



Moghaka Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2011

The Auditor General: Free State  
Issued 31 August 2011

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## General Information

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<b>Legal form of entity</b>	An organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interests of the local community, mainly in the Moqhaka area.
<b>Mayoral committee</b>	
Executive Mayor	Mohapi, MJ
Speaker	Nakedi, ACWD
Council Whip	Mareka, J
Members of the mayoral committee	Colbert, DPC Koloi, MA Machobane, ML Makau, TL Matshedisho, DA Mokodutlo, NP Mokoena, S Mokotla, ME Moletsane, ER Thipane, MP
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Accounting Officer</b>	Mqwathi, MS
<b>Chief Finance Officer (CFO)</b>	Mokoena, MP (since 1 September 2010)
<b>Registered office</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Business address</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Postal address</b>	PO Box 302 Kroonstad 9500
<b>Auditors</b>	The Auditor General: Free State

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## General Information

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### Members of Council

Colbert, DPC  
Dalton, CM  
Dire, AMS  
Green, MM  
Hattingh, JM  
Kgang, LD  
Letsabo, MJ  
Koloi, MA  
Letsitsa, ME  
Lithupa, MJ  
Machobane, ML  
Magadlela, ZS  
Mahasa, LP  
Makau, TL  
Masuret, A  
Mbono, MD  
Makoele, WL  
Mkhotheni, NW  
Mkhwanazi, TM  
Malinga, DM  
Malokotsa, SV  
Mofokeng, MJ  
Mareka, J  
Mokodutlo, NP  
Mokotla, ME  
Monoto, MA  
Notsi, EM  
Pittaway, M  
Matshedisho, DA  
Moeketsi, DA  
Mohapi, MJ  
Mokoena, S  
Shahim, DM  
Moletsane, ER  
Taje, FM  
Nakedi, ACWD  
Tladi, SB  
Ntsala, TM  
Viljoen, AH  
Nzunga, DN  
Rajulli, EV  
Rooskrans, B  
Seleke, LM  
Selikoe, NM  
Sethabela, MJ  
Silevu, JS  
Thajane, MI  
Thipane, MP  
Vermeulen, M  
Wille, GV

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### Abbreviations

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

In terms of Section 126(1) of the Municipal Finance Management Act, I am responsible for the presentation of these annual financial statements set out on pages 5 to 71, which have been prepared on the going concern basis, and approved by the accounting officer on 31 August 2011 and were signed on its behalf below.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Mqwathi, MS**  
**Municipal Manager**

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## Statement of Financial Position

Figures in Rand	Note(s)	2011	Restated 2010
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	3 661 633	2 807 068
Receivables from exchange transactions	4	47 667 407	57 647 236
Inventories	5	4 455 531	3 601 578
Investments	6	1 285 471	2 115 418
Receivables from operating leases	7	71 674	90 524
Other receivables from non-exchange transactions	8	1 464 101	2 168 570
VAT receivable	9	12 506 446	7 180 820
		<b>71 112 263</b>	<b>75 611 214</b>
<b>Non-Current Assets</b>			
Intangible assets	10	1 613 997	1 930 345
Investment property	11	18 686 168	18 804 628
Investments	6	-	115 064
Property, plant and equipment	12	1 143 955 314	1 124 152 241
		<b>1 164 255 479</b>	<b>1 145 002 278</b>
<b>Total Assets</b>		<b>1 235 367 742</b>	<b>1 220 613 492</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	13	7 706 534	7 237 055
Employee benefits	14	12 851 500	9 559 407
Finance lease obligation	15	6 443 528	5 786 218
Other financial liabilities	16	23 911 230	20 359 028
Trade and other payables from exchange transactions	17	134 386 771	112 189 303
Unspent conditional grants and receipts	18	6 679 496	2 724 364
VAT payable	19	4 623 369	4 050 840
		<b>196 602 428</b>	<b>161 906 215</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	15	3 755 671	10 192 545
Other financial liabilities	16	2 332 303	6 016 510
Provisions	20	4 014 650	1 939 479
		<b>10 102 624</b>	<b>18 148 534</b>
<b>Total Liabilities</b>		<b>206 705 052</b>	<b>180 054 749</b>
<b>Net Assets</b>		<b>1 028 662 690</b>	<b>1 040 558 743</b>
<b>Net Assets</b>			
Accumulated surplus		1 028 662 690	1 040 558 743

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## Statement of Financial Performance

Figures in Rand	Note(s)	2011	Restated 2010
Revenue	21	410 461 650	361 390 850
Other income		7 607 727	5 243 781
Other expenses		(422 835 540)	(381 387 731)
<b>Operating deficit</b>		<b>(4 766 163)</b>	<b>(14 753 100)</b>
Investment revenue	25	4 180 051	4 086 782
Fair value adjustments		26 639	30 896
Finance costs	34	(10 368 171)	(10 879 232)
<b>Deficit for the year</b>		<b>(10 927 644)</b>	<b>(21 514 654)</b>

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 058 455 015	1 058 455 015
Correction of prior period error	3 618 382	3 618 382
<b>Balance at 01 July 2009 as restated</b>	<b>1 062 073 397</b>	<b>1 062 073 397</b>
Deficit for the period as restated	(21 514 654)	(21 514 654)
<b>Balance at 01 July 2010 as restated</b>	<b>1 039 590 334</b>	<b>1 039 590 334</b>
Deficit for the period	(10 927 644)	(10 927 644)
<b>Balance at 30 June 2011</b>	<b>1 028 662 690</b>	<b>1 028 662 690</b>

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## Cash flow statement

Figures in Rand	Note(s)	2011	Restated 2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from ratepayers, government and other		386 034 771	339 009 763
Interest income		4 174 104	4 048 968
Dividends received		5 947	37 814
		<u>390 214 822</u>	<u>343 096 545</u>
<b>Payments</b>			
Cash paid to suppliers and employees		(308 910 180)	(248 084 125)
Finance costs		(10 330 870)	(10 846 593)
		<u>(319 241 050)</u>	<u>(258 930 718)</u>
<b>Net cash flows from operating activities</b>	38	<b><u>70 973 772</u></b>	<b><u>84 165 827</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(66 717 303)	(83 399 768)
Proceeds from sale of property, plant and equipment	12	68	1 518
Purchase of other intangible assets	10	-	(167 388)
Increase / (decrease) of financial assets		945 011	(178 946)
		<u>(65 772 224)</u>	<u>(83 744 584)</u>
<b>Cash flows from financing activities</b>			
(Decrease) / increase of other financial liabilities		(132 005)	1 429 424
Increase in employee benefits		3 292 093	265 522
(Decrease) / increase of finance lease		(7 507 071)	9 579 548
		<u>(4 346 983)</u>	<u>11 274 494</u>
<b>Net increase in cash and cash equivalents</b>		<b>854 565</b>	<b>11 695 737</b>
Cash and cash equivalents at the beginning of the year		2 807 068	(8 888 669)
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>3 661 633</u></b>	<b><u>2 807 068</u></b>

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## Accounting Policies

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### 1. Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board; and in accordance with section 122(3) of the Municipal Finance Management Act (No 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate are revised and in any future period affected. Significant judgements include:

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

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

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

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

##### Fair value estimation

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

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

##### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

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## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

#### GRAP 24: Presentation of budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget (for which the municipality is held publicly accountable) and actual amounts.

