest at between 11% and 14% per annum.

Non-current liabilities

At amortised cost 12 484 907 13 048 932

Current liabilities

At amortised cost 566 036 505 240

13 050 943 13 554 172

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Figures in Rand	2012	2011
18. Payables from exchange transactions		
Trade payables	2 530 942	2 918 780
Payments received in advanced - contract in process	2 360 366	1 552 662
Accrued leave pay	4 540 623	3 995 080
Accrued bonus	725 217	631 127
Deposits received	1 000	300
Cash suspense accounts	875 077	449 397
Other payables	12 530 496	6 128 600
	23 563 721	15 675 946

Included in the balance for other payables in an amount of R 11,382,998.31 which relates to uncleared cheques. The amount was transferred from the uncleared items on the bank reconciliation to the other payables account at yearend.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Skills Development Grant	216 825	127 615
Lotto Grant	582 814	2 192 823
Free State Provincial Grant (fencing of cemetery)	1 746 491	-
	2 546 130	2 320 438

Movement during the year

Balance at the beginning of the year	2 320 438	4 150 774
Additions during the year	33 605 349	14 442 773
Income recognition during the year	(33 379 657)	(16 273 109)
	2 546 130	2 320 438

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

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20. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Loss / (Gain)	Change in discount factor	Total
Environmental rehabilitation	372 441	-	-	-	11 876	384 317
Medical contribution provision	4 517 000	438 000	(342 000)	328 000	-	4 941 000
Long service	2 726 000	372 000	(267 000)	333 000	237 000	3 401 000
	7 615 441	810 000	(609 000)	661 000	248 876	8 726 317

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Loss / (Gain)	Interest cost	Total
Environmental rehabilitation	358 300	-	-	-	14 141	372 441
Medical contribution provision	4 412 000	438 000	(322 000)	(11 000)	-	4 517 000
Long service	2 231 000	280 000	(313 000)	329 000	199 000	2 726 000
	7 001 300	718 000	(635 000)	318 000	213 141	7 615 441

Non-current liabilities					8 284 317	7 243 441
Current liabilities					442 000	372 000
					8 726 317	7 615 441

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20. Provisions (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ. ZAQ is a actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Their team has done a large of these calculations for private and public sector organizations. Members of their executive committee include:

- Niel Fourie FASSA, CERA
- Pieter Wasserfall B-Comm Actuarial Science
- Dennis De Wet B-Comm (Hons) Financial Analysis

The medical contribution is included as a provision as the municipality is obliged to make fixed monthly contributions to the medical aid schemes of retired employees. These contributions are payable till the date of death.

The number of members entitled to receive post-employment medical scheme subsidies remained unchanged at 14.

The two most important financial variables used in the valuation are the discount- and medical aid inflation rates.

The long service accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

The valuation was done for a total of 225 employees.

Environmental rehabilitation provision

The provision relates to the estimated rehabilitation costs relating to the existing open borrow pits in Bultfontein.

The total area of the borrow pits to be rehabilitated is 8,244 square meters.

The rehabilitation process is scheduled to start within the next twelve months.

The evaluation of rehabilitation procedures and costs was performed by NEP Consulting Engineers.

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Figures in Rand	2012	2011
21. Revenue		
Property rates	6 571 275	5 067 801
Service charges	27 754 677	24 896 892
Rental of facilities and equipment	389 623	439 795
Interest received – trading	265 387	340 586
Fines	96 430	132 844
Licences and permits	1 100	8 146
Government grants and subsidies	97 697 348	65 076 588
	132 775 840	95 962 652

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

Service charges	27 754 677	24 896 892
Rental of facilities and equipment	389 623	439 795
Interest received – trading	265 387	340 586
Licences and permits	1 100	8 146
	28 410 787	25 685 419

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

Taxation revenue

Property rates	6 571 275	5 067 801
Fines	96 430	132 844

Transfer revenue

Grants and subsidies	97 697 348	65 076 588
	104 365 053	70 277 233

22. Property rates

Rates received

State	1 114 992	1 003 068
Property rates	5 456 283	4 064 733
	6 571 275	5 067 801

23. Service charges

Sale of electricity	15 759 782	13 087 524
Sale of water	5 111 954	4 981 017
Sewerage and sanitation charges	4 441 376	4 443 248
Refuse removal	2 441 565	2 385 103
	27 754 677	24 896 892

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Figures in Rand	2012	2011
24. Government grants and subsidies		
Equitable Share	55 333 000	48 803 479
Municipal Infrastructure Grant	25 015 039	14 323 109
Municipal Systems Improvement Grant	840 000	750 000
Financial Management Grant	1 450 000	1 200 000
Lotto Grant	5 921 148	-
Free State Provincial Grant	153 509	-
COGTA Grant	8 414 652	-
District Municipality Grant	50 000	-
EPWP Government Grant (operating)	520 000	-
	97 697 348	65 076 588

Equitable Share

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

All registered indigents receive a monthly subsidy which is credited to their accounts.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	4 024 109
Current-year receipts	25 010 000	10 299 000
Conditions met - transferred to revenue	(25 010 000)	(14 323 109)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Skills Development Grant

Balance unspent at beginning of year	127 615	101 829
Current-year receipts	89 210	25 786
	216 825	127 615

Conditions still to be met - remain liabilities (see note 19).

