

MASILONYANA LOCAL MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

30 JUNE 2012

MASILONYANA LOCAL MUNICIPALITY

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MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Masilonyana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Masilonyana Municipality includes the following areas:

Brandfort
Soutpan
Theunissen
Verkeerdevlei
Windburg

ACTING MUNICIPAL MANAGER

ME Maphobole

Appointed

1 December 2011

Resigned

30 September 2012

MUNICIPAL MANAGER

S S Mtakati

Appointed

1 October 2012

ACTING CHIEF FINANCIAL OFFICER

Jacobus Vermeulen

REGISTERED OFFICE

Cnr Le Roux and Pienaar Street
Theunissen
9410

P.O.Box 8
Theunissen
9410

AUDITORS

Auditor General
Free State

PRINCIPLE BANKERS

ABSA BANK
Theunissen
9410

Branch Code: 632005
Acc No: 40 5351 7822

RELEVANT LEGISLATION

- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act (Act 5 of 2012)
- The Income Tax Act (Act 58 of 1962)
- Value Added Tax Act (Act 89 of 1991)
- Municipal Structures Act (Act no 117 of 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations 2011
- Water Services Act (Act no 108 of 1997)

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

RELEVANT LEGISLATION (CONTINUE)

- Housing Act (Act no 107 of 1997)
- Municipal Property Rates Act (Act no 6 of 2004)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Supply Chain Management Regulations, 2005
- Collective Agreements
- Infrastructure Grants
- SALGBC Leave Regulations
- Skills Development Levies Act (Act no 9 of 1999)
- Electricity Act (Act no 41 of 1987)

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

MEMBERS OF THE MASILONYANA LOCAL MUNICIPALITY

K S Koalane	Mayor
S J Mabitla	Councillor
S C Mangoejane	Councillor
D E Modise	Councillor
F B Posthumus	Councillor
I I Majara	Councillor
J A Pienaar	Councillor
K A Sekharume	Councillor
K P Dichakane	Councillor
L M Moloele	Councillor
V M Lekale	Councillor
M B Tsoaela	Councillor
M M Kholumo	Councillor
M G Mafa	Councillor
P T Botha	Councillor
S L Kgoe	Councillor
T P Ramongalo	Councillor
T J Chele	Councillor
X Nqwiliso	Councillor
Z P Thuthani	Councillor

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

S S Mtakati
Municipal Manager

Date

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		495,660,294	893,677,764
Accumulated Surplus/(Deficit)		495,660,294	893,677,764
Non-Current Liabilities		20,695,925	20,146,434
Long-term Liabilities	2	5,132,889	6,518,846
Employee benefits	3	7,376,696	5,958,280
Non-Current Provisions	4	8,186,340	7,669,308
Current Liabilities		49,871,350	48,616,259
Consumer Deposits	5	977,241	969,026
Current Employee benefits	6	769,254	1,162,126
Provisions	7	430,860	473,946
Payables from exchange transactions	8	35,412,432	34,045,264
Unspent Conditional Government Grants and Receipts	9	-	-
Taxes	10	10,708,509	10,135,243
Cash and Cash Equivalents	17	7,000	-
Current Portion of Long-term Liabilities	2	1,566,054	1,830,653
Total Net Assets and Liabilities		566,227,569	962,440,457
ASSETS			
Non-Current Assets		543,754,607	954,610,335
Property, Plant and Equipment	11	471,466,120	887,969,017
Investments	12	79,086	82,114
Investment Property	13	72,209,400	66,559,204
Current Assets		22,472,962	7,830,122
Inventory	14	213,999	197,705
Receivables from exchange transactions	15	15,962,727	817,147
Receivables from non-exchange transactions	16	5,008,968	251,520
Cash and Cash Equivalents	17	1,287,269	6,563,751
Total Assets		566,227,569	962,440,457

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		117,334,612	130,065,127	940,187	129,124,940
Taxation Revenue		12,941,193	12,919,991	(60,059)	12,980,050
Property taxes	18	12,941,193	12,919,991	(60,059)	12,980,050
Transfer Revenue		104,336,169	116,986,803	1,000,000	115,986,803
Government Grants and Subsidies	19	104,336,169	116,986,803	1,000,000	115,986,803
Other Revenue		57,249	158,333	246	158,087
Third Party Payments		-	107,976	0	107,976
Fines		57,249	50,357	246	50,111
Revenue from Exchange Transactions		55,382,608	47,930,868	394,282	47,536,587
Service Charges	20	53,431,009	45,930,819	441,498	45,489,321
Rental of Facilities and Equipment		386,628	142,798	0	142,798
Interest Earned - external investments		830,279	534,288	(471,981)	1,006,269
Interest Earned - outstanding debtors		-	425,013	425,013	-
Licences and Permits		-	-	(13,728)	13,728
Other Income	21	728,835	884,537	13,480	871,057
Dividends received		5,857	2,470	-	2,470
Fair Value Adjustments		-	10,944	-	10,944
Total Revenue		172,717,220	177,995,995	1,334,468	176,661,527
EXPENDITURE					
Employee related costs	22	47,561,613	46,128,990	933,914	45,195,076
Remuneration of Councillors	23	5,051,609	4,804,106	-	4,804,106
Debt Impairment	24	14,442,705	31,089,426	11,528,846	19,560,579
Depreciation and Amortisation	25	462,758,397	1,758,687	(2,241,520)	4,000,207
Repairs and Maintenance		4,477,128	3,893,846	(173,869)	4,067,715
Actuarial losses	3	1,300,548	40,252	40,252	-
Finance Charges	26	2,769,053	2,842,970	1,048,831	1,794,139
Bulk Purchases	27	25,990,741	22,104,533	1,285,064	20,819,469
General Expenses	28	29,416,027	26,144,366	603,145	25,541,221
Total Expenditure		593,767,820	138,807,174	13,024,662	125,782,513
NET SURPLUS/(DEFICIT) FOR THE YEAR		(421,050,600)	39,188,821	(11,690,193)	50,879,014

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2010	312,958,426	312,958,426
Correction of error - Refer to note 29	541,530,518	541,530,518
Restated Balance at 1 JULY 2010	854,488,944	854,488,944
Net Surplus / (Deficit)	39,188,821	39,188,821
Balance at 30 JUNE 2011	893,677,764	893,677,764
Net Deficit for the year	(421,050,600)	(421,050,600)
Correction of errors and take-on items	23,033,130	23,033,130
Balance at 30 JUNE 2012	495,660,294	495,660,294

MASILONYANA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation		573,266	(1,440,030)
Sale of goods and services		46,477,388	61,568,469
Grants		104,336,169	113,200,037
Interest income		830,279	959,301
Other receipts		1,178,570	1,188,138
Payments			
Employee costs		(52,256,190)	(50,563,185)
Suppliers		(68,934,665)	(84,308,173)
Finance costs		(1,765,017)	(1,830,996)
Cash generated by operations	31	30,439,799	38,773,561
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(32,913,198)	(35,823,422)
Proceeds from the disposal of investments	12	3,028	5,478,190
Net Cash from Investing Activities		(32,910,170)	(30,345,232)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities	2	(1,650,556)	(1,737,014)
Employee benefit payment	3	(1,162,556)	(654,564)
Net Cash from Financing Activities		(2,813,112)	(2,391,578)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(5,283,483)	6,036,751
Cash and Cash Equivalents at the beginning of the year	17	6,563,751	527,000
Cash and Cash Equivalents at the end of the year	17	1,280,266	6,563,751
NET INCREASE IN CASH AND CASH EQUIVALENTS		(5,283,484)	6,036,751

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
2 LONG-TERM LIABILITIES		
Other financial liabilities	3,964,197	4,464,731
Capitalised Lease Liability - At amortised cost	2,734,746	3,884,768
	6,698,943	8,349,499
Current Portion Transferred to Current Liabilities	1,566,054	1,830,653
Other Financial Liability - At amortised cost	276,331	680,632
Capitalised Lease Liability - At amortised cost	1,289,723	1,150,021
Non-current long-term liabilities - At amortised cost using the effective interest rate method	5,132,889	6,518,846
Refer below for maturity dates of long term liabilities:		
The obligations under other financial liabilities are scheduled below:		Minimum liability payments
Amounts payable under other financial liabilities:		
Payable within one year	816,066	1,136,713
Payable within two to five years	3,059,276	3,140,074
Payable after five years	2,200,234	2,935,502
	6,075,576	7,212,289
Less: Future finance charge obligations	2,111,379	2,747,558
Present value of annuity obligations	3,964,197	4,464,731
The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March, interest accrues on the outstanding balance and the rate is 16 % per annum.		
The Development Bank of South Africa loan expires on 1st April 2020, and the terms stipulates that payments should be made quarterly, interest accrues on the outstanding balance and the rate is 12,5% and at 14,5% on payments in arrears.		
The obligations under finance leases are scheduled below:		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	1,542,669	1,542,669
Payable within two to five years	1,542,669	3,085,338
Payable after five years	-	-
	3,085,338	4,628,007
Less: Future finance charge obligations	350,592	743,240
Present value of lease obligations	2,734,746	3,884,767
The Copperleaf finance lease agreement (Rental of Photocopiers) loans expire on 30th July 2014, the terms stipulates that payments should be made monthly of R63 555, interest accrues on the outstanding balance and the rate is 14.08% per annum.		
The Multitech Corporation finance lease agreement (Rental of Telephone system) loans expire on 30th May 2014, the terms stipulates that payments should be made monthly of R65 000, interest accrues on the outstanding balance and the rate is 9.28% per annum.		
Leases are secured by property, plant and equipment - Note 11		
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
The net carrying value of the finance lease assets as presented according to note 11.		
Leased assets		
Office Equipment & Vehicles	1,660,405	2,949,643
Defaults and breaches		
There was no default during the period of principal, interest, sinking fund or redemption terms of loans payable. No terms were renegotiated before the financial statements were authorised for issue.		
There are no contingent rent payable on finance lease agreements.		
There no restrictions placed on the finance lease agreements.		
3 EMPLOYEE BENEFITS		
Post Retirement Medical Benefits	5,382,162	4,308,898
Long Service Awards	1,994,534	1,649,382
Total Non-current Employee Benefit Liabilities	7,376,696	5,958,280