### 1.2 Investment property

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

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

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

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

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

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

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

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## Accounting Policies

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### 1.2 Investment property (continued)

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows, for the current and the comparative period:

Item	Useful life
Investment property - land	indefinite
Investment property - buildings	30 - 90 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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



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## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

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

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

The useful lives of items of property, plant and equipment have been assessed as follows, for the current and comparative periods:

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite
Buildings	30 - 190 years
Plant and machinery	2 - 85 years
Furniture and fixtures	2 - 45 years
Motor vehicles	2 - 35 years
Office equipment	2 - 60 years
IT equipment	2 - 45 years
Infrastructure	
• Park infrastructure assets	4 - 160 years
Community assets	
• Land	Indefinite
• Buildings	4 - 160 years
Electricity	10 - 160 years
Park infrastructure	4 - 160 years
Solid waste	15 - 40 years
Wastewater network	5 - 135 years
Portable water network	8 - 135 years
Storm water	45 - 160 years
Heritage	Indefinite
Roads, bridges and roadside structures	4 - 165 years

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

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

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

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

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

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

Assets which the municipality holds under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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## Accounting Policies

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### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets, with definite useful lives, amortisation is provided on a straight line basis over their useful life.

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

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

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

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

<b>Item</b>	<b>Useful life</b>
Computer software - financial system	20 years
Computer software - operating system	5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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## Accounting Policies

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### 1.5 Financial instruments

#### Classification

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

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is only re-assessed when contractual terms of the financial instrument have been changed.

#### Initial recognition and measurement

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

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

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

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

#### Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

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

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Gains and losses arising from changes in fair value are recognised in net assets until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established. Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in net assets, but only if the gain or loss of the asset is recognised in net assets..

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

Financial assets and financial liabilities are offset and the net amount reported on the financial position where there is a current legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Fair value determination

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

#### Impairment of financial assets at amortised cost

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

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

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

Impairment losses are recognised in surplus or deficit.

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

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

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

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

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## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Trade and other payables

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

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

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

#### Held to maturity

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

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

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

#### Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

#### Gains and losses

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

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

# Moqhaka Local Municipality

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## Accounting Policies

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### 1.5 Financial instruments (continued)

#### Derecognition

##### Financial assets

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

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. .

##### Financial liabilities

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

##### Impairment of financial assets

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

The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 1.6 Leases

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

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.6 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

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

### 1.7 Inventories

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

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

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

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

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

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

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

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

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

The cost of the water inventories is assigned using the average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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## Accounting Policies

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### 1.7 Inventories (continued)

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

### 1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### 1.9 Employee benefits

#### Short-term employee benefits

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

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

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised in surplus or deficit when the services are rendered.

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



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### 1.9 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throughout the year.

#### Multi employer plans

A multi employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit plan accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

### 1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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## Accounting Policies

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### 1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

A contingent liability is a

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the municipality, or
- a present obligation that arises from past events but will not be recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation can not be measured with sufficient reliability.

A contingent asset is a

- possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the municipality, or

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

### 1.11 Revenue from exchange transactions

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

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

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

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## Accounting Policies

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### 1.11 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest and dividends

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

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

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

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

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

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

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## Accounting Policies

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### 1.12 Revenue from non-exchange transactions

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes. Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

### 1.13 Borrowing costs

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

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

### 1.14 Comparative figures

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

Budget information, in accordance with GRAP 1 and based on IPSAS 24, has been provided in Annexure E(1) to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 43.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 43.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 42.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.15 Unauthorised expenditure (continued)

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

### 1.16 Fruitless and wasteful expenditure

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

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

### 1.17 Irregular expenditure

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

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

### 1.18 Conditional grants and receipts

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

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

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

##### **GRAP 23: Revenue from Non-exchange Transactions**

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

##### **IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue**

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

Any impact of the interpretation is set out in note Changes in Accounting Policy.

#### **GRAP 21: Impairment of non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### **2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement**

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects surplus or deficit. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The municipality has adopted the amendment for the first time in the 2011 annual financial statements.

Any impact of the amendment is set out in note Changes in Accounting Policy.

#### **2.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard has not yet been determined.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.



# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standards has not yet been determined.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard has not yet been determined.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	10 920	10 970
Bank balances	3 650 713	2 796 098
	<b>3 661 633</b>	<b>2 807 068</b>

At year end the overdraft amounted to R NIL (2010: R 893).

The fair value of the cash and cash equivalents approximate their carrying values.

### Cash and cash equivalents pledged as collateral

Limited cession facility for local guarantee, garage card and credit card facilities <i>This cession is linked to ABSA fixed deposit account number 205 824 7882</i>	55 000	155 000
Local guarantees issued to Department of Mining and Energy <i>This is guaranteed against ABSA primary account number 40 532 748 26</i>	50 000	50 000
Limited surety including cessions of loans for Mr DA Fivaz, Mr MLM Majavu, Mr R Mokoena, Mr SJ Tsunke and Mr LB Uys <i>This is guaranteed against ABSA primary account number 40 532 748 26</i>	38 200	-
Limited cessions <i>This is guaranteed against ABSA investment account number 63 012 191 90</i>	7 800	-
	<b>151 000</b>	<b>205 000</b>

### The municipality had the following bank accounts

Bank, description and account number	Bank statement balances		Cash book balances	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
ABSA bank - cheque account account number 40 532 748 26	2 984 960	1 993 474	3 650 547	2 796 991
FNB bank - cheque account account number 62 028 349 349	166	(893)	166	(893)
<b>Total</b>	<b>2 985 126</b>	<b>1 992 581</b>	<b>3 650 713</b>	<b>2 796 098</b>