A workplace skills plan and training report must be submitted to LGSETA in compliance with the Skills Development Act before the unspent amount will be transferred.

Lotto Grant

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Figures in Rand	2012	2011
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	2 192 823	24 836
Current-year accrual	4 311 139	-
Current-year receipts	-	2 167 987
Conditions met - transferred to revenue	(5 921 148)	-
	582 814	2 192 823

During the current financial year the municipality spent R 5,921,148 on the project. The grant pertaining to the municipality has not been received and is only accounted for in terms of accrual accounting.

Conditions still to be met - remain liabilities (see note 19).

Municipal Systems Improvement Grant

Current-year receipts	840 000	750 000
Conditions met - transferred to revenue	(840 000)	(750 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Finance Management Grant

Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 200 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Free State Provincial Grant

Current-year receipts	1 900 000	-
Conditions met - transferred to revenue	(153 509)	-
	1 746 491	-

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is for the fencing of a cemetery in the municipal area.

COGTA Grant

Current-year receipts	8 414 652	-
Conditions met - transferred to revenue	(8 414 652)	-
	-	-

Conditions still to be met - remain liabilities (see note 19).

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24. Government grants and subsidies (continued)

The grant was for repairs and improvements on the municipal airstrip (R 3,414,652) and for the purchase of investment property (R 5,000,000).

District Municipality Grant

Current-year receipts	50 000	-
Conditions met - transferred to revenue	(50 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was received to assist the municipality in the redemption of their DBSA loan.

EPWP Government Grant (operating)

Current-year receipts	520 000	-
Conditions met - transferred to revenue	(520 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 19).

The grant was received to assist the municipality in job creation.

25. Other income

Building plan fees	499	79 345
Commission received	155 964	157 373
Sundry income	32 795	198 236
Grave fees	111 158	105 562
Connection fees	101 486	245 317
Gravel sales	26 585	79 246
Building plan fees	15 509	40 363
Late payment penalty	69 261	72 621
Opening of graves	12 814	11 473
Special meter readings	6 656	11 664
	532 727	1 001 200

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Figures in Rand	2012	2011
26. Employee related costs		
Basic	21 543 590	19 714 852
Medical aid - company contributions	2 402 693	3 533 841
UIF	211 883	191 507
SDL	259 594	237 761
Leave pay provision charge	1 135 879	1 214 881
Other short term costs	10 539	10 405
Post-employment benefits - Pension - Defined contribution plan	3 736 734	3 358 566
Travel, motor car, accommodation, subsistence and other allowances	1 494 275	1 586 758
Overtime payments	1 526 180	1 392 410
Housing benefits and allowances	15 091	19 738
Termination benefits	328 000	(11 000)
	32 664 458	31 249 719

Remuneration of Section 57 Managers

Remuneration of KJ Motlhale (Municipal Manager)

Annual Remuneration	501 000	498 496
Car Allowance	92 715	145 299
Contributions to UIF, Medical and Pension Funds	189 108	105 870
Housing Allowance	-	2 500
Performance and Other Bonuses	29 000	20 000
	811 823	772 165

Remuneration of JW Young (Chief Financial Officer)

Annual Remuneration	504 000	471 300
Car Allowance	86 599	202 805
Contributions to UIF, Medical and Pension Funds	235 130	96 087
	825 729	770 192

Remuneration of PW De Bruin (Chief Operating Officer)

Annual Remuneration	477 000	450 000
Car Allowance	167 733	259 137
Contributions to UIF, Medical and Pension Funds	214 078	91 812
	858 811	800 949

Remuneration of SS Rabanye (Executive Manager Corporate Services)

Annual Remuneration	460 500	434 850
Car Allowance	88 420	123 245
Contributions to UIF, Medical and Pension Funds	218 712	91 859
Performance and Other Bonuses	38 500	36 300
	806 132	686 254

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Figures in Rand	2012	2011
26. Employee related costs (continued)		
Remuneration of MJ Mahlanyane (Executive Manager Community Services)		
Annual Remuneration	439 200	415 000
Car Allowance	107 957	122 958
Contributions to UIF, Medical and Pension Funds	128 948	103 531
Performance and Other Bonuses	36 600	34 500
	712 705	675 989

27. Remuneration of councillors

Speaker	19 651	30 276
Councillors	2 784 221	2 921 333
Councillors' pension contribution	315 600	287 200
Councillors' contribution to medical aid	550 901	483 820
	3 670 373	3 722 629

In-kind benefits

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

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

The Mayor and Speaker have full-time drivers.

28. Investment revenue

Dividend revenue

Unlisted financial assets - Local	69 042	15 359
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Interest revenue

ABSA - current account	880	(1 311)
Interest - call accounts	815 072	738 966
	815 952	737 655
	884 994	753 014

29. Depreciation and amortisation

Property, plant and equipment	19 753 250	22 820 418
-------------------------------	------------	------------

Included in the depreciation and amortisation totals is the depreciation on the borrow pit rehabilitation costs. These costs were capitalised to the relating asset (land) and is depreciated over its useful life of the asset (16 years). The depreciation relating to the capitalised rehabilitation costs is R 22,951 per annum.