MASILONYANA LOCAL MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
3 EMPLOYEE BENEFITS (CONTINUE)		
<u>Post Retirement Medical Benefits</u>		
Balance 1 July	4,812,690	4,812,260
Current service cost	-	-
Interest Cost	386,621	404,362
Expenditure for the year	(503,362)	(403,932)
Actuarial Loss/(Gain)	1,187,343	-
Total post retirement benefits 30 June	5,883,292	4,812,690
Less: Transfer of Current Portion - Note 6	(500,700)	(503,362)
Balance 30 June	5,382,592	4,309,328
<u>Long Service Awards</u>		
Balance 1 July	2,308,146	2,011,081
Current service cost	357,032	369,911
Interest Cost	143,469	137,534
Expenditure for the year	(658,764)	(250,632)
Actuarial Loss/(Gain)	113,205	40,252
Total long service 30 June	2,263,088	2,308,146
Less: Transfer of Current Portion - Note 6	(268,554)	(658,764)
Balance 30 June	1,994,534	1,649,382
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	7,120,836	6,823,341
Current service cost	357,032	369,911
Interest cost	530,090	541,896
Expenditure for the year	(1,162,126)	(654,564)
Actuarial Loss/(Gain)	1,300,548	40,252
Total employee benefits 30 June	8,146,380	7,120,836
Less: Transfer of Current Portion - Note 6	(769,254)	(1,162,126)
Balance 30 June	7,377,126	5,958,710
3.1 <u>Post Retirement Medical Benefits</u>		
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	-	-
In-service (employee) non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	18	18
Total Members	18	18
The liability in respect of past service has been estimated to be as follows:		
In-service members	-	-
Continuation members	5,882,862	4,812,260
Total Liability	5,882,862	4,812,260
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2010 R
In-service members		-
Continuation members		4,811,830
Total Liability		4,811,830

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
3 EMPLOYEE BENEFITS (CONTINUE)		
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Keyhealth.		
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	6.73%	8.40%
Health Care Cost Inflation Rate	6.83%	6.90%
Net Effective Discount Rate	-0.10%	1.40%

ii) Mortality rates

The PA90-1 ultimate table, rated down by 1 year of age was used by the actuaries.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	5,382,162	4,308,898
Net liability/(asset)	5,382,162	4,308,898

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	4,812,260	4,811,830
Total expenses	(116,741)	430
Current service cost	-	-
Interest Cost	386,621	404,362
Benefits Paid	(503,362)	(403,932)
Actuarial (gains)/losses	1,187,343	-
Present value of fund obligation at the end of the year	5,882,862	4,812,260
Less: Transfer of Current Portion - Note 6	(500,700)	(503,362)
Balance 30 June	5,382,162	4,308,898

The best estimate of benefit payments expected in the following financial periods:

	2014 R	2013 R
Opening accrued liability	5,761,363	5,882,862
Current-service cost	-	-
Interest cost	369,895	379,201
Benefits vesting	(534,906)	(500,700)
Total annual expenses	(165,011)	(121,499)
Closing accrued liability	5,596,352	5,761,363

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)		
Central Assumptions					
The effect of movements in the assumptions are as follows:	-	5.833	5.833		
Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	-	6.410	6.410	9%
Health care inflation	-1%	-	5.416	5.416	-8%
Post-retirement mortality	-1 year	-	6.185	6.185	4%

MASILONYANA LOCAL MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

3 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Interest Cost

Assumption	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	
Central Assumptions				
The effect of movements in the assumptions are as follows:	-	386,600	386,600	
Assumption	In-service members liability	Continuation members liability	Total liability	% change
Health care inflation	-	432,300	432,300	9%
Health care inflation	-	354,200	354,200	-8%
Post-retirement mortality	-	403,100	403,100	4%

3.2 Long Service Awards

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

297

289

Key actuarial assumptions used:

i) Rate of interest

Discount rate	6.19%	7.23%
General Salary Inflation (long-term)	5.97%	5.95%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.21%	1.21%

ii) Key demographic assumptions

The table below summarises the key demographic assumptions used for 2012 and 2011 financial year:

Assumptions	Value		
Average retirement age	60		
Mortality during employment	SA85-90		
Withdrawal from service (sample annual rates)	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	0%	0%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,263,088	2,308,146
Net liability	2,263,088	2,308,146

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	2,011,081
------------------------	------------------

2010
R

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
3 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2,308,146	2,011,081
Total expenses	(158,263)	256,813
Current service cost	357,032	369,911
Interest Cost	143,469	137,534
Benefits Paid	(658,764)	(250,632)
Actuarial (gains)/losses	113,205	40,252
Present value of fund obligation at the end of the year	2,263,088	2,308,146
Less: Transfer of Current Portion - Note 6	(268,554)	(658,764)
Balance 30 June	1,994,534	1,649,382

The best estimate of benefit payments expected in the following financial periods:

	2014 R	2013 R
Opening accrued liability	2,467,337	2,263,088
Current-service cost	362,007	340,905
Interest cost	144,260	131,898
Benefits vesting	(277,785)	(268,554)
Total annual expenses	228,482	204,249
Closing accrued liability	2,695,819	2,467,337

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.263	
General salary inflation	+1%	2.411	7%
General salary inflation	-1%	2.129	-6%
Average retirement age	-2 yrs	2.030	-10%
Average retirement age	+2 yrs	2.522	11%
Withdrawal rates	-50%	2.751	22%

The table above indicates that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than disclosed on the statement of financial position.

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current-Service Cost (R)	Interest Cost (R)	% change
Central assumptions		357,032	143,469	
General salary inflation	+1%	373,381	152,091	5%
General salary inflation	-1%	342,274	135,642	-5%
Average retirement age	-2 yrs	328,065	128,615	-9%
Average retirement age	+2 yrs	377,482	158,436	7%
Withdrawal rates	-50%	422,308	173,158	19%

No plan assets are disclosed as the benefit plan is unfunded.

3.3 Additional disclosure to employee benefits

Long Service Awards

The Municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012
R

2011
R

3 EMPLOYEE BENEFITS (CONTINUE)

The below described the benefits awarded:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)
5	4%
10	7%
15	10%
20	11%
25, 30, 35, 40, 45	12%

Post Retirement Medical Benefits

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 60% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy. The subsidy is assumed to be R 3,440.51 for the ensuing year. This cap has been assumed to increase in the future in line with 75% of salary inflation.

The effective date of the actuarial valuation of the long service awards obligation and the post employment medical benefit obligation was the 30 June 2012 and were performed by independent professional valuers. The next actuarial valuation is expected to be performed on the 30 June 2013.

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

8,186,340 **7,669,308**

Total Non-current Employee Benefit Liabilities

8,186,340 **7,669,308**

Landfill Sites

Balance 1 July

8,143,254 7,673,176

Contribution to the provision due to interest cost

473,946 470,078

Total provision 30 June

8,617,200 **8,143,254**

Less: Transfer of Current Portion to Current Provisions - Note 7

(430,860) (473,946)

Balance 30 June

8,186,340 **7,669,308**

The estimated rehabilitation cost are for the landfill sites at Theunissen, Brandfort, Soutpan, Windburg and Verkeerdevelei. An once-off cost estimation were performed by independent consultants during September 2012 and it is expected that an estimation will be performed during June 2013. The provision has been made for the net present value of this cost, using the average cost of borrowing interest rate of 5.50% (2011: 5.77%). The expected timing is still uncertain as the expected use are still undeterminable. The uncertainty regarding the amount are based on the variation of the average borrowing interest rate in the future.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
5 CONSUMER DEPOSITS		
Water and Electricity	977,241	969,026
Total Consumer Deposits	977,241	969,026
Guarantees held in lieu of Electricity and Water Deposits	-	-
The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Medical Benefits - Note 3	500,700	503,362
Current Portion of Long-Service Awards - Note 3	268,554	658,764
Total Current Employee Benefits	769,254	1,162,126
7 PROVISIONS		
Provision for Landfill Sites - Note 4	430,860	473,946
Total Provisions	430,860	473,946
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	19,667,177	18,956,052
Accruals	4,110,691	3,955,151
Staff bonus	557,920	657,929
Staff Leave	5,119,105	4,678,726
Sundry Creditors	5,957,539	5,797,407
Total Trade Payables	35,412,432	34,045,264
Payables are being recognised net of any discounts.		
The carrying value of trade and other payables approximates its fair value.		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the financial instruments in accordance with GRAP 104 for the financial years up to 30 June 2012.		
The municipality decided to early adopt the GRAP 104 and the impact of the above is that payables from exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.		
The municipality did not previously discount the payables from exchange transactions and therefore are there no effect on the comparative balances.		
9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	0	-
Total Conditional Grants and Receipts	0	-
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10 TAXES		
VAT RECEIVABLE / PAYABLE		
VAT Payable	10,708,509	10,135,243
Total Vat (receivable) / payable	10,708,509	10,135,243
VAT is receivable/payable on the cash basis.		