### 4. Receivables from exchange transactions

#### Gross balances

Assessment rates	25 885 423	22 549 786
Electricity	27 843 773	25 124 713
Water	74 881 726	55 983 676
Interest on Debtors	46 024 122	43 735 291
Sewerage	24 469 371	22 313 320
Refuse	22 838 478	21 882 105
Sundry Services	21 630 664	21 253 826
Deposits	1 571 784	1 541 876
Accrued electricity and water	11 114 419	9 837 561
	<b>256 259 760</b>	<b>224 222 154</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Less: Impairment</b>		
Assessment rates	(15 916 708)	(9 622 128)
Electricity	(17 383 998)	(17 156 872)
Water	(65 602 993)	(47 414 754)
Interest on debtors	(44 243 477)	(36 761 303)
Sewerage	(21 941 132)	(17 339 309)
Refuse	(20 984 798)	(17 565 436)
Sundry Services	(21 076 245)	(19 532 304)
Deposits	(1 443 002)	(1 182 812)
Accrued electricity and water	-	-
	<b>(208 592 353)</b>	<b>(166 574 918)</b>
<b>Net carrying amount</b>		
Assessment Rates	9 968 715	12 927 658
Electricity	10 459 775	7 967 841
Water	9 278 733	8 568 922
Interest on Debtors	1 780 645	6 973 988
Refuse	1 853 680	4 316 669
Sewerage	2 528 239	4 974 011
Sundry Services	554 419	1 721 522
Deposits	128 782	359 064
Accrued electricity and water	11 114 419	9 837 561
	<b>47 667 407</b>	<b>57 647 236</b>
<b>Assessment Rates</b>		
Current (0 -30 days)	2 071 487	1 937 906
31 - 60 days	667 400	757 551
61 - 90 days	536 469	568 468
90+ days	6 693 359	9 663 733
	<b>9 968 715</b>	<b>12 927 658</b>
<b>Electricity</b>		
Current (0 -30 days)	7 618 220	5 450 328
31 - 60 days	584 588	466 135
61 - 90 days	289 536	189 634
90+ days	1 967 431	1 861 744
	<b>10 459 775</b>	<b>7 967 841</b>
<b>Water</b>		
Current (0 -30 days)	3 133 970	2 186 054
31 - 60 days	1 381 251	1 431 288
61 - 90 days	1 004 693	1 070 688
90+ days	3 758 819	3 880 892
	<b>9 278 733</b>	<b>8 568 922</b>
<b>Interest on Debtors</b>		
Current (0 -30 days)	358 998	338 078
31 - 60 days	338 609	331 331
61 - 90 days	333 597	317 186
90+ days	749 441	5 987 393
	<b>1 780 645</b>	<b>6 973 988</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	730 627	583 697
31 - 60 days	379 557	298 896
61 - 90 days	335 802	259 647
90+ days	1 082 253	3 831 771
	<b>2 528 239</b>	<b>4 974 011</b>
<b>Refuse</b>		
Current (0 -30 days)	544 745	481 309
31 - 60 days	271 322	254 333
61 - 90 days	240 166	223 092
90+ days	797 447	3 357 935
	<b>1 853 680</b>	<b>4 316 669</b>
<b>Sundry Services</b>		
Current (0 -30 days)	373 768	232 678
31 - 60 days	57 144	95 703
61 - 90 days	15 600	490 470
90+ days	107 907	902 671
	<b>554 419</b>	<b>1 721 522</b>
<b>Deposits</b>		
Current (0 -30 days)	28 487	56 247
31 - 60 days	4 981	5 428
61 - 90 days	7 813	7 233
90+ days	87 501	290 156
	<b>128 782</b>	<b>359 064</b>
<b>Accrued electricity and water</b>		
Current (0 -30 days)	11 114 419	9 837 561
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	7 023 930	6 054 223
31 - 60 days	4 083 936	4 664 270
61 - 90 days	3 315 134	3 971 358
90+ days	199 195 136	181 910 909
	213 618 136	196 600 760
Less: Impairment	(194 393 406)	(157 487 061)
	<b>19 224 730</b>	<b>39 113 699</b>

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Industrial / commercial</b>		
Current (0 -30 days)	6 675 472	4 274 019
31 - 60 days	980 470	473 357
61 - 90 days	742 492	246 807
90+ days	18 177 347	9 604 262
	<u>26 575 781</u>	<u>14 598 445</u>
Less: Impairment	(13 300 745)	(8 897 999)
	<b><u>13 275 036</u></b>	<b><u>5 700 446</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	3 080 006	2 288 218
31 - 60 days	261 059	187 977
61 - 90 days	158 980	118 587
90+ days	1 451 378	590 606
	<u>4 951 423</u>	<u>3 185 388</u>
Less: Impairment	(898 201)	(189 858)
	<b><u>4 053 222</u></b>	<b><u>2 995 530</u></b>
<b>Total</b>		
Current (0 -30 days)	16 779 408	12 616 460
31 - 60 days	5 325 465	5 325 604
61 - 90 days	4 216 606	4 336 752
90+ days	218 823 861	192 105 777
	<u>245 145 340</u>	<u>214 384 593</u>
Less: Impairment	(208 592 352)	(166 574 918)
Plus: Accrued electricity and water	11 114 419	9 837 561
	<b><u>47 667 407</u></b>	<b><u>57 647 236</u></b>
<b>Reconciliation of impairment</b>		
Balance at beginning of the year	(166 574 918)	(122 135 448)
Contributions to provision	(38 313 470)	(39 953 076)
VAT amount included in provision	(3 703 965)	(4 668 238)
Debt impairment written off against provision	-	181 844
	<b><u>(208 592 353)</u></b>	<b><u>(166 574 918)</u></b>

### Receivables with arrangements

Included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a longer period. The information from the municipality system was not readily available to calculate the precise figures for the total amount outstanding and also to calculate the timing of the repayments from the consumers. The estimated receivables with arrangements, after impairment, is R 2.4 million (2010: R 3.2 million).



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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>5. Inventories</b>		
Capital projects inventory	-	58 794
Consumables - at cost	4 210 729	3 358 255
Water inventory	244 802	184 529
	<b>4 455 531</b>	<b>3 601 578</b>
<p>None of the inventories held by the municipality were measured at fair value less cost to sell.</p> <p>Inventory recognised as an expense amounted to R 3 983 879 in the current year (2010: R 10 673 834).</p> <p>Inventory held by the municipality were written up by R 313 555 in the current year (2010: written down by R 108 680).</p>		
<b>6. Investments</b>		
<b>At fair value through surplus or deficit - held for trading</b>		
Unlisted shares	199 884	173 245
<i>The unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 18 130) and Senswes Limited (no. of shares 11 822).</i>		
<b>Held to maturity</b>		
Short term deposits maturing within 12 months	11 300	11 300
<i>This investment, held at First National Bank, is pledged as security to Eskom for the electricity connection.</i>		
Fixed deposits	1 074 287	2 045 937
<i>Various fixed deposits are held at ABSA, interest rates vary between 5.18% - 6.93% and are maturing during year ending 2012 and 2013.</i>		
	<b>1 085 587</b>	<b>2 057 237</b>
<b>Total other financial assets</b>	<b>1 285 471</b>	<b>2 230 482</b>
<b>Non-current assets</b>		
Held to maturity	-	115 064
<b>Current assets</b>		
Available-for-sale	199 884	173 245
Held to maturity	1 085 587	1 942 173
	<b>1 285 471</b>	<b>2 115 418</b>
	<b>1 285 471</b>	<b>2 230 482</b>

### Fair value information

Fair values are determined annually at reporting date. The fair values of fixed deposits and short term deposits approximate their carrying values. The fair value of listed shares are determined by reference to their quoted prices.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010.