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30. Finance costs		
Non-current borrowings	1 603 459	1 658 235
Trade and other payables	598	30 063
Finance leases	393 853	371 469
Other interest paid	185	-
	1 998 095	2 059 767
31. Auditors' remuneration		
Fees	1 675 640	1 784 600
32. Debt impairment		
Debt impairment	6 260 335	7 359 264
33. Bulk purchases		
Electricity	21 656 741	16 966 270
Water	3 182 493	680 746
	24 839 234	17 647 016

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Figures in Rand	2012	2011
34. General expenses		
Advertising	61 575	320 035
Auditors remuneration	1 675 640	1 784 600
Bank charges	211 763	258 865
Cleaning	829 495	1 098 333
Consulting and professional fees	349 519	304 939
Consumables	201	2 930
Entertainment	59 316	268 143
Insurance	269 079	263 443
Fuel and oil	1 665 159	1 176 187
Printing and stationery	814 074	359 825
Protective clothing	194 886	143 499
Subscriptions and membership fees	604 292	723 545
Telephone and fax	604 099	684 734
Training	851 831	380 669
Travel - local	756 508	232 923
Radio and television licenses	11 859	12 723
Vehicle licences	72 223	68 856
Valuation costs	359 470	431 026
Sewerage assessment (Green Drop)	143 677	74 782
Operating grant expenditure	3 823 641	4 152 969
Water quality assessment (Blue Drop)	127 343	77 422
Internal audit expense	-	77 802
Other expenses	6 109 825	5 340 247
	19 595 475	18 238 497

Other expenses include the following amounts:

- Chemicals for water purification R 1,867,897
- GRAP conversion costs (fixed assets) R 955,673
- SALGA membership fees R 498,134

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35. Cash generated from operations		
Surplus (deficit)	20 867 420	(7 677 268)
Adjustments for:		
Depreciation and amortisation	19 753 250	22 820 418
(Loss) gain on biological assets	(176 804)	317 510
Fair value adjustments	(615 151)	(1 150 278)
Finance costs - Finance leases	393 853	371 469
Debt impairment	6 260 335	7 359 264
Movements in operating lease assets and accruals	(3 609)	3 609
Movements in provisions	1 110 876	2 023 211
Other non-cash	457 965	152 013
Changes in working capital:		
Inventories	(77 701)	16 721
Receivables from exchange transactions	(501 681)	1 240 761
Other receivables from non-exchange transactions	(4 311 139)	-
Consumer debtors	(5 423 015)	(6 555 246)
Payables from exchange transactions	7 887 764	(1 983 745)
VAT	3 028 925	(1 350 158)
Unspent conditional grants and receipts	225 692	(1 830 336)
Consumer deposits	26 795	21 059
Other non-cash (actuarial gain)	-	(11 001)
	48 903 775	13 768 003

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36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- | | | |
|---------------------------------|-----------|------------|
| • Property, plant and equipment | 5 669 922 | 26 416 891 |
|---------------------------------|-----------|------------|
-

This committed expenditure relates to a sewerage network, an athletics track and a fence for a cemetery. All these projects will be financed from the MIG, Lotto grant and the Free State Provincial Grant respectively.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	14 464	14 464
- in second to fifth year inclusive	40 982	40 982
	55 446	55 446

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	670 223	499 301
- in second to fifth year inclusive	2 567 861	1 473 860
- later than five years	1 250 677	2 132 005
	4 488 761	4 105 166

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 to 20 years. There are no contingent rents receivable.

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37. Contingencies

The municipality has the following contingent liabilities:

Litigation is in the process against the municipality relating to a dispute with a ex-employee who alleges that he has been unfairly dismissed by the municipality. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next year.

Should the action be successful the municipality will be liable for an estimated amount of R 150,000.

Section 44(1) of the National Environmental Management: Waste Act No. 59 of 2008 requires that all landfill sites be licensed. In addition to that, the following sections also apply:

Section 67(1)(h): A person commits an offence if that person contravenes or fails to comply with a condition or requirement of a waste management license or an integrated license contemplated in section 44.

Section 68(1): A person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made in terms of the National Environment Management Act.

One of the municipality's landfill sites is currently not licensed. Therefore, the municipality could be liable to pay a penalty of up to R10 000 000.

A civil litigation is in the process against M.E. Delpont relating legal costs incurred. The estimate of the financial exposure (inclusive of costs and disbursements) is R 28,145.36.

A contingent liability may exist due to a dispute with Nashua regarding a contractual agreement. The amount under dispute is R 32,279.78.