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 2011
R R

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

			2012 R	2011 R
11	PROPERTY, PLANT AND EQUIPMENT (CONTINUE)			
	Assets pledged as security:			
	Finance Lease assets are pledged as security for finance leases.			
	Property, plant and equipment has been restated due to full compliance with GRAP for the year ended 30 June 2012. This restatement was made retrospectively for all years resented. Refer to Note 29.21 for details.			
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 17 for the financial years up to 30 June 2011.			
	The municipality has identified and measured all Property, plant and equipment in terms of GRAP 17 for the financial year ended 30 June 2012. The balances of the Property, plant and equipment have been retrospectively restated accordingly.			
12	INVESTMENTS			
	Financial assets at fair value through profit or loss			
	Non-current Assets			
	Senwes shares		79,086	82,114
			<u>79,086</u>	<u>82,114</u>
	For debt securities classified as at fair value through surplus or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.			
	There are no restrictions placed on the investments and none of the investment items are provided as security.			
	The shares are unlisted shares and the trading price are used to value the shares at 30 June as published by the issuer:			
		Nr of shares	Trading price	
			2012	2011
	Senwes Limited	4,857	R9.00	R9.70
	Senwesbel Limited	7,447	R4.75	R4.70
			43,713	47,113
			35,373	35,001
			<u>79,086</u>	<u>82,114</u>
	Current assets		-	-
	Non-current assets		79,086	82,114
			<u>79,086</u>	<u>82,114</u>
13	INVESTMENT PROPERTY			
	Net Carrying amount at 1 July		66,559,204	66,559,204
	Cost		66,559,204	66,559,204
	Accumulated Depreciation		-	-
	Acquisitions		5,650,196	-
	Depreciation for the year		-	-
	Net Carrying amount at 30 June		72,209,400	66,559,204
	Cost		72,209,400	66,559,204
	Accumulated Depreciation		-	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.			
	The carrying amount of these assets approximates their fair value.			
	Investment property has been restated due to full compliance with GRAP for the year ended 30 June 2012. This restatement was made retrospectively for all years resented. Refer to Note 29.22 for details.			
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 17 for the financial years up to 30 June 2011.			
	The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been retrospectively restated accordingly.			
	Revenue derived from the rental of investment property		386,628	142,798

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14 INVENTORY		
Stores, materials and fuels	189,507	183,129
Water – at cost	24,491	14,576
Total Inventory	213,999	197,705

There are no restrictions placed on the inventory and none of the inventory items are provided as security.

Inventory has been restated due to full compliance with GRAP for the year ended 30 June 2012. This restatement was made retrospectively for all years resented. Refer to Note 29.13 for details.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Inventory in accordance with GRAP 12 for the financial years up to 30 June 2011 for the following inventory:

Water in reservoirs; and
Water in pipelines

The municipality has identified and measured all Inventory in terms of GRAP 12 for the financial year ended 30 June 2012. The balances of the inventory have been retrospectively restated accordingly.

15 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	10,618,110	4,398,983
Water	15,625,831	4,844,302
Refuse	9,821,520	2,582,899
Sewerage	18,528,543	5,216,350
Debtors with credit balances	-	-
Other	91,986,829	122,346,468
Total Receivables from Exchange Transactions	146,580,833	139,389,002
Less: Allowance for Doubtful Debts	(130,618,106)	(138,571,855)
Total Net Receivables from Exchange Transactions	15,962,727	817,147

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
15 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	1,547,029	233,979
31 - 60 Days	1,002,719	196
61 - 90 Days	856,510	47
+ 90 Days	7,211,852	4,164,761
Total	10,618,110	4,398,983
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1,433,263	740
31 - 60 Days	1,294,375	499
61 - 90 Days	1,191,517	587
+ 90 Days	11,706,676	4,842,476
Total	15,625,830	4,844,302
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1,265	561
31 - 60 Days	692,677	459
61 - 90 Days	678,704	408
+ 90 Days	8,448,874	2,581,471
Total	9,821,520	2,582,899
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1,475,309	952
31 - 60 Days	1,397,015	692
61 - 90 Days	1,356,067	606
+ 90 Days	14,300,152	5,213,830
Total	18,528,544	5,216,080
<u>(Other): Ageing</u>		
Current (0 - 30 days)	(16,582)	-
31 - 60 Days	(52,097)	-
61 - 90 Days	(47,463)	-
+ 90 Days	92,102,972	122,346,468
Total	91,986,829	122,346,468
<u>(Total): Ageing</u>		
Current (0 - 30 days)	4,440,284	236,232
31 - 60 Days	4,334,690	1,846
61 - 90 Days	4,035,334	1,648
+ 90 Days	133,770,525	139,149,006
Total	146,580,833	139,388,731
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	(138,571,855)	(111,731,860)
Contribution to provision/(Reversal of provision)	7,953,750	(26,839,996)
Bad Debts Written Off	-	-
Balance at end of year	(130,618,106)	(138,571,855)

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the financial instruments in accordance with GRAP 104 for the financial years up to 30 June 2012.

The municipality decided to early adopt the GRAP 104 and the impact of the above is that receivables from exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.

The municipality did not previously discount the receivables from exchange transactions and therefore are there no effect on the comparative balances.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	45,899,599	41,653,911
Sundry Debtors	10,478	7,411
Total Receivables from Non-Exchange Transactions	45,910,077	41,661,322
Less: Allowance for Doubtful Debts	(40,901,109)	(41,409,802)
Total Net Receivables from Non-Exchange Transactions	5,008,968	251,520
Ageing of Receivables from Non-Exchange Transactions:		
(Rates): Ageing		
Current (0 - 30 days)	1,859,799	1,945,447
31 - 60 Days	(480,456)	(455,085)
61 - 90 Days	1,006,274	671,553
+ 90 Days	43,513,982	39,491,997
Total	45,899,599	41,653,911
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	(41,409,802)	(33,389,133)
Contribution to provision/(Reversal of provision)	508,692	(8,020,668)
Bad Debts Written Off	-	-
Balance at end of year	(40,901,109)	(41,409,802)
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the financial instruments in accordance with GRAP 104 for the financial years up to 30 June 2012.		
The municipality decided to early adopt the GRAP 104 and the impact of the above is that receivables from non-exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.		
The municipality did not previously discount the receivables from non-exchange transactions and therefore are there no effect on the comparative balances.		
17 CASH AND CASH EQUIVALENTS		
Assets		
Call Deposits accounts	795,392	5,606,211
Primary Bank Account	417,941	947,777
Cash Floats	-	26
Other Cash and Cash Equivalents	73,936	9,736
Total Cash and Cash Equivalents - Assets	1,287,269	6,563,751
Liabilities		
Cash Floats	7,000	-
Total Cash and Cash Equivalents - Liabilities	7,000	-
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
Current Accounts		
ABSA Bank: Cheque Account nr 91 0161 0864	417,941	947,777
	417,941	947,777
ABSA Bank: Cheque Account nr 91 0161 0864		
Cash book balance at beginning of year	947,777	527,000
Cash book balance at end of year	417,941	947,777

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
17 CASH AND CASH EQUIVALENTS (CONTINUE)		
<u>Call Deposits accounts</u>		
Call investment deposits consist out of the following accounts:		
Call Deposits accounts	795,392	5,606,211
	795,392	5,606,211
Call Deposits accounts		
ABSA Bank Account nr 90 6109 6643	72,507	3,218,059
ABSA Bank Account nr 20 4640 4292	11,620	-
ABSA Bank Account nr 20 4900 4718	853	-
ABSA Bank Account nr 91 0161 0864	710,409	2,388,152
	795,389	5,606,211

None of the above accounts are provided as securities.

No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity.

18 PROPERTY TAXES		
<u>Actual</u>		
Rateable Land and Buildings	17,129,565	15,087,917
Residential, Commercial Property, State	17,129,565	15,087,917
Less: Rebates	(4,188,371)	(2,167,926)
Total Assessment Rates	12,941,193	12,919,991
<u>Valuations</u>		
Rateable Land and Buildings		
Residential	647,042,731	670,914,584
Business & Commercial	209,328,459	107,117,200
Government	14,696,500	221,785,642
Exempt Properties	39,851,450	30,703,689
Agricultural	1,805,357,828	1,583,127,914
Total Assessment Rates	2,716,276,968	2,613,649,029

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Rates:	c/R	c/R
Residential	0.01200	0.00920
Commercial	0.02400	0.01030
Agricultural	0.00300	0.00173

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is not levied on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year. Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
19 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	71,635,000	66,188,520
Equitable Share	71,635,000	66,188,520
Conditional Grants	32,701,169	50,798,283
Grants and subsidies	32,701,169	50,798,283
Total Government Grants and Subsidies	104,336,169	116,986,803
The municipality does not expect any significant changes to the level of grants.		
19.01 Equitable share		
Opening balance	-	-
Grants received	71,635,000	66,188,520
Conditions met	(71,635,000)	(66,188,520)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. The grant is used to subsidise the provision of basic service to the community.		
19.02 Municipal Infrastructure Grant (MIG)		
Opening balance	-	3,786,765
Grants received	30,322,000	25,211,000
Conditions met	(30,322,000)	(28,997,765)
Conditions still to be met	-	-
This grant was used construct municipal infrastructure to provide basic services for the benefit of the poor households. The conditions of the grants were met. No funds are withheld. The total unspent grant for the 2012 financial year is Rnil.		
19.03 Local Government Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1,250,000	3,000,000
Conditions met	(1,250,000)	(3,000,000)
Conditions still to be met	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
19.04 Municipal Systems Improvement Grant		
Opening balance	-	-
Grants received	790,000	750,000
Conditions met	(790,000)	(750,000)
Conditions still to be met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
19.05 Housing Grants		
Opening balance	-	-
Grants received	81,900	-
Conditions met	(81,900)	-
Grant expenditure to be recovered	-	-
Housing grants was utilised for the development of erven and the erection of top structures.		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
19.06 Local Government Sector Education Training Authority (LGSETA)		
Opening balance	-	-
Grants received	257,269	-
Conditions met	(257,269)	-
Grant expenditure to be recovered	-	-
19.07 Total Grants		
Opening balance	-	3,786,765
Grants received	104,336,169	95,149,520
Conditions met	(104,336,169)	(98,936,285)
Write off - Irrecoverable grant expenditure	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	-	-
20 SERVICE CHARGES		
Electricity	16,793,131	18,078,440
Water	14,638,928	12,831,664
Sewerage	17,173,561	12,949,621
Refuse removal	8,446,778	6,358,152
Other service charges	4,457	3,387
	57,056,855	50,221,264
Less: Rebates	(3,625,846)	(4,290,446)
Total Service Charges	53,431,009	45,930,819
21 OTHER INCOME		
Sundry income	599,660	747,409
Grave Fees	129,175	137,128
Total Other Income	728,835	884,537
Sundry income represents sundry income such as copies, tender deposit, clearance certificate fees and reconnection fees.		
22 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	32,701,299	31,317,014
Bonus	1,766,008	2,117,500
Medical Aid - company contributions	1,771,790	1,560,055
UIF	382,462	329,077
Compensation fund provision	281,763	353,031
SDL	359,778	363,859
Other payroll levies	28,432	15,346
Provision Leave	842,588	1,197,551
Provision Bonuses	(38,197)	84,384
Contributions to Pension and Provident funds	4,373,348	4,280,759
Overtime payments	2,067,548	1,897,408
Housing Benefits and allowances	68,234	79,120
Allowance: Cell Phones	215,743	82,560
Allowance: Locomotion - Fixed	2,389,674	2,132,780
Allowance: Standby	300,992	300,757
Allowance: Sundry	50,152	17,790
Total Employee Related Costs	47,561,613	46,128,990
KEY MANAGEMENT PERSONNEL		
Municipal Manager and all other Directors are appointed on fixed term contracts.		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
22 EMPLOYEE RELATED COSTS (CONTINUE)		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Previous Municipal Manager - Mr Mpakane		
Annual Remuneration	378,216	389,332
Travel, motor car, accommodation, subsistence and other allowances	302,566	315,675
Contributions to UIF, Medical and Pension Funds	7,663	7,916
Total	688,446	712,923
Remuneration of Chief Financial Officer - Mr L I Tlatsi		
Annual Remuneration	377,977	372,831
Travel, motor car, accommodation, subsistence and other allowances	313,750	268,275
Contributions to UIF, Medical and Pension Funds	7,014	6,538
Total	698,740	647,644
Remuneration of Corporate Services Manager - Mr S J Lehloeny		
Annual Remuneration	415,813	409,362
Travel, motor car, accommodation, subsistence and other allowances	276,247	263,578
Contributions to UIF, Medical and Pension Funds	7,446	7,267
Total	699,505	680,207
Remuneration of Previous Community and Social Services Manager - Me M E Maphobole (Acting Municipal Manager)		
Annual Remuneration	508,512	492,307
Travel, motor car, accommodation, subsistence and other allowances	214,153	170,988
Contributions to UIF, Medical and Pension Funds	8,301	7,780
Total	730,966	671,075
Remuneration of Acting Technical Services Director - T B Maja		
This director is contracted from Lejweleputswa Municipality and is not remunerated from this municipality during the current and previous financial periods.		
Remuneration of Acting Chief Financial Officer - Mr J Vermeulen		
Annual Remuneration	325,000	-
Travel, motor car, accommodation, subsistence and other allowances	63,000	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	388,000	-
23 REMUNERATION OF COUNCILLORS		
Mayor	287,408	627,829
Speaker	332,998	464,613
Councillors	4,431,203	3,711,665
Total Councillors' Remuneration	5,051,609	4,804,106
<i>In-kind Benefits</i>		
The Executive Mayor and all the committee members are full-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
24 DEBT IMPAIRMENT		
Receivables from exchange and non-exchange transactions	14,442,705	31,089,426
Total Contribution to Debt Impairment	28,885,410	31,089,426