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
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### 7. Receivables from operating leases

Current assets - deferred operating lease asset	71 674	90 524
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The Municipality leases out grazing camps, other properties and buildings under operating leases. The future minimum lease payments are as follows:

Not later than 1 year	91 200	193 685
Between 1 and 5 years	201 476	296 234
Later than 5 years	-	-
	<b>292 676</b>	<b>489 919</b>

#### Details of operating leases:

Grazing camps near Steynsrus, Viljoenskroon and Kroonstad and other properties and buildings owned by the Municipality are leased to various individuals over a period of 3 - 5 years, with an average increase rate of 10% per annum.

### 8. Other receivables from non-exchange transactions

Marabastad housing project	1 381 880	1 381 880
Other receivables	82 221	786 690
	<b>1 464 101</b>	<b>2 168 570</b>

The fair value other receivables approximate their carrying values.

### 9. VAT receivable

VAT	12 506 446	7 180 820
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	2 778 112	(1 164 115)	1 613 997	2 778 112	(847 767)	1 930 345

### Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	1 930 345	(316 348)	1 613 997

### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	2 013 580	167 388	(250 623)	1 930 345

# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

### 11. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property - Land	12 999 809	-	12 999 809	12 999 809	-	12 999 809
Investment property - Buildings	12 282 833	(6 596 474)	5 686 359	12 282 833	(6 478 014)	5 804 819
<b>Total</b>	<b>25 282 642</b>	<b>(6 596 474)</b>	<b>18 686 168</b>	<b>25 282 642</b>	<b>(6 478 014)</b>	<b>18 804 628</b>

### Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Land	12 999 809	-	12 999 809
Buildings	5 804 818	(118 459)	5 686 359
	<b>18 804 627</b>	<b>(118 459)</b>	<b>18 686 168</b>

### Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Land	12 999 809	-	12 999 809
Buildings	5 923 277	(118 459)	5 804 818
	<b>18 923 086</b>	<b>(118 459)</b>	<b>18 804 627</b>

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

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### Notes to the Annual Financial Statements

Figures in Rand

#### 12. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	21 198 781	(9 246 461)	11 952 320	21 276 956	(9 075 176)	12 201 780
Capital work in progress	60 002 245	-	60 002 245	42 117 331	-	42 117 331
Community assets - Buildings	80 442 049	(51 524 268)	28 917 781	80 442 049	(49 702 917)	30 739 132
Community assets - Land	920 448	-	920 448	920 448	-	920 448
Furniture and fixtures	3 151 621	(885 738)	2 265 883	2 750 156	(788 169)	1 961 987
Heritage	17 544	-	17 544	17 544	-	17 544
IT equipment	4 946 801	(2 805 426)	2 141 375	4 804 111	(2 380 490)	2 423 621
Infrastructure	2 205 189 818	(1 218 733 444)	986 456 374	2 166 091 230	(1 177 341 148)	988 750 082
Land	6 926 757	-	6 926 757	6 926 757	-	6 926 757
Motor vehicles	44 864 383	(10 143 665)	34 720 718	34 510 832	(7 201 114)	27 309 718
Office equipment	14 623 414	(7 262 414)	7 361 000	14 592 754	(5 630 374)	8 962 380
Plant and machinery	4 262 550	(1 989 681)	2 272 869	3 534 393	(1 712 932)	1 821 461
<b>Total</b>	<b>2 446 546 411</b>	<b>(1 302 591 097)</b>	<b>1 143 955 314</b>	<b>2 377 984 561</b>	<b>(1 253 832 320)</b>	<b>1 124 152 241</b>

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## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	12 201 780	-	-	-	(249 460)	11 952 320
Capital work in progress	42 117 331	44 655 889	-	(26 770 975)	-	60 002 245
Community assets - Buildings	30 739 132	-	-	-	(1 821 351)	28 917 781
Community assets - Land	920 448	-	-	-	-	920 448
Furniture and fixtures	1 961 987	461 565	(27 992)	-	(129 677)	2 265 883
Heritage	17 544	-	-	-	-	17 544
IT equipment	2 423 621	228 760	(35 698)	-	(475 308)	2 141 375
Infrastructure	988 750 082	12 328 243	-	26 770 975	(41 392 926)	986 456 374
Land	6 926 757	-	-	-	-	6 926 757
Motor vehicles	27 309 718	10 984 809	(351 778)	-	(3 222 031)	34 720 718
Office equipment	8 962 380	30 660	-	-	(1 632 040)	7 361 000
Plant and machinery	1 821 461	803 300	(61 288)	-	(290 604)	2 272 869
	<b>1 124 152 241</b>	<b>69 493 226</b>	<b>(476 756)</b>	<b>-</b>	<b>(49 213 397)</b>	<b>1 143 955 314</b>

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## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers to completed	Depreciation	Total
Buildings	12 451 615	-	-	-	(249 835)	12 201 780
Capital work in progress	-	60 801 087	-	(18 683 756)	-	42 117 331
Community assets - Buildings	32 653 709	-	-	-	(1 914 577)	30 739 132
Community assets - Land	920 448	-	-	-	-	920 448
Furniture and fixtures	1 730 222	359 402	-	-	(127 637)	1 961 987
Heritage	17 544	-	-	-	-	17 544
IT equipment	2 264 344	658 574	-	-	(499 297)	2 423 621
Infrastructure	1 000 454 023	10 066 271	-	18 683 756	(40 453 968)	988 750 082
Land	6 326 757	600 000	-	-	-	6 926 757
Motor vehicles	18 321 034	11 840 155	(129 314)	-	(2 722 157)	27 309 718
Office equipment	10 084 108	470 461	(1 138)	-	(1 591 051)	8 962 380
Plant and machinery	1 935 584	226 845	(1 099)	-	(339 869)	1 821 461
	<b>1 087 159 388</b>	<b>85 022 795</b>	<b>(131 551)</b>	<b>-</b>	<b>(47 898 391)</b>	<b>1 124 152 241</b>

#### Pledged as security

There are currently no restrictions on property, plant and equipment as a result of them being pledged as securities for liabilities.

#### Other information

The entity currently has the following capital commitments with regards to capital expenditure on infrastructure assets:

	2011	2010
Approved and contracted for	59 885 051	58 526 685

The following amounts have been included in Other Income which relates to damaged, lost or given up property, plant and equipment.