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38. Prior period errors

The asset register produced by the asset management consultants after Directive 4 expired had incorrect deemed cost calculations as it did not take into account the time value of money. This was corrected retrospectively in the 2011/2012 annual financial statements. The accounts affected were as follows:

DR Unappropriated surplus (R 180,647,158.20)

CR Depreciation (R 8,574,176.31)

CR Property, plant and equipment (R 143,166,297.00)

CR Accumulated depreciation (R 28,906,684.46)

The asset register produced by the asset management consultants at the end of the 2010_2011 financial year did not include printers under finance lease. The accounts affected by the correction were as follows:

DR Depreciation (R 342,695.31)

DR Leased assets (R 2,574,819.72)

CR Accumulated depreciation (R 1,421,857.61)

CR Unappropriated surplus (R 1,495,657.42)

The asset register produced by the asset management consultants at the end of the 2010_2011 financial year did not include intangible assets. The accounts affected by the correction were as follows:

DR Amortization (R 187,888.63)

DR Intangible assets (R 245,412.28)

CR Computer expenses (R 47,600)

CR Accumulated amortization (R 198,963.03)

CR Unappropriated surplus (R 186,737.88)

Wrong allocations to payables accounts were submitted to Council for write-off. The accounts affected by the write-off were as follows:

DR Trade payables (R 1,381,279.38)

CR Unappropriated surplus (R 1,381,279.38)

One of the finance lease liabilities was not included in the finance lease register neither was the relating asset included in the fixed asset register. The accounts affected by the correction were as follows:

DR Depreciation (R 39,772.76)

DR Finance lease assets (R 199,000)

DR Unappropriated surplus (R 29,141.50)

CR Finance lease liability (R 114,342.01)

CR Current portion of finance lease liability (R 45,976.74)

CR Accumulated depreciation (R 107,595.51)

The investment property register did not include all land and buildings which met the definition and recognition requirements of investment property. The accounts affected by the correction were as follows:

DR Investment property (R 5,183,000.00)

CR Unappropriated surplus (R 5,183,000.00)

The provision for medical provisions for retired employees was understated. The new IAS19 provision is higher than the previous provision and there is an actuarial gain. Based on the new provision the short-term

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38. Prior period errors (continued)

portion increased as well. The correction affected the following accounts:

DR Unappropriated surplus (R1,153,047.11)

CR Short-term provision (R 9,227.00)

CR Provision for medical contributions (R 1,132,820.11)

CR Actuarial gain (R 11,000)

The provision for long service awards was not previously included in the financial statements. The new IAS19 provision was included retrospectively. This correction affected the following accounts:

DR Interest costs and actuarial gain (R 479,000.00)

DR Unappropriated surplus (R 2,247,000.00)

CR Short-term provision (R 372,000.00)

CR Provision for long service awards (R 2,354,000.00)

Directive 7 adjustments were incorrectly taken to the revaluation reserve during the prior financial year. The correction affected the following accounts:

DR Revaluation reserve (R 253,022,150.00)

CR Unappropriated surplus (R 253,022,150.00)

Unlisted shares were previously included in the financial statements at cost and resulted in an understatement of investments. This was corrected to include shares at their fair value with movements taken to the surplus or deficit. The correction affected the following accounts:

DR Unlisted shares (R 622,500.63)

CR Fair value adjustment on shares (R 111,277.50)

CR Unappropriated surplus (R 511,223.13)

The accrued Workmens Compensation contributions as on 30 June 2011 was not provided for in the prior year. The correction affected the following accounts:

DR Workmens Compensation contributions (R 274 424.91)

CR Sundry creditors (R 274 424.91)

A cheque that was cancelled in the prior period was removed from the unreconciling items on the bank account and corrected in the prior period. The correction affected the following accounts:

DR Unappropriated surplus (R 27,500)

CR Bank (R 27,500)

Land was not included on the prior year's asset register. In correcting this the following accounts were affected:

DR Land (R 16,587,663.00)

CR Unappropriated surplus (R 16,587,663.00)

A VAT refund was incorrectly posted to a suspense account and not to the VAT account. The correction affected the following account:

DR Value Added Tax (R 479,900.96)

CR Unappropriated surplus (R 479,900.96)

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38. Prior period errors (continued)

The rehabilitation costs relating to the municipality's borrow pit were understated and the new valuation showed the need for an increase in the provision. The correction affected the following accounts:

DR Unappropriated surplus (R 263,939.86)

DR Interest expense (R 2,180.82)

CR Provision for borrow pit rehabilitation (R 266,120.68)

The rehabilitation costs relating to the municipality's borrow pit was not capitalised to fixed assets in the prior years. This was corrected retrospectively. The correction affected the following accounts:

DR Land (R 384,317.07)

DR Depreciation (R 22,591.41)

CR Accumulated depreciation (R 339,072.35)

CR Unappropriated surplus (R 67,836.13)

The correction of the errors results in adjustments as follows:

Statement of financial position

Accumulated amortization	-	(198 963)
Accumulated depreciation	-	(30 775 210)
Bank	-	(27 500)
Finance lease liability	-	(114 342)
Intangible assets	-	245 412
Investment property	-	5 183 000
Investment in unlisted shares	-	622 501
Medical provision	-	(1 132 820)
Long service provision	-	(2 354 000)
Unappropriated surplus	-	(94 547 661)
Property, plant and equipment	-	(123 420 497)
Provision for rehabilitation of borrow pit	-	(266 121)
Revaluation reserve	-	253 022 150
Short-term finance lease liability	-	(45 977)
Short-term medical provision	-	(9 227)
Short-term long service provision	-	(372 000)
Trade payables	-	1 106 854
Value Added Tax	-	479 901