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	462,758,397	1,758,687
	462,758,397	1,758,687
26 FINANCE CHARGES		
Trade and Other payables	843,711	866,693
Other liabilities at amortised cost	534,890	566,625
Borrowings	467,656	548,837
Finance leases at amortised cost	392,648	318,918
Actuarial Interest	530,090	541,896
Total finance charges	2,768,995	2,842,970
27 BULK PURCHASES		
Electricity	24,731,608	20,828,747
Water	1,259,132	1,275,786
Total Bulk Purchases	25,990,741	22,104,533
28 GENERAL EXPENSES		
Accounting Fees	-	-
Advertising	1,169,462	936,941
Audit fees	2,145,886	1,838,521
Bank charges	271,498	238,540
Bursaries	-	1,095
Chemicals	3,191,192	3,398,329
Cleaning	6,355	38,972
Community development and training	328,180	702,542
Consulting and professional fees	9,676,597	8,096,833
Consumables	107,024	198,433
Entertainment	94,946	97,540
Fuel and oil	1,731,005	1,060,613
IDP review	525,087	605,873
Indigent Support	494,219	-
Insurance	-	324,999
Lease rentals on operating lease	897,461	(85,351)
Licence & Registration - Vehicles	106,625	66,417
Licence Fees - Financial System	709,433	585,275
Magazines, books and periodicals	6,794	420,522
Motor vehicle expenses	1,267,912	-
Other Expenses	1,546,128	1,451,503
Postage and courier	951,806	1,324,451
Printing and stationary	308,238	339,443
Security (Guarding of municipal property)	-	2,936
Software expenses	24,143	88,689
Subscriptions and membership fees	412,822	313,130
Telephone and fax	1,762,803	2,384,843
Training	1,152,875	682,253
Travel, Accom. and Subsistence	484,661	475,601
Uniforms	42,875	555,424
General Expenses	29,416,027	26,144,366

29 CORRECTION OF ERROR IN TERMS OF GRAP 3

Certain errors were detected which relates to prior years and were restated retrospectively. The effects of these restatements are listed below.

EFFECT OF CORRECTION ON THE ACCUMULATED SURPLUS/DEFICIT

Surplus for the year previously stated	312,958,426
Correction of errors	558,482,593
Changes in the statement of financial performance	11,689,844
Changes in the statement of financial position	546,792,749
Restated surplus for the year	871,441,019

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)		
EFFECTS OF CORRECTIONS ON STATEMENT OF FINANCIAL PERFORMANCE		11,689,844
29.01 DEBT IMPAIRMENT		
Debt impairment (Previously stated)		19,560,579
Correction of error		11,528,846
Debt impairment (Restated)		<u>31,089,426</u>
The municipality previously did not calculate the provision for bad debt per debtors. The impact of the correction is the increase in debt impairment and decrease in receivables with R15 809 981.		
The municipality previously did not exclude the value added tax portion of the provision for bad debts in the comparative figures. The impact of the correction is the decrease in debt impairment and decrease in value added tax with R4 281 134.		
29.02 INTEREST EARNED		
Interest Earned - external investments (Previously reported)		(580,303)
Correction of error		46,969
Interest Earned - external investments (Restated)		<u>(533,334)</u>
Interest were recognised in the prior financial year to correct the balance of the call deposits recorded under cash and cash equivalents. The impact of the correction decreases the interest received and investments balance.		
29.03 TAXATION REVENUE		
Taxation revenue (Previously reported)		(12,980,050)
Correction of error		60,059
Taxation revenue (Restated)		<u>(12,919,991)</u>
The municipality did not previously remove the billings for the municipal accounts. The impact of the above corrections resulted in the decrease in the property rates and the receivables from non-exchange transactions with R60 059.		
29.04 SERVICE CHARGES		
Service Charges (Previously reported)		(45,489,321)
Correction of unmetered consumption		(586,056)
Correction of municipal properties billings		144,559
Service Charges (Restated)		<u>(45,930,818)</u>
The municipality did not previously remove the billings for the municipal accounts. The impact of the above corrections resulted in the decrease in the service charges and the receivables from exchange transactions with R144 559.		
The municipality did not previously account for the unmetered consumption for the service charges. The impact of the correction resulted in the increase on service charges and receivable for exchange transactions with R586 056.		
29.05 BULK PURCHASES		
Bulk Purchases (Previously reported)		20,819,469
Correction of error		1,285,064
Bulk Purchases (Restated)		<u>22,104,533</u>
Expenditure transactions recorded in the comparative figures that not recorded previously. Payables from exchange transactions and bulks purchases increased with R1 299 639.88 with the correction.		
29.06 EMPLOYEE RELATED COSTS		
Employee related cost (Previously reported)		45,195,076
Correction of error		933,565
Correction of bonus provision		119,279
Correction of the compensation fund		353,031
Correction of leave provision		(382,398)
Correction for provision for bonus		1,127,820
Correction of post employment medical benefit contributions		(284,167)
Employee related cost (Restated)		<u>46,128,641</u>
The bonus expenditure were increased with the amount of R119 279 to account for the long service awards that were not previously recognised by the municipality. The impact this correction are the increase in the employee related cost and the provision for long service awards with R119 279.		
The contribution to the compensation fund were recalculated due to the incorrect data used by the municipality in the previous years. The impact of the above correction are the increase in the employee related cost and the provision for the compensation fund with R353 031.		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012
R

2011
R

29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)

The municipality made an adjustment of the provision for leave due to the total recalculation of the provision for the prior year and the current year. The impact of the correction is the decrease in employee related cost and provision for leave with R382 398.

The municipality made an adjustment of the provision for bonus due to the total recalculation of the provision for the prior year and the current year. The impact of the correction is the increase in employee related cost and provision for leave with R1 127 820.

Contributions to the post retirement benefit fund of R100 400 were allocated previously to general expenses that is now restated to employee related cost. The impact of the correction is an increase in the employee related cost and decrease in general expenses with R100 400.

Payments made to post employment benefits of R33 404 incorrectly recorded in the 30 June 2012 financial year and allocated to 30 June 2011 financial year. Payables from exchange transactions and employee related cost increased with R33 404 with the adjustment.

29.07 GOVERNMENT GRANT AND SUBSIDIES

Government Grants and Subsidies (Previously reported)	(115,986,803)
Correction of error	<u>(1,000,000)</u>
Government Grants and Subsidies (Restated)	(116,986,803)

The municipality did not recognise all the government grants and subsidies received in the prior financial year. The impact of the above is the increase in the revenue from non-exchange income.

29.08 REPAIRS AND MIANTANANCE

Repairs and maintenance (Previously reported)	4,067,715
Correction of error	<u>(173,869)</u>
Repairs and maintenance (Restated)	3,893,846

Finance lease payments were incorrectly recorded in the statement of financial performance. The reallocation resulted in the decrease of repairs and maintenance and finance lease liability with R35 324.

The municipality did not record all expenditure in the comparative figures in the prior year. The impact of the correction increased the expenditure and payables from exchange transactions with R125 700.

The municipality previously recorded capital expenditure as repairs and maintenance and not as property, plant and equipment. The impact of the above is the decrease in the repairs and maintenance and increase property, plant and equipment with R246 246.

29.09 ACTUARIAL LOSSES

Actuarial losses (Previously reported)	-
Correction of error	<u>40,252</u>
Actuarial losses (Restated)	40,252

The municipality did not previously account for the long service awards obligations. The recognition of the long service awards obligation resulted in the increase of actuarial losses and the long service award obligation with R40 252.