	2011	2010
Proceeds received from Insurers	440 864	149 933

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>12. Property, plant and equipment (continued)</b>		
<b>The following amounts relates to leased assets held by the entity included in property, plant and equipment</b>		
<b>Net carrying value of leased assets</b>		
Motor vehicles	8 444 556	10 043 106
Office equipment	6 177 062	7 582 446
	<b>14 621 618</b>	<b>17 625 552</b>
<b>Lease liability (refer to note 15)</b>		
Motor vehicle	(5 549 899)	(9 023 548)
Office equipment	(4 649 300)	(6 955 215)
	<b>(10 199 199)</b>	<b>(15 978 763)</b>
<p>A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.</p> <p>Capital work in progress refers to infrastructure projects which are still in the process of being completed.</p>		
<b>13. Consumer deposits</b>		
Kroonstad	7 706 534	7 237 055
<p>Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.</p>		
<b>14. Employee Benefits</b>		
Funeral assistance	168 000	183 893
Leave pay obligation	8 504 539	6 344 283
Annual bonus provision	3 087 276	3 031 231
Long service bonus provision	1 091 685	-
	<b>12 851 500</b>	<b>9 559 407</b>
<b>15. Finance lease obligation</b>		
<b>Total finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	7 217 878	7 418 560
- in second to fifth year inclusive	4 166 095	11 472 484
	11 383 973	18 891 044
less: future finance charges	(1 184 774)	(2 912 281)
<b>Present value of minimum lease payments</b>	<b>10 199 199</b>	<b>15 978 763</b>
Non-current liabilities	3 755 671	10 192 545
Current liabilities	6 443 528	5 786 218
	<b>10 199 199</b>	<b>15 978 763</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.



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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>15. Finance lease obligation (continued)</b>		
<i>Finance lease obligation - motor vehicles</i>		
<b>Minimum lease payments due</b>		
- within one year	3 769 203	4 003 243
- in second to fifth year inclusive	2 199 216	6 056 930
	5 968 419	10 060 173
less: future finance charges	(418 520)	(1 036 625)
<b>Present value of minimum lease payments</b>	<b>5 549 899</b>	<b>9 023 548</b>
Interest rates for leased motor vehicles are linked to prime at the contract date. No arrangements have been made to enter into contingent rent.		
<i>Finance lease obligation - equipment</i>		
<b>Minimum lease payments due</b>		
- within one year	3 448 675	3 415 317
- in second to fifth year inclusive	1 966 879	5 415 554
	5 415 554	8 830 871
less: future finance charges	(766 254)	(1 875 656)
<b>Present value of minimum lease payments</b>	<b>4 649 300</b>	<b>6 955 215</b>
Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.		
<b>16. Other financial liabilities</b>		
<b>Held at amortised cost</b>		
Annuity loans - ABSA	-	60 660
<i>Loan bears interest at 9.94% per annum redeemable during year ending 2011.</i>		
Annuity loans - Development Bank of South Africa	25 002 837	23 758 715
<i>Various loans were awarded bearing interest between 10.70% - 17.26% per annum, redeemable during the years ending 2012 - 2026.</i>		
Annuity loans - Free State Municipal Pension Fund	-	54 495
<i>Loan bears interest at 10.00% per annum redeemable during the year ending 2011.</i>		
Annuity loans - Infrastructure Finance Corporation Ltd	584 950	980 041
<i>Loan bears interest at 17.25% per annum redeemable during year ending 2012.</i>		
Annuity loans - Infrastructure Finance Corporation Ltd	655 746	917 044
<i>Various loans were awarded bearing interest between 16.50% - 17.26% per annum, redeemable during the years ending 2011 and 2012.</i>		
Annuity loans - Standard Bank	-	604 583
<i>Loan bears interest at 8.73% per annum redeemable during year ending 2011.</i>		
	<b>26 243 533</b>	<b>26 375 538</b>
<b>Non-current liabilities</b>		
At amortised cost	2 332 303	6 016 510
<b>Current liabilities</b>		
At amortised cost	23 911 230	20 359 028
	<b>26 243 533</b>	<b>26 375 538</b>

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Figures in Rand	2011	Restated 2010
<b>17. Trade and other payables from exchange transactions</b>		
Deposits received	6 308	185 550
Payments received in advance	5 060 993	5 776 892
Retention creditors	6 549 283	5 276 640
Other payables	122 770 187	100 950 221
	<b>134 386 771</b>	<b>112 189 303</b>

Suppliers have not been paid within the prescribed 30 day period due to cashflow constraints.

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Grants	6 679 496	2 724 364
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#### Movement during the year

Balance at the beginning of the year	2 724 364	-
Additions during the year	3 955 132	2 724 364
	<b>6 679 496</b>	<b>2 724 364</b>

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

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

### 19. VAT payable

Tax payables	4 623 369	4 050 840
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

### 20. Provisions

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Provision for the rehabilitation cost of landfill sites	1 325 310	497 847	1 823 157
Provision for the rehabilitation cost of quarries	614 169	1 577 324	2 191 493
	<b>1 939 479</b>	<b>2 075 171</b>	<b>4 014 650</b>

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual cost calculations received.

No significant judgments were made because actual quotations were obtained at the specified dates to determine these costs.

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## Notes to the Annual Financial Statements

Figures in Rand		2011	Restated 2010
<b>20. Provisions (continued)</b>			
<b>Details on rehabilitation provision for landfill sites:</b>			
<b>Kroonstad landfill site</b>			
The landfill site at Kroonstad needs to be rehabilitated after 17 years (2028). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.			
<b>Viljoenskroon landfill site</b>			
The landfill site at Viljoenskroon needs to be rehabilitated after 1 year (2012). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.			
<b>Steynsrus landfill site</b>			
The landfill site at Steynsrus needs to be rehabilitated after 15 years (2026). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.			
<b>Details on rehabilitation provision for quarries:</b>			
<b>Kroonstad gravel quarries</b>			
The gravel quarries at Kroonstad need to be rehabilitated after 8 years (2019). Rehabilitation costs to be incurred are stipulated by the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass and the slope erected.			
<b>Steynsrus gravel quarries</b>			
The gravel quarries at Steynsrus needs to be rehabilitated after 9 years (2020). Rehabilitation costs to be incurred are stipulated by the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass and the slope erected.			
<b>21. Revenue</b>			
Fines		975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Property rates	23	36 452 422	34 261 196
Rental income	28	3 379 868	3 216 209
Service charges	24	202 796 867	175 208 890
		<b>410 461 650</b>	<b>361 390 850</b>
<b>The amounts included in revenue arising from exchange of goods or services are as follows:</b>			
Rental income	28	3 379 868	3 216 209
Service charges	24	202 796 867	175 208 890
		<b>206 176 735</b>	<b>178 425 099</b>
<b>The amounts included in revenue arising from non-exchange transactions are as follows:</b>			
Fines		975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Property rates	23	36 452 422	34 261 196
		<b>204 284 915</b>	<b>182 965 751</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>22. Government grants and subsidies</b>		
Councillors remuneration grant	2 779 000	459 863
Equitable share	133 010 070	102 369 720
Expanded public works program grant	1 216 000	-
Financial management grant	-	-
Housing development grant	-	-
Institutional grant	-	167 388
Integrated National Electrification grant	4 000 000	-
LG SETA grant	91 720	191 634
Municipal infrastructure grant	19 440 000	40 616 327
Rehabilitation of sewerage network	6 320 091	4 086 066
	<b>166 856 881</b>	<b>147 890 998</b>
<b>Councillor remuneration grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	2 779 000	459 863
Conditions met - transferred to revenue	(2 779 000)	(459 863)
	-	-
In terms of the Constitution, this grant is used to subsidise the remuneration of councillors.		
<b>Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	133 010 070	102 369 720
Conditions met - transferred to revenue	(133 010 070)	(102 369 720)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.		
<b>Expanded public work program grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	1 216 000	-
Conditions met - transferred to revenue	(1 216 000)	-
	-	-
This grant is used in respect of job creation projects and programmes.		
<b>Financial management grant</b>		
Balance unspent at beginning of year	750 000	-
Current-year receipts	1 200 000	750 000
Unspent conditional grant	<b>1 950 000</b>	<b>750 000</b>