Statement of Financial Performance

Amortization	-	187 889
Actuarial gain	-	(11 000)
Depreciation	-	(8 169 117)
Fair value adjustment on shares	-	(111 278)
Interest expense	-	2 181
Other expenses	-	(47 600)
WCC contributions	-	274 425
Long service expense	-	479 000

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38. Prior period errors (continued)		
Cash flow statement		
Cash flow from operating activities		
Non-cash item: Depreciation	-	8 169 117
Non-cash item: Amortization	-	(187 889)
	-	7 981 228
Cash flow from investing activities		
Purchase of intangible assets	-	(211 592)

39. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by the budget and treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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39. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	566 036	636 687	2 077 969	9 783 221
Finance lease obligation	601 963	908 595	-	-
Trade and other payables	23 714 043	-	-	-
At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	503 233	566 036	1 940 578	10 557 304
Finance lease obligation	471 706	601 963	908 595	-
Trade and other payables	15 401 524	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices annually.

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39. Risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of short-term investments and financing activities, giving rise to interest rate risk.

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

The biggest portion of the municipality's debt is structured on fixed interest rates. For further details on long-term debt refer to note 19.

In respect of financial assets, the municipality's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in short-term investments (less than one year) in order to maintain liquidity, while achieving a satisfactory return on the investments.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Consumer debtors (rates)	9,50 %	5 802 385	-	-	-	-
Cash in current banking institutions	- %	5 718 004	-	-	-	-
32 Day notice deposit	- %	5 028 034	-	-	-	-
Money Market account	- %	4 473 716	-	-	-	-

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11,90 %	487 506	547 245	614 304	689 581	10 557 304
Fixed interest loan from DBSA	13,45 %	78 530	89 448	-	-	-

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39. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

	2012	2011
Financial instrument		
ABSA Bank - Cheque account	5 718 004	306 880
ABSA Bank - Money Market account	4 473 716	4 242 395
Nedbank - 32 Day notice account	5 028 034	-
Stanlib - Cash Plus fund	-	3 245 216
Consumer debtors	6 428 236	7 265 556

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the trading prices on the municipality's surplus for the year.

	Impact on surplus in Rand		Impact on other components of equity in Rand	
	2012	2011	2012	2011
Financial instrument				
Senwes Limited shares	103 704	(34 568)	-	-
Senwesbel Limited shares	7 573	22 720	-	-

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

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40. 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. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

41. Unauthorised expenditure

Opening balance	6 791 189	6 791 189
Unauthorised expenditure - current year	1 913 745	1 469 036
Approval by Council or condoned	(8 704 934)	(1 469 036)
	-	6 791 189

42. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - current year	1 411	-
Approval by Council or condoned	(1 411)	-
	-	-

43. Irregular expenditure

Opening balance	1 778 151	1 778 151
Add: Irregular Expenditure - current year	2 076 997	-
Less: Amounts written-off	(1 778 151)	-
	2 076 997	1 778 151

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Overtime worked not in terms of municipal policy	To be investigated	1 526 180
Overpayment of medical aid contributions	To be investigated	37 350
Deviation from Supply Chain Management Policy	To be investigated	513 467
		2 076 997

The full extent of the irregularities of R 2,076,997 as disclosed in this note is still in the process of being investigated.

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44. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	498 134	153 505
Amount paid - current year	(498 134)	(153 505)
	-	-
Audit fees		
Current year fee	1 664 322	1 781 600
Amount paid - current year	(1 664 322)	(1 781 600)
	-	-
PAYE and UIF		
Opening balance	-	214 985
Current year subscription / fee	3 588 401	3 330 847
Amount paid - current year	(3 588 401)	(3 330 847)
Amount paid - previous years	-	(214 985)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	5 319 656	7 158 406
Amount paid - current year	(5 319 656)	(7 158 406)
	-	-
VAT		
VAT receivable	1 559 460	4 588 385

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

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

Councillors' arrear consumer accounts

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

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor TT Taedi	-	6 837	6 837
Councillor MC Raseu	-	373	373
Councillor C Horn	-	13 383	13 383
	-	20 593	20 593

Bulk electricity and water distribution losses

Management's best estimated value of bulk electricity and water distribution losses during the year under review are as follows:

Electricity - 4,264,733 Kwh (16%)

Water - 2,118,625 Kl (55%)

These losses are not recoverable.

45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	13 050 943	13 554 172
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

46. Actual operating expenditure versus budgeted operating expenditure

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

47. Actual capital expenditure versus budgeted capital expenditure

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

**Tswelopele Local Municipality
Appendix A**

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
DBSA Loan @ 13.45%	3	13 330 228	-	434 369	12 895 859	-	-
DBSA Loan @ 11.90%	38	236 924	-	68 945	167 979	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		13 567 152	-	503 314	13 063 838	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Finance lease liability							
Long-term		1 497 390	-	588 795	908 595	-	-
Short-term		471 706	-	(130 256)	601 962	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		1 969 096	-	458 539	1 510 557	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							