29.1 FINANCE CHARGES

Finance charges (Previously reported)	1,582,786
Correction of error	1,260,183
Correction of finance cost of landfill site provision	470,078
Correction of finance cost of finance leases	318,918
Correction of finance cost on post employment benefits	527,789
Correction of the finance cost on suppliers	<u>(56,602)</u>
Finance charges (Restated)	2,842,970

The municipality did not previously perform a rehabilitation assessment on the landfill sites. The effect of the assessment performed in the current year resulted in the increase of finance cost and the landfill site provision with R470 078.

The municipality did not previously record all finance cost on the finance leases. The impact of the above correction is an increase in the finance cost and the finance lease liability with R318 918.

The municipality did not previously accounts for the interest cost on the post employment medical benefits obligation and the long service awards obligation. The impact of the above correction is an increase in the finance cost and the obligations with R527 789.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)		
<p>The municipality did not previously accounts of all finance charges on the late payments of suppliers. The impact of the above is increase in finance cost and the suppliers with R43 064, also were finance charges incorrectly recorded in the supplier accounts. The impact of the correction are decrease in finance cost and suppliers with R99 665.</p>		
29.11 GENERAL EXPENSES		
General expenses (Previously reported)		25,541,221
Correction of error		391,792
Correction of allocation of finance lease payments		(728,813)
Correction of allocation of employee cost		(100,510)
Correction of finance cost on post employment benefits		1,221,115
General expenses (Restated)		25,933,013
<p>The municipal entity previously incorrectly allocated the finance lease payments to general expenses instead of finance lease obligation. The impact of the above correction is the decrease in general expenses and finance lease liability with R728 813.</p> <p>Contributions to the post retirement benefit fund of R100 510 were allocated previously to general expenses that is now restated to employee related cost. The impact of the correction is an increase in the employee related cost and decrease in general expenses with R100 510.</p> <p>The municipality did not record all expenditure transactions in the prior financial year. The impact of the correction resulted in the increase in general expenses and payables with R1 432 467.</p>		
29.12 DEPRECIATION		
Depreciation (Previously reported)		4,000,207.00
Correction of error		(2,241,520.00)
Depreciation (Restated)		1,758,687.00
<p>The municipality updated and assessed the conditions of the assets and adjusted the accumulated depreciation of these assets. The effect of the correction are a decrease in depreciation and accumulated depreciation with R2 241 520.</p>		
		546,792,749
29.13 INVENTORY		
Inventory (Previously reported)		183,129
Correction of error		14,576
Inventory (Restated)		197,705
<p>The municipality did not recognise water as inventory in the prior financial year. The impact of the above correction increases inventory and bulk purchases with R14 576.</p>		
29.14 PAYABLES FROM EXCHANGE TRANSACTIONS		
Payables from exchange transactions (Previously reported)		(39,664,187)
Correction of error		25,801,796
Correction of leave provision		(32,446)
Correction of bonus provision		(46,257)
Correction of the provision for compensation fund		162,816
Correction of the retentions held		(1,349,245)
Correction of trade payables		6,901,142
Unidentified deposits condoned		20,182,872
Debtors payments received in advance not recorded		(17,087)
Payables from exchange transactions (Restated)		(13,862,391)
<p>The municipality made an adjustment of the provision for leave due to the total recalculation of the provision for the prior year and the current year. The impact of the correction is the decrease in employee related cost and decrease in the provision for leave with R32 445.</p> <p>The municipality did not recognise the complete bonus provision in the prior year and the impact of the correction is the increase in the employee related cost and the payable with R46 256.</p> <p>The municipality did not previously record all the retention balances held at 30 June 2011. The effect of the correction is an increase in payables from exchange transactions and decrease in accumulated surplus with R1 349 244.</p> <p>The municipality has condoned the prior year unidentified deposits as no supporting documentation exist for the deposits received. The effect of the correction is an decrease in payables from exchange transactions and increase in accumulated surpluses with R20 182 872.</p> <p>The contribution to the compensation fund were recalculated due to the incorrect data used by the municipality in the previous years. The impact of the above correction are the decrease in the employee related cost and the provision for the compensation fund with R162 816.</p> <p>The municipality did not account for all expenditure transactions and payments to suppliers in the prior year. The impact of the above corrections in payables are R6 901 141.</p>		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012
R **2011**
R

29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)

The municipality previously recorded debtors with credit balances of R5 760 261 in the current year are debtors with credit balance of R5 777 348 due to allocation of the receipts not previously done. The impact of the correction is an increase in the payables and the receivables from exchange transactions with R17 087.

29.15 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables from exchange transactions (Previously reported)	182,710,430
Correction of error	(1,667,518)
Correction of control accounts and age analysis	127,245
Correction of unmetered consumption	859,385
Correction of the municipal properties billings	(354,612)
Correction of take-on debtors	(2,316,623)
Debtors payments received in advance not recorded	17,087
Receivables from exchange transactions	181,042,912

The municipality made the adjustment to the control account to ensure the age analysis agrees to the control account. The impact of the correction resulted in the increase in receivables and accumulated surplus with R127 244.

The municipality did not previously account for the unmetered consumption for the service charges. The impact of the correction resulted in the increase on service charges and receivable for exchange transactions with R668 104 (2010: R191 280)

The municipality did not previously remove the billings for the municipal accounts. The impact of the above corrections resulted in the decrease in the service charges and the receivables from exchange transactions with R204 618 (2010: R149 994)

The municipality did not previously incorporate the debtors control accounts and age analysis. The impact of the correction resulted in the decrease in receivables and accumulated surplus with R2 316 623.

The municipality previously recorded debtors with credit balances of R5 760 261 in the current year are debtors with credit balance of R5 777 348 due to allocation of the receipts not previously done. The impact of the correction is an increase in the payables and the receivables from exchange transactions with R17 087.

29.16 LONG TERM LIABILITIES

Long term liabilities (Previously reported)	(1,711,476.00)
Correction of error	(2,173,291.54)
Long term liabilities (Restated)	(3,884,767.54)

The municipality did not previously account for all agreements that qualify as finance leases obligations. The impact of the above is an increase in the finance lease obligation and decrease in the accumulated surplus with R2 173 291.

29.17 EMPLOYEE BENEFITS

Employee benefits (Previously reported)	(4,812,260.00)
Correction of error	(1,649,382.00)
Employee benefits (Restated)	(6,461,642.00)

The municipality did not previously account for the long service awards obligations. The impact of the above correction is increase in the employee benefit obligation and decrease in accumulated surplus with R1 649 382.

29.18 NON-CURRENT PROVISIONS

Non-current provisions (Previously reported)	(1,200,000.00)
Correction of error	(6,469,308.00)
Non-current provisions (Restated)	(7,669,308.00)

The municipality did not previously perform an independent actuarial valuation on the rehabilitation of the landfill sites. The impact of this correction resulted in the increase in the provision and the decrease in accumulated surpluses with R6 469 308.

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)		
29.19 UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
Unspent conditional grants and subsidies (Previously reported)		(2,992,736.00)
Correction of error		2,992,736.00
Unspent conditional grants and subsidies (Restated)		-
The municipality did not previously account for expenditure transactions and payments made. The impact of the above correction resulted in the decrease in unspent conditional grants and increase in accumulated surplus with R2 992 736.		
29.2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents (Previously reported)		6,484,797.00
Correction of error		78,954
Cash and cash equivalents (Restated)		6,563,751
The municipality did not previously perform bank reconciliations and resulted in duplication of transactions or not recording transactions. The impact of the above corrections resulted in the increase in cash and cash equivalents and accumulated surplus with R185 610.		
The municipality did not previously perform cash control account reconciliations and resulted in duplication of transactions or not recording transactions. The municipality condoned the unidentified cash on hand of R116 392. The impact of the above is decrease in cash and cash equivalents and decrease in accumulated surpluses.		
29.21 PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment (Previously reported)		429,171,750
Correction of error		458,797,267
Property, plant and equipment (Restated)		854,367,957
The municipality did a full physical asset verification in the current year and not all property, plant and equipment were recognised in the prior year. The impact of the above correction resulted in the increase in property, plant and equipment and accumulated surpluses with R458 797 267.		
29.22 INVESTMENT PROPERTY		
Investment property (Previously reported)		-
Correction of error		66,559,204.00
Investment property (Restated)		66,559,204.00
The municipality has property that are leases out to tenants and were not previously accounted for as investment property and even that has not been previously accounted for on the fixed asset register. The impact of the correction is an increase in investment property and accumulated surplus with R66 559 204.		
29.23 INVESTMENTS		
Intangible assets (Previously reported)		113,487.00
Correction of error		(31,373.00)
Intangible assets (Restated)		82,114.00
The municipality previously did not perform reconciliations on the investments and recorded balances that did not exist. The impact of the correction is the decrease in investments and accumulated surplus with R31 373.		
29.24 INTANGIBLE ASSETS		
Intangible assets (Previously reported)		88,778.00
Correction of error		(88,778.00)
Intangible assets (Restated)		-
The municipality previously recorded intangible assets that does not meet the recognition criteria of intangible assets. The impact of the above corrections is an decrease in intangible assets and accumulated surplus with R88 778.		
29.25 TAXES		
Taxes (Previously reported)		(14,763,110)
Correction of error		4,627,867
Taxes (Restated)		(10,135,243)
The municipality previously did not exclude the value added tax portion of the provision for bad debts in the comparative figures. The impact of the correction is the decrease in debt impairment and decrease in value added tax with R4 281 134.		
The municipality did not previously account for the unmetered consumption for the service charges. The impact of the correction resulted in the increase on taxes with R105 538		
30 RESTATEMENT OF COMPARATIVES		
The following table discloses the reclassification of prior year's comparatives by the municipality to conform with current year presentation at 30 June 2012:		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
30 RESTATEMENT OF COMPARATIVES (CONTINUE)		
30.01 EFFECT ON STATEMENT OF FINANCIAL PERFORMANCE		
Fines	Restated	(246)
Miscellaneous Other Revenue	Previously stated	246
Interest Earned - external investments	Previously stated	425,013
Interest Earned - outstanding debtors	Restated	(425,013)
Licences and Permits	Previously stated	(13,728)
Other Income	Restated	13,728
Finance cost	Previously stated	(211,352)
General expenses	Restated	211,352
Finance lease liability	Previously stated	(3,884,768)
Long term liabilities	Restated	3,884,768
Miscellaneous Other Revenue	Previously stated	107,976
Third party payments	Restated	(107,976)
30.02 EFFECT ON STATEMENT OF FINANCIAL POSITION		
Other - Current liabilities	Previously stated	20,182,872
Payables from exchange transactions	Restated	(20,182,872)
31 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH		
Surplus/(Deficit) for the year	(421,050,600)	39,188,821
Adjustments for:		
Depreciation	462,758,397	1,758,687
Debt Impairment	14,442,705	31,089,426
Contribution to landfill site provision	473,946	470,078
Contribution from/to employee benefits	887,122	911,807
Actuarial Losses / (Gains)	1,300,548	40,252
Fair Value Adjustments	-	(10,944)
Operating Surplus/(Deficit) before changes in working capital	58,812,118	73,448,126
Changes in working capital	(28,372,318)	(34,674,566)
Increase/(Decrease) in Trade and Other Payables	(9,034,477)	(32,347,081)
Increase/(Decrease) in Consumer Deposits	8,215	54,142
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	-	(3,786,765)
Increase/(Decrease) in Taxes	573,266	(1,440,030)
(Increase)/Decrease in Inventory	(16,294)	181,651
(Increase)/Decrease in Trade and other receivables	(15,145,581)	2,692,908
(Increase)/Decrease in Receivables from non-exchange transactions	(4,757,448)	(29,392)
Cash generated/(absorbed) by operations	30,439,800	38,773,560
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 17	795,389	5,606,211
Cash Floats - Note 17	(7,000)	26
Bank - Note 17	417,941	947,777
Other Cash and Cash Equivalents - Note 17	73,936	9,736
Total cash and cash equivalents	1,280,266	6,563,750
RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 32	1,280,266	6,563,750
Cash and Cash Equivalents - Note 32	1,280,266	6,563,750
Less:	10,708,509	10,135,243
Unspent Committed Conditional Grants - Note 9	-	-
VAT - Note 10	10,708,509	10,135,243
Resources available/(unavailable) for working capital requirements	(9,428,243)	(3,571,493)