Conditions still to be met - remain liabilities (see note 18)

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>22. Government grants and subsidies (continued)</b>		
<b>Housing development grant</b>		
Balance unspent at beginning of year	1 147 622	1 147 622
Conditions still to be met - remain liabilities (see note 18)		
This grant is to be used to assist with the development of urban renewal.		
<b>Institutional grant</b>		
Balance unspent at beginning of year	567 612	-
Current-year receipts	750 000	735 000
Conditions met - transferred to revenue	-	(167 388)
Unspent conditional grant	<b>1 317 612</b>	<b>567 612</b>
Conditions still to be met - remain liabilities (see note 18)		
The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.		
<b>Integrated national electrification grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	-
The purpose of the grant is to facilitate the municipality electrical infrastructure needs.		
<b>LG SETA grant</b>		
Balance unspent at beginning of year	259 130	-
Current-year receipts	531 941	450 764
Conditions met - transferred to revenue	(91 720)	(191 634)
Unspent conditional grant	<b>699 351</b>	<b>259 130</b>
Conditions still to be met - remain liabilities (see note 18)		
The grant is used for training municipality staff to enhance their skills in their respective positions.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	-	4 785 327
Current-year receipts	19 440 000	35 831 000
Conditions met - transferred to revenue	(19 440 000)	(40 616 327)
	-	-
The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.		

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>22. Government grants and subsidies (continued)</b>		
<b>Rehabilitation of sewerage network</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	7 885 002	4 086 066
Conditions met - transferred to revenue	(6 320 091)	(4 086 066)
Unspent conditional grant	<b>1 564 911</b>	-

Conditions still to be met - remain liabilities (see note 18)

The grant is used to assist with the rehabilitation of the sewerage water treatment system of Moqhaka. This grant is funded by the Department of Water Affairs.

### 23. Property rates

#### Rates received

Residential and commercial	29 443 871	27 610 854
State	7 008 551	6 650 342
	<b>36 452 422</b>	<b>34 261 196</b>

#### Valuations

Commercial	853 370 041	962 297 483
Multi-purpose	220 275 000	220 275 000
Municipal	167 304 035	115 421 750
Non-ratable	426 893 211	166 041 116
Residential	5 868 835 813	5 986 207 378
State	741 690 566	750 700 566
	<b>8 278 368 666</b>	<b>8 200 943 293</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.004 (2010: R0.004) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners.

Agricultural property rates are phased in over a three year period, of which the discount for 2011 was 25% (2010: 50%).

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2010: 1%) is levied on rates outstanding two months after due date.

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Figures in Rand	2011	Restated 2010
<b>24. Service charges</b>		
Refuse removal	8 833 141	7 733 178
Sale of electricity	142 926 696	128 836 981
Sale of water	39 120 746	29 567 589
Sewerage and sanitation charges	11 916 284	9 071 142
	<b>202 796 867</b>	<b>175 208 890</b>
<b>25. Investment revenue</b>		
<b>Dividend revenue</b>		
Unlisted shares	5 947	37 814
<b>Interest revenue</b>		
Bank	60 718	224 766
Interest charged on receivables from exchange transactions	4 113 386	3 824 202
	<b>4 174 104</b>	<b>4 048 968</b>
	<b>4 180 051</b>	<b>4 086 782</b>
All amounts above included in investment revenue arises from exchange transactions.		
<b>26. Other revenue</b>		
Admittance fees earned	578 845	322 969
Discount received	15 091	-
Other income	7 013 791	4 919 294
	<b>7 607 727</b>	<b>5 242 263</b>
<b>27. Other income</b>		
Advertisements	209 405	165 636
Burial income	672 554	541 485
Connection fees	593 267	550 054
Erven sales	988 780	622 585
Fire Brigade Fees	-	97 645
Insurance claims	440 864	137 959
Other income	1 071 578	1 336 091
Provision for rehabilitation adjustments	-	154 805
Reconnection fees recovered	197 826	276 331
Donations received	240 423	81 308
Telephone costs recovered	409 386	60 678
Railway siding industrial	505 896	622 216
Special services	6 583	113 830
Sundry income	9 818	8 635
Waiving of portion of interest charged on long term loan	1 607 138	-
Water valuation adjustments	60 273	150 036
	<b>7 013 791</b>	<b>4 919 294</b>
<b>28. Rental income</b>		
<b>Facilities and equipment</b>		
Rental of facilities and equipment	3 379 868	3 216 209