Tswelopele Local Municipality
Appendix B

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

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	16 587 663	-	-	-	-	-	16 587 663	-	-	-	-	-	-	16 587 663
Buildings (Separate for AFS purposes)	82 488 261	-	-	-	-	-	82 488 261	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	56 479 824
	99 075 924	-	-	-	-	-	99 075 924	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	73 067 487
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	-	-	-	83 060 025	(31 861 519)	-	-	(5 606 848)	-	(37 468 367)	45 591 658
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(3 172 871)	-	-	(790 015)	-	(3 962 886)	28 192 661
Water purification	102 376 527	-	-	-	-	-	102 376 527	(17 227 988)	-	-	(4 144 070)	-	(21 372 058)	81 004 469
Sewerage purification	41 230 360	-	-	-	-	-	41 230 360	(6 702 023)	-	-	(1 671 303)	-	(8 373 326)	32 857 034
Waste Management	150 093	-	-	-	-	-	150 093	(114 391)	-	-	(10 050)	-	(124 441)	25 652
Other (work in progress)	13 905 135	34 238 559	-	-	-	-	48 143 694	-	-	-	-	-	-	48 143 694
	272 877 687	34 238 559	-	-	-	-	307 116 246	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	235 815 168
Community Assets														
Facilities	4 899 257	-	-	-	-	-	4 899 257	(1 877 105)	-	-	(337 897)	-	(2 215 002)	2 684 255
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(654 291)	-	-	(163 181)	-	(817 472)	2 760 249
	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504

**Tswelopele Local Municipality
Appendix B**

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	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
Other assets														
General vehicles	6 543 973	535 153	-	-	-	-	7 079 126	(4 590 911)	-	-	(1 273 885)	-	(5 864 796)	1 214 330
Computer Equipment	677 024	-	-	-	-	-	677 024	(505 662)	-	-	(113 928)	-	(619 590)	57 433
Furniture & Fittings	1 086 775	28 640	-	-	-	-	1 115 415	(530 867)	-	-	(162 870)	-	(693 737)	421 678
IT Equipment	-	55 805	-	-	-	-	55 805	-	-	-	(13 976)	-	(13 976)	41 829
Office Equipment - Leased	2 779 415	-	-	-	-	-	2 779 415	(1 532 739)	-	-	(415 975)	-	(1 948 714)	830 701
Other	2 436 652	12 814	-	-	-	-	2 449 466	(2 424 183)	-	-	(7 635)	-	(2 431 818)	17 648
	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 619

**Tswelopele Local Municipality
Appendix B**

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	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	99 075 924	-	-	-	-	-	99 075 924	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	73 067 487
Infrastructure	272 877 687	34 238 559	-	-	-	-	307 116 246	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	235 815 168
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 619
	393 954 428	34 870 971	-	-	-	-	428 825 399	(92 444 498)	-	-	(19 470 122)	-	(111 914 620)	316 910 778
Agricultural/Biological assets														
Biological assets - game	1 067 100	-	-	-	-	(250 420)	816 680	-	-	-	-	-	-	816 680
	1 067 100	-	-	-	-	(250 420)	816 680	-	-	-	-	-	-	816 680
Intangible assets														
Licences, software and website	262 093	-	223 117	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
	262 093	-	223 117	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties														
Investment property	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
Total														
Land and buildings	99 075 924	-	-	-	-	-	99 075 924	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	73 067 487
Infrastructure	272 877 687	34 238 559	-	-	-	-	307 116 246	(59 078 792)	-	-	(12 222 286)	-	(71 301 078)	235 815 168
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(2 531 396)	-	-	(501 078)	-	(3 032 474)	5 444 504
Other assets	13 523 839	632 412	-	-	-	-	14 156 251	(9 584 362)	-	-	(1 988 269)	-	(11 572 631)	2 583 619
Agricultural/Biological assets	1 067 100	-	-	-	-	(250 420)	816 680	-	-	-	-	-	-	816 680
Intangible assets	262 093	-	223 117	-	-	-	485 210	(212 583)	-	-	(260 536)	-	(473 119)	12 091
Investment properties	18 249 000	5 000 000	-	-	627 000	-	23 876 000	-	-	-	-	-	-	23 876 000
	413 532 621	39 870 971	223 117	-	627 000	(250 420)	454 003 289	(92 657 081)	-	-	(19 730 658)	-	(112 387 739)	341 615 549

**Tswelopele Local Municipality
Appendix B**

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

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	16 587 663	-	-	-	-	-	16 587 663	-	-	-	-	-	-	16 587 663
Buildings (Separate for AFS purposes)	82 488 261	-	-	-	-	-	82 488 261	(15 942 563)	-	-	(5 307 385)	-	(21 249 948)	61 238 313
	99 075 924	-	-	-	-	-	99 075 924	(15 942 563)	-	-	(5 307 385)	-	(21 249 948)	77 825 976
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	-	-	-	83 060 025	(23 905 953)	-	-	(7 955 566)	-	(31 861 519)	51 198 506
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(2 380 302)	-	-	(792 569)	-	(3 172 871)	28 982 676
Water purification	102 376 527	-	-	-	-	-	102 376 527	(12 924 722)	-	-	(4 303 266)	-	(17 227 988)	85 148 539
Sewerage purification	41 230 360	-	-	-	-	-	41 230 360	(5 027 885)	-	-	(1 674 138)	-	(6 702 023)	34 528 337
Waste Management	150 093	-	-	-	-	-	150 093	(85 843)	-	-	(28 548)	-	(114 391)	35 702
Capital work in progress	-	13 905 135	-	-	-	-	13 905 135	-	-	-	-	-	-	13 905 135
	258 972 552	13 905 135	-	-	-	-	272 877 687	(44 324 705)	-	-	(14 754 087)	-	(59 078 792)	213 798 895
Community Assets														
Facilities	4 899 257	-	-	-	-	-	4 899 257	(1 408 396)	-	-	(468 709)	-	(1 877 105)	3 022 152
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(490 582)	-	-	(163 439)	-	(654 021)	2 923 700
	8 476 978	-	-	-	-	-	8 476 978	(1 898 978)	-	-	(632 148)	-	(2 531 126)	5 945 852