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

				2012 R	2011 R
33	BUDGET COMPARISONS				
		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
33.1	Operational				
	Revenue by source				
	Fines	57,249	67,324	(10,075)	(15%)
	Government Grants and Subsidies	104,336,169	104,714,000	(377,831)	(0%)
	Interest Earned - external investments	830,279	49,500	780,779	1577%
	Other Income	728,835	584,420	144,415	25%
	Property Rates	12,941,193	8,073,654	4,867,539	60%
	Rental of Facilities and Equipment	386,628	175,941	210,687	120%
	Interest Earned - outstanding debtors	-	3,096,042	(3,096,042)	(100%)
	Service Charges	53,431,009	58,492,182	(5,061,173)	(9%)
	Dividends received	5,857	-	5,857	100%
		<u>172,717,220</u>	<u>175,253,063</u>	<u>(2,535,843)</u>	<u>(1%)</u>
	Expenditure by nature				
	Bulk Purchases	25,990,741	23,574,644	(2,416,097)	10%
	Capital expenditure	-	3,500,000	3,500,000	(100%)
	Debt Impairment	14,442,705	31,437,055	16,994,350	(54%)
	Depreciation and Amortisation	462,758,397	3,100,000	(459,658,397)	14828%
	Employee Related Costs	47,561,613	44,976,132	(2,585,481)	6%
	Finance Charges	2,769,053	513,560	(2,255,493)	439%
	Actuarial losses	1,300,548	-	(1,300,548)	(100%)
	General Expenses	29,416,027	25,180,284	(4,235,743)	17%
	Remuneration of Councillors	5,051,609	4,834,816	(216,793)	4%
	Repairs and Maintenance	4,477,128	7,287,997	2,810,869	(39%)
		<u>593,767,820</u>	<u>144,404,488</u>	<u>(449,363,332)</u>	<u>311%</u>
	Net Surplus for the year	(421,050,600)	30,848,575	(451,899,175)	-1465%
		2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
33.2	Expenditure by Vote				
	Cemeteries	455,441	2,254,063	(1,798,622)	(80%)
	Community & Social Services	2,834,139	2,479,541	354,599	14%
	Corporate Services	10,958,598	6,006,255	4,952,343	82%
	Council General	6,688,420	4,854,955	1,833,464	38%
	Electricity	40,872,226	32,511,916	8,360,310	26%
	Financial Services	481,050,285	13,416,466	467,633,818	3486%
	Housing	1,146,702	970,818	175,884	18%
	Libraries	1,165,630	1,318,579	(152,949)	(12%)
	Municipal Manager	5,451,752	5,715,116	(263,364)	(5%)
	Office of the Mayor	2,663,535	2,868,684	(205,149)	(7%)
	Office of the Speaker	1,851,738	2,218,290	(366,552)	(17%)
	Parks and Recreation	2,305,817	2,935,548	(629,731)	(21%)
	Properties	474,029	220,078	253,951	115%
	Public Works	12,251,120	13,651,895	(1,400,775)	(10%)
	Rates	550,600	7,032,148	(6,481,548)	(92%)
	Refuse	6,726,436	10,319,866	(3,593,430)	(35%)
	Sewerage	5,011,876	12,733,313	(7,721,437)	(61%)
	Town Hall & Offices	1,717,739	1,879,359	(161,620)	(9%)
	Traffic	376,888	814,873	(437,985)	(54%)
	Water	9,214,793	20,202,726	(10,987,933)	(54%)
		<u>593,767,762</u>	<u>144,404,488</u>	<u>449,363,274</u>	<u>311%</u>

Details of material variances: Implementation of GRAP: Allocation according to GRAP line items and new GRAP line items as depreciation, actuarial losses and debt impairment.

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R								
34	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED										
34.1	Unauthorised expenditure										
	Reconciliation of unauthorised expenditure:										
	Opening balance	-	-								
	Unauthorised expenditure current year - operating	14,687,567	-								
	Unauthorised expenditure awaiting authorisation	<u>14,687,567</u>	<u>-</u>								
	Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for										
	<table border="1"> <thead> <tr> <th>Incident</th> <th>Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td>Over expenditure on votes</td> <td>None</td> </tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings	Over expenditure on votes	None	14,687,567	-				
Incident	Disciplinary steps/criminal proceedings										
Over expenditure on votes	None										
		<u>14,687,567</u>	<u>-</u>								
34.2	Fruitless and wasteful expenditure										
	Reconciliation of fruitless and wasteful expenditure:										
	Opening balance	353,464	-								
	Fruitless and wasteful expenditure current year	843,711	353,464								
	Written off by council	-	-								
	Fruitless and wasteful expenditure awaiting further action	<u>1,197,175</u>	<u>353,464</u>								
	<table border="1"> <thead> <tr> <th>Incident</th> <th>Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td>Interest payments on the late payments of suppliers, PAYE, UIF</td> <td>None</td> </tr> <tr> <td>Interest payments on the late payments of suppliers of water</td> <td>None</td> </tr> <tr> <td>Interest payments on the late payments of suppliers of electricity</td> <td>None</td> </tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings	Interest payments on the late payments of suppliers, PAYE, UIF	None	Interest payments on the late payments of suppliers of water	None	Interest payments on the late payments of suppliers of electricity	None	688,127	130,609
Incident	Disciplinary steps/criminal proceedings										
Interest payments on the late payments of suppliers, PAYE, UIF	None										
Interest payments on the late payments of suppliers of water	None										
Interest payments on the late payments of suppliers of electricity	None										
		155,585	43,064								
		-	179,791								
		<u>843,711</u>	<u>353,464</u>								
34.3	Irregular expenditure										
	Reconciliation of irregular expenditure:										
	Opening balance	78,302,745	-								
	Irregular expenditure excluding VAT current year	47,693,997	78,302,745								
	Written off by council	-	-								
	Transfer to receivables for recovery	-	-								
	Irregular expenditure awaiting further action	<u>125,996,742</u>	<u>78,302,745</u>								
	Irregular expenditure awaiting condonement by National Treasury	<u>125,996,742</u>	<u>78,302,745</u>								
	The irregular expenditure is due to supply chain management processes not being followed										
	<table border="1"> <thead> <tr> <th>Incident</th> <th>Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td>Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.</td> <td>None</td> </tr> <tr> <td>Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.</td> <td>None</td> </tr> <tr> <td>Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.</td> <td>None</td> </tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings	Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	None	Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None	Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None	1,019,406	618,558
Incident	Disciplinary steps/criminal proceedings										
Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	None										
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None										
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None										
		2,214,709	2,148,122								
		44,459,882	75,536,065								
		<u>47,693,997</u>	<u>78,302,745</u>								

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34.4		
<u>Material Losses</u>		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	3,871,200	3,064,078
- Kilo litres lost during distribution	1,545,503	2,115,960
- Percentage lost during distribution	39.92%	69.06%
Electricity distribution losses		
- Units purchased (Kwh)	20,832,958	20,474,792
- Units lost during distribution (Kwh)	1,104,311	1,085,325
- Percentage lost during distribution	5.30%	5.30%
35		
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1		
<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
Opening balance	264,079	208,200
Council subscriptions	605,404	264,079
Amount paid - current year	(645,838)	(208,200)
Amount paid - previous years	(223,645)	-
Balance unpaid (included in trade creditors)	-	264,079
35.2		
<u>Audit fees - [MFMA 125 (1)(b)]</u>		
Opening balance	2,117,707	1,795,789
Current year audit fee	2,132,312	2,117,821
Amount paid - current year	(2,124,950)	-
Amount paid - previous year	(2,117,707)	(1,795,903)
Balance unpaid (included in trade creditors)	7,362	2,117,707
35.3		
<u>VAT - [MFMA 125 (1)(b)]</u>		
VAT	10,708,509	10,135,243
Closing balance - VAT Payable / (Receivable)	10,708,509	10,135,243
VAT is receivable/payable on the cash basis.		
35.4		
<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	75,703	(315,812)
Current year payroll deductions and Council Contributions	5,144,665	4,687,164
Amount paid - current year	(4,704,694)	(4,295,650)
Amount paid - previous year	-	-
Balance unpaid	515,673	75,703
35.5		
<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	1,813,386	3,493,190
Current year payroll deductions and Council Contributions	7,160,033	4,707,171
Amount paid - current year	(6,495,350)	(6,386,975)
Amount paid - previous year	-	-
Balance unpaid	2,478,069	1,813,386