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Figures in Rand	2011	Restated 2010
<b>29. General expenses</b>		
Advertising	383 913	333 154
Auditors remuneration	2 505 833	2 451 287
Bank charges	1 381 397	1 176 851
Chemicals	4 499 442	3 323 539
Cleaning	429 003	410 114
Commission paid	2 647 866	2 595 780
Conferences and seminars	594 516	588 217
Consulting and professional fees	5 778 183	8 119 991
Entertainment	630 582	505 134
Fuel and oil	4 579 335	3 755 739
Indigent contributions	5 533 339	3 905 783
Insurance	3 855 949	2 727 130
Lease rentals on operating lease	1 161 431	3 637 750
Licences - other	733 142	688 458
Licences - vehicles	307 552	251 254
Other expenses	1 871 023	2 187 080
Postage and courier	1 122 622	1 163 245
Printing and stationery	1 457 451	1 387 793
Protective clothing	415 863	397 002
Provision for rehabilitation adjustment	2 075 171	-
Skills development levies	1 049 901	945 333
Special programs	343 198	266 508
Subscriptions and membership fees	1 419 149	969 415
Telephone and fax	1 378 851	1 315 414
Training	127 457	398 630
Valuation roll	-	304 673
Workmen's compensation	800 000	908 702
	<b>47 082 169</b>	<b>44 713 976</b>
<b>30. Employee related costs</b>		
Basic	79 139 929	75 051 910
Bonus	6 384 133	5 823 219
Car allowance	5 259 497	3 823 484
Housing benefits and allowances	848 930	954 905
Leave pay provision charge	5 045 868	2 660 521
Medical aid - company contributions	10 078 411	9 679 415
Other allowances	524 415	57 024
Other payroll levies	1 629 993	1 582 602
Overtime payments	9 719 434	6 835 097
Post-employment benefits - Defined contribution & benefit plans	13 743 594	12 687 791
Standby allowance	546 170	429 947
Telephone allowance	418 005	403 039
UIF	892 528	846 426
	<b>134 230 907</b>	<b>120 835 380</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	542 131	477 126
Contributions to UIF, Medical and Pension Funds	46 290	108 180
Allowances	350 645	334 220
Travel and subsistence	25 880	25 807
Skills development levy	5 705	7 030
	<b>970 651</b>	<b>952 363</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>30. Employee related costs (continued)</b>		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	358 401	312 008
Contributions to UIF, Medical and Pension Funds	58 599	26 647
Allowances	207 328	181 733
Travel and subsistence	3 952	11 999
Skills development levy	5 705	10 407
	<b>633 985</b>	<b>542 794</b>
<p>The current Chief Finance Officer was appointed in September 2010. The remuneration for the year ended 2010 included 3 months payments, based on a contract with a higher pay rate.</p>		
<b>Remuneration of executive directors</b>		
<b>Executive Director: Technical services</b>		
Annual Remuneration	390 701	137 150
Allowance	217 767	182 628
Contributions to UIF, Medical and Pension Funds	59 110	499
Travel and subsistence	24 587	15 269
Skills development levy	5 956	2 834
	<b>698 121</b>	<b>338 380</b>
<p>The remuneration for the year ended 2010 is only for 4 months.</p>		
<b>Executive Director: Corporate services</b>		
Annual Remuneration	411 472	440 685
Allowance	254 316	336 252
Contributions to UIF, Medical and Pension Funds	70 966	87 594
Travel and subsistence	7 785	19 745
Skills development levy	6 565	6 729
	<b>751 104</b>	<b>891 005</b>
<b>Executive Director: Community services</b>		
Annual Remuneration	480 940	440 685
Allowance	338 684	412 601
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Travel and subsistence	3 727	11 633
Skills development levy	7 763	7 888
	<b>832 611</b>	<b>874 304</b>
<b>31. Remuneration of Councillors</b>		
Executive Major	342 008	360 805
Mayoral Committee Members	2 182 217	2 061 019
Speaker	308 591	285 639
Councillors	7 826 266	7 432 918
Councillors' medical and pension fund contributions	1 932 480	1 868 816
	<b>12 591 562</b>	<b>12 009 197</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2011	Restated 2010
<b>31. Remuneration of Councillors (continued)</b>		
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
A new Mayor was elected from 1 June 2011. The previous Mayor had use of a council owned vehicle for official duties and one full-time body guard. The newly appointed Mayor does not make use of a council owned vehicle and does not have a full-time body guard. These benefits will be arranged in 2011/12 year.		
<b>32. Debt impairment</b>		
Debt impairment - receivables from exchange transactions	38 313 470	39 953 076
<b>33. Depreciation and amortisation</b>		
Property, plant and equipment	49 318 129	47 646 813
Intangible assets	316 348	250 624
	<b>49 634 477</b>	<b>47 897 437</b>
<b>34. Finance costs</b>		
Interest on annuity loans	3 211 838	3 341 616
Interest on bank overdraft	19 488	276 910
Interest on finance leases	1 844 259	1 903 060
Interest on late payment of creditors	5 268 868	5 257 002
Other interest paid	23 718	100 644
	<b>10 368 171</b>	<b>10 879 232</b>
<b>35. Auditors' remuneration</b>		
Fees	2 505 833	2 451 287
<b>36. Contracted services</b>		
Specialist Services	4 849 896	5 447 294
Other Contractors	1 338 690	1 034 446
	<b>6 188 586</b>	<b>6 481 740</b>
<b>37. Bulk purchases</b>		
Electricity	109 458 753	86 326 205
Water	2 371 902	2 144 046
	<b>111 830 655</b>	<b>88 470 251</b>

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Figures in Rand	2011	Restated 2010
<b>38. Cash generated from operations</b>		
Deficit	(10 927 644)	(21 514 654)
<b>Adjustments for:</b>		
Depreciation and amortisation	49 634 477	47 897 437
Loss on sale of assets	476 688	130 033
Fair value adjustments	(26 639)	(30 896)
Finance costs - Finance leases	1 727 507	2 912 281
Debt impairment	38 313 470	39 953 076
Movements in receivables from lease assets and accruals	18 850	(13 509)
Movements in provisions	2 075 171	(848 497)
<b>Changes in working capital:</b>		
(Increase) / decrease in inventories	(853 953)	920 842
Decrease / (increase) in other receivables from non-exchange transactions	704 469	(996 332)
Increase in receivables from exchange transactions	(32 037 606)	(27 623 250)
Increase in trade and other payables from exchange transactions	22 197 468	37 966 768
(Decrease) / increase in VAT	(4 753 097)	7 799 323
Increase / (decrease) in unspent conditional grants and receipts	3 955 132	(3 208 586)
Increase in consumer deposits	469 479	821 791
	<b>70 973 772</b>	<b>84 165 827</b>

### 39. Contingencies

#### Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Claims by individuals due to damage of property in various incidents	565 437	213 194
Claims from the South African Local Government Association	1 300 000	3 080 664
Claims from creditors - account disputes	174 873	72 228
Claims from suppliers - contractual disputes	1 108 199	1 108 199
Claims for damages to property due to fire spread	-	82 797
Claims by individuals due to injuries in various incidents	1 802 748	1 200 427
Claims for damages of Telkom property	2 467 181	2 405 172
	<b>7 418 438</b>	<b>8 162 681</b>

#### Contingent liabilities - post retirement benefit obligations

The municipality makes monthly contributions to retired employees' medical aid. This obligation has not been valued by an actuary at balance sheet date as insufficient information was available to account for this liability on a defined benefit accounting basis.

Refe to note 40.

# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

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### 40. Retirement benefit information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

#### Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund;
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

#### Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

### 41. Related parties

#### Relationships

Accounting Officer	Refer to accounting officer report
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 40
Members of key management	Refer to note 30 and 47

#### Related party transactions

No related party transactions were identified during the year under review.