**Tswelopele Local 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
Other assets														
General vehicles	6 517 595	26 378	-	-	-	-	6 543 973	(3 357 042)	-	-	(1 233 869)	-	(4 590 911)	1 953 062
Computer Equipment	664 857	38 985	(26 818)	-	-	-	677 024	(389 403)	-	21 783	(138 042)	-	(505 662)	171 362
Furniture & Fittings	1 061 872	24 903	-	-	-	-	1 086 775	(366 455)	-	-	(164 412)	-	(530 867)	555 908
Office Equipment - Leased	2 779 415	-	-	-	-	-	2 779 415	(977 237)	-	-	(555 503)	-	(1 532 740)	1 246 675
Other	2 422 227	14 425	-	-	-	-	2 436 652	(2 411 801)	-	-	(12 382)	-	(2 424 183)	12 469
	13 445 966	104 691	(26 818)	-	-	-	13 523 839	(7 501 938)	-	21 783	(2 104 208)	-	(9 584 363)	3 939 476

**Tswelopele Local 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
Total property plant and equipment														
Land and buildings	99 075 924	-	-	-	-	-	99 075 924	(15 942 563)	-	-	(5 307 385)	-	(21 249 948)	77 825 976
Infrastructure	258 972 552	13 905 135	-	-	-	-	272 877 687	(44 324 705)	-	-	(14 754 087)	-	(59 078 792)	213 798 895
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(1 898 978)	-	-	(632 148)	-	(2 531 126)	5 945 852
Other assets	13 445 966	104 691	(26 818)	-	-	-	13 523 839	(7 501 938)	-	21 783	(2 104 208)	-	(9 584 363)	3 939 476
	379 971 420	14 009 826	(26 818)	-	-	-	393 954 428	(69 668 184)	-	21 783	(22 797 828)	-	(92 444 229)	301 510 199
Agricultural/Biological assets														
Biological assets	1 534 450	-	-	-	-	(467 350)	1 067 100	-	-	-	-	-	-	1 067 100
	1 534 450	-	-	-	-	(467 350)	1 067 100	-	-	-	-	-	-	1 067 100
Intangible assets														
Computers - software & programming	60 493	201 600	-	-	-	-	262 093	(21 533)	(191 050)	-	-	-	(212 583)	49 510
	60 493	201 600	-	-	-	-	262 093	(21 533)	(191 050)	-	-	-	(212 583)	49 510
Investment properties														
Investment property	17 210 000	-	-	-	1 039 000	-	18 249 000	-	-	-	-	-	-	18 249 000
	17 210 000	-	-	-	1 039 000	-	18 249 000	-	-	-	-	-	-	18 249 000
Total														
Land and buildings	99 075 924	-	-	-	-	-	99 075 924	(15 942 563)	-	-	(5 307 385)	-	(21 249 948)	77 825 976
Infrastructure	258 972 552	13 905 135	-	-	-	-	272 877 687	(44 324 705)	-	-	(14 754 087)	-	(59 078 792)	213 798 895
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(1 898 978)	-	-	(632 148)	-	(2 531 126)	5 945 852
Other assets	13 445 966	104 691	(26 818)	-	-	-	13 523 839	(7 501 938)	-	21 783	(2 104 208)	-	(9 584 363)	3 939 476
Agricultural/Biological assets	1 534 450	-	-	-	-	(467 350)	1 067 100	-	-	-	-	-	-	1 067 100
Intangible assets	60 493	201 600	-	-	-	-	262 093	(21 533)	(191 050)	-	-	-	(212 583)	49 510
Investment properties	17 210 000	-	-	-	1 039 000	-	18 249 000	-	-	-	-	-	-	18 249 000
	398 776 363	14 211 426	(26 818)	-	1 039 000	(467 350)	413 532 621	(69 689 717)	(191 050)	21 783	(22 797 828)	-	(92 656 812)	320 875 809