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
35	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	
35.6	<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>	
	The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2012:	
	2012 R	2011 R
	Outstanding more than 90 days	
Councillor K P Dichakane	15,960	15,495
Councillor S L Kgoe	1,981	1,220
Councillor V M Lekale	3,775	3,775
Councillor S J Mabitla	6,298	9,680
Councillor M G Mafa	11,474	8,549
Councillor S C Mangoejane	18,992	16,872
Councillor D E Modise	2,776	3,166
Councillor L M Molele	16,558	16,143
Councillor T P Ramongalo	1,527	2,679
Councillor K A Sekharume	16,021	13,128
Councillor M B Tsoela	1,546	2,122
Councillor P T Botha	1,696	-
Total Councillor Arrear Consumer Accounts	98,606	92,826
35.7	<u>Other non-compliance (MFMA 125(2)(e))</u>	
	<ul style="list-style-type: none"> • Section 75 of the MFMA. Information to be placed on websites of municipalities. The website of Masilonyana Municipality was not functional for the 2010/11 financial year. • Section 65 of the MFMA. Expenditure management. All money owing by the municipality must be paid within 30 days of receiving the relevant invoices or statement. Masilonyana Municipality did not comply with above section due to serious cash flow problems. • Section 127(5)(b) of the MFMA. Submission and tabling of annual reports. The annual report was not submitted to the auditor-general before the annual report was tabled. • Municipal Systems Act – No job descriptions for municipal employees as required by section 66 of the MSA. • Section 8(5) of the MFMA. The accounting officer of a municipality must submit to the National Treasury, the relevant provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If a municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change. • Section 165. Internal audit unit. The municipality did not implement an internal audit unit. • Section 166(2) of the MFMA. Audit committees. Each municipality and each municipal entity must have an audit committee • Section 126 of the MFMA. Submission and auditing of annual financial statement. 	
36	CAPITAL COMMITMENTS	
	Commitments in respect of capital expenditure:	
Approved and contracted for:	48,710,932	29,248,464
Total commitments consist out of the following:		
- Municipal Infrastructure Projects	48,710,932	29,248,464
Approved but not year contracted for:	65,664,444	59,053,697
Total commitments consist out of the following:		
- Municipal Infrastructure Projects	65,664,444	59,053,697
Total approved commitments:	114,375,376	88,302,161

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012
R

2011
R

36 CAPITAL COMMITMENTS (CONTINUE)

This committed expenditure relates to infrastructure development and will be financed by available bank facilities, existing cash resources and government grants and subsidies.

For the disclosure of the commitments per finance lease obligations, refer to note 2 to the financial statements.

37 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2011 - 0.5%) Increase in interest rates	(221,818)	(85,247)
1% (2011 - 0.5%) Decrease in interest rates	221,818	85,247

(d) Credit Risk

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

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012
R** **2011
R**

37 FINANCIAL RISK MANAGEMENT (CONTINUE)

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Balance Sheet date for impairment.

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

Receivables from exchange transactions	15,962,727	817,147
Receivables from non-exchange transactions	5,008,968	251,520
Cash and Cash Equivalents	1,287,269	6,563,751
	22,258,964	7,632,417

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	2,358,735	4,601,945	2,200,234	-
Trade and Other Payables	35,412,432	-	-	-
Cash and Cash Equivalents	7,000	-	-	-
	37,778,167	4,601,945	2,200,234	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	2,679,383	6,225,412	2,935,502	-
Trade and Other Payables	34,045,264	-	-	-
	36,724,647	6,225,412	2,935,502	-

38 FINANCIAL INSTRUMENTS

Financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected bellow.

38.1 Financial Assets

Classification

Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	15,962,727	817,147
Receivables from non-exchange transactions	Financial instruments at amortised cost	5,008,968	251,520

Bank Balances and Cash

Cash Floats and Advances	Financial instruments at amortised cost	-	26
Primary Bank Account	Financial instruments at amortised cost	417,941	947,777
Other cash and cash equivalents	Financial instruments at amortised cost	73,936	9,736
Call Deposits Accounts	Financial instruments at amortised cost	795,392	5,606,211
		21,389,636	2,016,470

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

		2012 R	2011 R
38	FINANCIAL INSTRUMENTS (CONTINUE)		
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	21,389,636	2,016,470
	At amortised cost	21,389,636	2,016,470
38.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Other financial liabilities	3,687,866	3,784,099
	Capitalised Lease Liability	1,445,024	2,734,746
	Payables from exchange transactions		
	Trade Payables	19,667,177	18,956,052
	Sundry Creditors	15,745,255	15,089,213
	Current Portion of Long-term Liabilities		
	Other financial liabilities	276,331	680,632
	Capitalised Lease Liability	1,289,723	1,150,021
	Bank Balances and Cash		
	Cash Float	7,000	-
		42,118,375	42,394,763
39	EVENTS AFTER THE REPORTING DATE		
	The municipality commenced a forensic investigation regarding possible fraud after the balance sheet date. The investigation is still on-going and impact the possible fraud is still undetermined.		
40	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
41	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
42	CONTINGENT LIABILITY		
	AJ General Services/ Alwyn - (Services rendered)	-	1,075,588
	The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability were estimated at. No further action from plaintiff		
	Bon Accor Safaris (Pty) Ltd; Dal Tempe Boerdery; Barends Jacobus Wessels & Willem Johannes Pienaar	1,291,019	1,291,019
	A fire originated on the property of the municipal entity and spread to the plaintiffs above property resulting in damages. The municipal entity is being sued for negligence as a result of the damages. The maximum potential liability is estimated at R1 291 019 (2011: R1 291 019). Partly Heard in High Court, proceeding on 14, 15 and 17 August 2012.		
	State Attorneys	41,180	41,180
	The Municipality entity failed to display a road signage that resulted in the collision between vehicles and the consequent damages to the State vehicle. The maximum potential liability is estimated at R41 180 (2011: R41 180). No summons received		
	Tripple E Training	-	16,500
	The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability were estimated at R16 500. No further action from plaintiff		

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
42 CONTINGENT LIABILITY (CONTINUEU)		
MS Mokgoke	-	57,500
The municipal entity deducted provident fund contributions from the plaintiffs remuneration but neglected to pay the deductions over to the South African Municipal Workers Union National Provident Fund. The maximum potential liability were estimated at R57 500. No further action from plaintiff		
Naledi constructions	455,015	455,015
The municipal entity entered into a services agreement with the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R455 015 (2011: R455 015). The Municipality filed a counterclaim of R1 200 000 to Naledi Construction for services delivered to them.		
Sala Pension fund	-	941,167
The municipal entity has a contractual obligation to make pension fund contributions to the South African Local Authorities Pension Fund and defaulted on payments to the fund. The maximum potential liability were estimated at R941 167. Matter is finalised in the current financial year.		
SAMWU Provident fund	-	967,672
The municipal entity has a contractual obligation to make pension fund contributions to the South African Municipal Workers Union National Provident Fund and defaulted on payments to the fund. The maximum potential liability were estimated at R967 672. No further action from plaintiff		
IQ Business Group	228,177	228,177
The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R228 177 (2011: R288 176). Summons Received 19 June 2012. Matter defended in the current financial year		
Masilonyana municipality // R du Toit	9,771	-
Claiming damages to vehicle after driving on municipal road. Await judgment from court		
M M Moseme	10,164	-
Claiming damages to vehicle after driving on municipal road in Brandfort. No summons received		
L.Q Technologies	330,810	-
The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R330 810.		
Landfill sites	10,000,000	10,000,000
The Municipality has five active landfill sites in Theunissen, Brandfort, Windburg, Soutpan and Verkeerdevlei. It has been identified that not all landfill sites are licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), 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. The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.		
	12,366,136	15,073,818
The following matters exist but the maximum potential liabilities are not determinable:		
DERELICT ERVEN: Matter is 90% finalised		
PORTION 11 ERF 6423, MASILO: Awaiting rezoning of plot		
GLEN LOSER: Await appointment of Executor in the estate of Glen Loser		
43 CONTINGENT ASSETS		
Damage Mayor's Car	-	13,500
Transformer Damage Theunissen Reservoir	-	60,773
Theft Cable & Damage Transformer Winburg	-	24,651
	98,924	

**MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

2012
R

2011
R

44 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

44.01 Related Party Transactions and Balances

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Year ended 30 JUNE 2012				
Councillors	11,700	86,974	-	108,058
Councillor K S Koalane	-	4,457	-	368
Councillor S J Mabitla	655	18,228	-	10,363
Councillor S C Mangoejane	701	2,960	-	19,907
Councillor D E Modise	976	2,504	-	3,567
Councillor F B Posthumus	5,760	40,559	-	-1,280
Councillor K A Sekharume	903	2,504	-	16,994
Councillor K P Dichakane	213	2,504	-	16,795
Councillor L M Moloele	230	2,504	-	17,462
Councillor V M Lekale	-	-	-	3,775
Councillor M B Tsoaela	65	3,242	-	2,627
Councillor M G Mafa	976	2,504	-	12,468
Councillor P T Botha	-	-	-	-
Councillor S L Kgoe	966	2,504	-	2,972
Councillor T P Ramongalo	256	2,504	-	2,041
Municipal Manager and Section 57 Employees	-	27,410	-	16,271
Previous Municipal Manager - Mr Mpakane	-	9,387	-	6,430
Chief Financial Officer - Mr L I Tlatsi	-	9,154	-	1,822
Acting Municipal Manager - Me M E Maphobole	-	8,869	-	8,019

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

44.02 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted according to Section 164 (c) - Forbidden activities of the MFMA.