Tswelopele Local Municipality
Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
768 519	32 924 915	(32 156 396)	Executive & Council/Mayor and Council	526 912	27 539 187	(27 012 275)
23 592 596	21 806 879	1 785 717	Finance & Admin/Finance	69 039 372	13 142 523	55 896 849
2 186 570	9 972 040	(7 785 470)	Comm. & Social/Libraries and archives	14 772 201	10 083 436	4 688 765
1 482 170	735 876	746 294	Public Safety/Police	-	774 026	(774 026)
-	86 355	(86 355)	Sport and Recreation	5 921 148	933 962	4 987 186
9 873 351	5 044 755	4 828 596	Environmental Protection/Pollution Control	2 441 565	7 046 984	(4 605 419)
15 668 838	6 347 397	9 321 441	Waste Water Management/Sewerage	4 491 376	6 488 566	(1 997 190)
81 560	7 604 576	(7 523 016)	Road Transport/Roads	29 982	10 016 162	(9 986 180)
16 583 748	4 656 966	11 926 782	Water/Water Distribution	4 631 225	6 758 856	(2 127 631)
28 603 372	18 710 838	9 892 534	Electricity /Electricity Distribution	16 421 517	22 085 105	(5 663 588)
1 564 553	191 948	1 372 605	Other/Air Transport	16 730 709	9 269 780	7 460 929
100 405 277	108 082 545	(7 677 268)		135 006 007	114 138 587	20 867 420
Municipal Owned Entities						
Other charges						
100 405 277	108 082 545	(7 677 268)	Municipality	135 006 007	114 138 587	20 867 420
100 405 277	108 082 545	(7 677 268)	Total	135 006 007	114 138 587	20 867 420

Tswelopele Local Municipality
Appendix E(1)

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

	Forecast # 1 2012 Act. Bal. Rand	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	6 571 275	5 779 142	792 133	13,7	
Service charges	27 754 677	25 511 887	2 242 790	8,8	
Rental of facilities and equipment	389 623	602 500	(212 877)	(35,3)	
Interest received (trading)	815 952	610 000	205 952	33,8	
Fines	96 430	236 100	(139 670)	(59,2)	
Licences and permits	1 100	1 000	100	10,0	
Government grants & subsidies	97 697 348	92 824 000	4 873 348	5,3	
Other income	1 147 878	640 000	507 878	79,4	
Sale of game	197 300	150 000	47 300	31,5	
Fair value adjustment	-	-	-	-	
Interest received - debtors	265 387	600 000	(334 613)	(55,8)	
Dividends received	69 042	50 000	19 042	38,1	
	135 006 012	127 004 629	8 001 383	6,3	
Expenses					
Personnel	(31 989 458)	(32 727 074)	737 616	(2,3)	
Remuneration of councillors	(3 670 373)	(4 097 375)	427 002	(10,4)	
Depreciation	(19 753 250)	-	(19 753 250)	-	
Finance costs	(1 998 095)	(2 339 700)	341 605	(14,6)	
Debt impairment	(6 260 335)	(2 500 500)	(3 759 835)	150,4	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(24 839 234)	(17 242 000)	(7 597 234)	44,1	
General Expenses	(25 627 847)	(35 168 660)	9 540 813	(27,1)	
	(114 138 592)	(94 075 309)	(20 063 283)	21,3	
Other revenue and costs					
Net surplus/ (deficit) for the year	20 867 420	32 929 320	(12 061 900)	(36,6)	

**Tswelopele Local Municipality
Appendix E(2)**

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

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	5 498	5 498	-	-	Own Income
Finance & Admin/Finance	15 611	15 611	-	-	Own Income
Road Transport/Roads	572 137	739 225	167 088	23	Own Income
Health/Clinics	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-
Housing	-	-	-	-	-
Public Safety/Police	-	-	-	-	-
Environmental Protection/Pollution Control	39 166	39 166	-	-	Own Income
Waste Water Management/Sewerage	5 010 000	1 905 000	3 895 000	22	Municipal Infrastructure Grant
Water/Water Distribution	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-
Other/Air Transport	-	-	-	-	-
Executive & Council/Mayor and Council	5 000 000	-	5 000 000)	-	Provincial Government Grant
Executive & Council/Mayor and Council	3 414 652	-	3 414 652)	-	Provincial Government Grant
Sport and Recreation	5 921 148	9 500 000	3 578 852	38	Lotto Grant
	9 978 212	2 204 500	2 226 288	5	
Municipal Owned Entities	-	-	-	-	-
Other charges	-	-	-	-	-

Tswelopele Local Municipality

Appendix F

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar			
Equitable Share		-	-	-	33 000	-	33 250	33 250	33 250	33 250	-	-	-	-	-	-	No	
Financial Management Grant		-	-	-	50 000	-	62 500	62 500	62 500	62 500	-	-	-	-	-	-	No	
Lotto Grant		-	-	-	-	-	77 785	77 785	77 785	77 785	-	11 139	-	-	-	-	No	
Municipal Systems Improvement Grant		-	-	-	40 000	-	10 000	10 000	10 000	10 000	-	-	-	-	-	-	No	
Municipal Infrastructure Grant		-	-	-	15 000	-	53 750	53 750	53 750	53 750	-	-	-	-	-	-	No	
Skills Development Grant		-	-	-	89 210	-	-	-	-	-	-	-	-	-	-	-	No	
Lotto Grant		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
EPWP		-	-	-	20 000	-	30 000	30 000	30 000	30 000	-	-	-	-	-	-	No	
		-	-	-	47 210	-	59 785	67 285	67 285	67 285	-	11 139	-	-	-	-		

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