44.03 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

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

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work-In-Progress	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	53,771,500	-	-	-	53,771,500	-	-	-	-	53,771,500
Land and Buildings	53,771,500	-	-	-	53,771,500	-	-	-	-	53,771,500
Infrastructure	794,563,065	19,213,959	-	-	813,777,024	-	460,725,409	-	460,725,409	353,051,616
Stormwater and Roads	300,344,782	5,508,452	-	-	305,853,234	-	194,286,478	-	194,286,478	111,566,756
Sewerage	206,384,366	-	-	-	206,384,366	-	88,045,337	-	88,045,337	118,339,029
Electricity	8,050,158	-	-	-	8,050,158	-	3,846	-	3,846	8,046,312
Water	279,753,811	13,705,507	-	-	293,459,318	-	178,389,272	-	178,389,272	115,070,046
Solid Waste disposal (Refuse)	29,948	-	-	-	29,948	-	476	-	476	29,472
Lease Assets	4,681,835	-	-	-	4,681,835	1,732,192	1,289,238	-	3,021,430	1,660,405
Office Equipment & Vehicles	4,681,835	-	-	-	4,681,835	1,732,192	1,289,238	-	3,021,430	1,660,405
Other Assets	4,729,621	12,679,693	-	-	17,409,315	1,645,873	965,210	-	2,611,083	14,798,232
Office Equipment	138,521	114,224	-	-	252,745	34,117	25,765	-	59,882	192,863
Furniture & Fittings	2,895,305	401,426	-	-	3,296,730	817,263	415,856	-	1,233,120	2,063,610
Plant and Equipment	713,902	5,106,467	-	-	5,820,369	345,324	303,698	-	649,022	5,171,347
Motor vehicles	440,000	6,744,219	-	-	7,184,219	166,428	159,961	-	326,389	6,857,830
Emergency equipment	80,900	66,547	-	-	147,448	17,449	15,681	-	33,130	114,318
Computer equipment	460,994	246,811	-	-	707,805	265,291	44,250	-	309,541	398,265
Work in Progress	33,601,060	-	14,583,309	-	48,184,369	-	-	-	-	48,184,369
	33,601,060	-	14,583,309	-	48,184,369	-	-	-	-	48,184,369
	891,347,082	31,893,652	14,583,309	-	937,824,043	3,378,064	462,979,858	-	466,357,922	471,466,120

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

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work-In-Progress	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	53,771,500	-	-	-	53,771,500	-	-	-	-	53,771,500
Land and Buildings	53,771,500	-	-	-	53,771,500	-	-	-	-	53,771,500
Infrastructure	794,563,065	-	-	-	794,563,065	-	-	-	-	794,563,065
Stormwater and Roads	300,344,782	-	-	-	300,344,782	-	-	-	-	300,344,782
Sewerage	206,384,366	-	-	-	206,384,366	-	-	-	-	206,384,366
Electricity	8,050,158	-	-	-	8,050,158	-	-	-	-	8,050,158
Water	279,753,811	-	-	-	279,753,811	-	-	-	-	279,753,811
Solid Waste disposal (Refuse)	29,948	-	-	-	29,948	-	-	-	-	29,948
Lease Assets	2,646,536	2,035,299	-	-	4,681,835	850,013	882,179	-	1,732,192	2,949,643
Office Equipment & Vehicles	2,646,536	2,035,299	-	-	4,681,835	850,013	882,179	-	1,732,192	2,949,643
Other Assets	4,542,558	187,063	-	-	4,729,621	769,364	876,509	-	1,645,873	3,083,749
Office Equipment	102,521	36,000	-	-	138,521	10,185	23,932	-	34,117	104,404
Furniture & Fittings	2,877,480	17,825	-	-	2,895,305	406,790	410,473	-	817,263	2,078,041
Plant and Equipment	694,828	19,074	-	-	713,902	168,952	176,372	-	345,324	368,577
Motor vehicles	440,000	-	-	-	440,000	83,214	83,214	-	166,428	273,572
Emergency equipment	50,520	30,380	-	-	80,900	2,707	14,742	-	17,449	63,451
Computer equipment	377,210	83,785	-	-	460,994	97,516	167,775	-	265,291	195,703
Work in Progress	-	-	33,601,060	-	33,601,060	-	-	-	-	33,601,060
	-	-	33,601,060	-	33,601,060	-	-	-	-	33,601,060
	855,523,660	2,222,362	33,601,060	-	891,347,082	1,619,377	1,758,687	-	3,378,064	887,969,017

**APPENDIX A - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LONG-TERM LIABILITIES									
Infrastructure Corporate Finance Limited	16%	BDT114US908	30-Sep-14	105,165	-	105,165	-	24,515	80,650
Infrastructure Corporate Finance Limited	16%	THN114US879	30-Sep-14	105,165	-	105,165	-	24,515	80,650
Development Bank of South Africa	12.5% -14.5%	61001050	31-Mar-20	4,254,399	-	4,254,399	-	451,503	3,802,896
LONG-TERM LIABILITIES				4,464,729	-	4,464,729	-	500,533	3,964,196
LEASE LIABILITY									
Copperleaf - Rental of Photocopiers	14.08%	Various	30-Jul-14	1,711,476	187,231	1,898,707	-	528,561	1,370,145
Multitech Corporation -Rental of telephone system	9.29%		30-May-14	-	1,986,061	1,986,061	-	621,460	1,364,600
Total Lease Liabilities				1,711,476	2,173,292	3,884,767	-	528,561	2,734,746
TOTAL EXTERNAL LOANS				6,176,205	2,173,292	8,349,496	-	1,029,094	6,698,942

**APPENDIX B - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
136,079	(466,014)	(329,935)	Cemeteries	129,175	(455,441)	(326,266)
8,575	(2,475,481)	(2,466,906)	Community & Social Services	5,036	(2,834,139)	(2,829,103)
84,417	(1,046,530)	(962,114)	Housing	89,472	(1,146,702)	(1,057,230)
1,295	(1,264,248)	(1,262,953)	Libraries	-	(1,165,630)	(1,165,630)
50,111	(586,293)	(536,182)	Traffic	57,249	(376,888)	(319,639)
25,078,854	(54,417,139)	(29,338,284)	Electricity	29,617,825	(40,872,226)	(11,254,401)
386	(8,804,217)	(8,803,831)	Corporate Services	-	(10,958,598)	(10,958,598)
47,774,442	(6,007,442)	41,767,000	Council General	36,089,908	(6,688,420)	29,401,489
-	(4,860,210)	(4,860,210)	Municipal Manager	-	(5,451,752)	(5,451,752)
-	(4,041,575)	(4,041,575)	Office of the Mayor	-	(2,663,535)	(2,663,535)
-	(2,552,614)	(2,552,614)	Office of the Speaker	-	(1,851,738)	(1,851,738)
5,515,002	(17,688,416)	(12,173,414)	Financial Services	3,362,124	(481,050,285)	(477,688,161)
48,147	(487,514)	(439,367)	Properties	259,886	(474,029)	(214,143)
12,919,290	-	12,919,290	Rates	12,941,193	(550,600)	12,390,593
46,867	(1,734,913)	(1,688,046)	Town Hall & Offices	62,954	(1,717,739)	(1,654,785)
34,983,708	(9,513,481)	25,470,227	Public Works	30,350,860	(12,251,120)	18,099,740
-	(2,341,523)	(2,341,523)	Parks and Recreation	-	(2,305,817)	(2,305,817)
14,783,624	(5,074,751)	9,708,873	Refuse	12,844,655	(6,726,436)	6,118,219
16,128,588	(5,708,651)	10,419,937	Sewerage	24,638,036	(5,011,876)	19,626,161
20,436,610	(9,736,162)	10,700,448	Water	22,268,787	(9,214,793)	13,053,994
177,995,995	(138,807,174)	39,188,821	Sub Total	172,717,162	(593,767,762)	(421,050,600)
-	-	-	Less Inter-Departmental Charges	-	-	-
177,995,995	(138,807,174)	39,188,821	Total	172,717,162	(593,767,762)	(421,050,600)

**APPENDIX C - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
280,477	(5,838,566)	(5,558,090)	Community & social	280,932	(5,978,800)	(5,697,868)
25,078,854	(54,417,139)	(29,338,284)	Electricity	29,617,825	(40,872,226)	(11,254,401)
47,774,828	(26,266,059)	21,508,770	Executive & Council	36,089,908	(27,614,042)	8,475,867
18,529,305	(19,910,843)	(1,381,537)	Finance & Administration	16,626,157	(483,792,653)	(467,166,495)
34,983,708	(9,513,481)	25,470,227	Roads transport	30,350,860	(12,251,120)	18,099,740
-	(2,341,523)	(2,341,523)	Sports & Recreation	-	(2,305,817)	(2,305,817)
-	-	-	Planning and Development	-	-	-
16,128,588	(5,708,651)	10,419,937	Waste Water Management	24,638,036	(5,011,876)	19,626,161
14,783,624	(5,074,751)	9,708,873	Waste Management	12,844,655	(6,726,436)	6,118,219
20,436,610	(9,736,162)	10,700,448	Water	22,268,787	(9,214,793)	13,053,994
177,995,995	(138,807,174)	39,188,821	Sub Total	172,717,162	(593,767,762)	(421,050,600)
-	-	-	Less Inter-Departmental Charges	-	-	-
177,995,995	(138,807,174)	39,188,821	Total	172,717,162	(593,767,762)	(421,050,600)

**APPENDIX D - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2011	Correction of error	Restated Balance 1 JULY 2011	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012	Unspent 30 JUNE 2012 (Creditor)	Unpaid 30 JUNE 2012 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
Equitable Share	-	-	-	71,635,000	71,635,000	-	-	-	-
Municipal Infrastructure Grant	2,992,736	(2,992,736)	-	30,322,000	30,322,000	-	-	-	-
Municipal Systems Improvement Grant	-	-	-	790,000	790,000	-	-	-	-
Finance Management Grant	-	-	-	1,250,000	1,250,000	-	-	-	-
Total National Government Grants	2,992,736	(2,992,736)	-	103,997,000	103,997,000	-	-	-	-
<u>Provincial Government Grants</u>									
Local Government Sector Education Training Authority	-	-	-	257,269	257,269	-	-	-	-
Housing Subsidy	-	-	-	81,900	81,900	-	-	-	-
Total Provincial Government Grants	-	-	-	339,169	339,169	-	-	-	-
Total	2,992,736	(2,992,736)	-	104,336,169	104,336,169	-	-	-	-