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 42. Change in estimate

#### Property, plant and equipment

On 1 July 2009 management performed the annual review of the reasonableness of the residual values and remaining useful lives of all moveable assets. As a result the following useful lives were revised:

- Plant and equipment: 5 years
- Office equipment: 6 years
- IT equipment: 5 years
- Furniture: 10 years
- Vehicles: 7 years

The effect of these changes on the depreciation expense for the periods are as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	Later
(Increase)/decrease in depreciation expense	(1 293 450)	(1 416 696)	(1 476 363)	(2 512 417)	(3 778 434)	23 315 662

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#### Intangible assets

During the 2008/09 period, the useful life of the Venus computer system was changed from being indefinite to a period of 20 years. As a result an annual review is performed by management of the reasonableness of this estimate.

The effect of this change on the amortisation expense is as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	Later
Increase in amortisation expense	(71 389)	(71 389)	(71 389)	(71 389)	(71 389)	(999 444)

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### 43. Prior period errors

A number of prior period errors were corrected during the year ending 30 June 2011. The details of the prior period errors adjusted are reflected below.

#### Summary

##### Statement of financial position

Net assets as previously reported	1 046 851 221
Adjustments to opening accumulated surplus as per details below	(7 260 887)
	<b>1 039 590 334</b>

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##### Statement of financial performance

Deficit as previously reported	(11 603 794)
Net effect on deficit for the year end 30 June 2010 as per details below	(9 910 860)
	<b>(21 514 654)</b>

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# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Cash and cash equivalents

Cash held by the municipality was understated as all petty cash held in prior period could not be verified. Subsequently petty cash was verified. Some fixed deposits were classified as cash equivalents as they were perceived to be redeemable within 3 months. This was reclassified to the investment asset item.

<i>Adjustments against opening accumulated surplus on 30 June 2009</i>	(2 000)
<i>Net effect on cash and cash equivalent for the year 30 June 2010</i>	
Increase in cash and cash equivalents due to petty cash correction	2 000
Decrease cash and cash equivalents due to short term deposits reclassification	(1 930 873)
	<b>(1 928 873)</b>
<i>Net effect on investments for year end 30 June 2010</i>	
Increase in investments due to short term deposits reclassification	1 930 873

#### Investments

Some fixed deposits were classified as cash equivalents as they were perceived to be redeemable within 3 months. This was reclassified to the investment asset item.

<i>Net effect on Investment asset for the year 30 June 2010</i>	
Increase investments due to short term deposits reclassification	1 930 873
<i>Net effect on cash and cash equivalent for the year 30 June 2010</i>	
Decrease in cash and cash equivalents due to short term deposits reclassification	(1 930 873)

#### Receivables from exchange transactions

Adjustments were made to consumer debtors to account for the accrued electricity and accrued water debtors that were not taken into account in the prior years. This included a correction made for overcharged services in prior periods.

<i>Adjustment to opening accumulated surplus 30 June 2009</i>	
Increase in service charges due to accrued electricity and water	(9 588 278)
Decrease in service charges due to erven sale	1 304 588
	<b>(8 283 690)</b>
<i>Net effect on receivables from exchange transactions for the year ended 30 June 2010</i>	
Increase in receivables from exchange transactions due to accrued electricity and water	9 837 561
Decrease in receivables from exchange transactions due to overcharged services	(2 266 745)
Decrease receivables from exchange transactions due to erven sale correction	(1 304 588)
	<b>6 266 228</b>
<i>Net effect on deficit for the year 30 June 2010</i>	
Increase in service charges due to accrued electricity and water	(249 283)
Decrease in service charges due to overcharged services	2 150 055
Increase in other income due to undercharged services	(295 134)
Decrease in property rates due to overcharged services	81 757
Decrease in interest received due to overcharged services	330 067
	<b>2 017 462</b>

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Other receivables from non-exchange transactions

Payments to financial institutions for leased assets to be recovered, which have not been accounted for in prior period. Certain accounts were written off as they could not be verified and relates to prior periods.

*Adjustment to opening accumulated surplus 30 June 2009*

Decrease in finance lease obligation	1 240
<hr/>	
<i>Net effect on other receivables from non-exchange transactions for year 30 June 2010</i>	
Increase of other receivables due to finance leased payments recovered	695 507
Decrease in other receivables from exchange transactions due to legacy written off	(1 240)
	<hr/> <b>694 267</b> <hr/>
<i>Net effect on finance lease obligations for year 30 June 2010</i>	
Increase in finance lease obligations due to lease payments	(695 507)
	<hr/> <b>(695 507)</b> <hr/>

#### Intangibles

Correction of the intangible's estimated useful lives retrospectively as well as a reclassification between intangible asset and IT equipment

*Adjustments against opening accumulated surplus on 30 June 2009*

	(785 277)
<hr/>	
<i>Net effect on intangibles for year 30 June 2010</i>	
Increase in intangible asset due to classification correction from IT equipment	167 388
Increase in intangibles due to revision of useful lives	785 277
	<hr/> <b>952 665</b> <hr/>
<i>Net effect on property, plant and equipment for the year 30 June 2010</i>	
Decrease in IT equipment for classification correction	(167 388)
	<hr/> <b>(167 388)</b> <hr/>

#### Investment Property

Investment properties that were not registered in the name of the municipality were removed from the fixed assets register and the accounting records.

*Adjustment against opening accumulated surplus 30 June 2009*

	4 409 147
<hr/>	
<i>Net effect on investment property for the year 30 June 2010</i>	
Decrease in investment property - land component	(3 293 121)
Decrease in investment property - building component	(1 116 026)
	<hr/> <b>(4 409 147)</b> <hr/>

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Property, plant and equipment

Certain property, plant and equipment items recorded in the fixed asset register (FAR) and the accounting records could not be identified as held by the municipality. This was subsequently reversed with the corresponding accumulated depreciation. Certain expenses were identified as capital items which were not appropriately accounted for in prior periods. Useful lives of property, plant and equipment was reassessed and adjustments were made accordingly. The net effect of the above has been disclosed below:

#### *Adjustment against opening accumulated surplus 30 June 2009*

Due to capitalisation of expenses in prior periods	(140 092)
Due to changes in fixed asset register for land and infrastructure	(8 000 000)
Adjustments to other line items affecting property, plant and equipment	(1 005 865)
	<b>(9 145 957)</b>

#### *Net effect on property, plant and equipment for year 30 June 2010*

Net decrease in vehicles due to revision of useful lives and changes to FAR	(1 938 785)
Net decrease in vehicles due to corrections of finance lease assets	(51 503)
Net increase in furniture due to revision of useful lives and changes to FAR	93 225
Net increase in office equipment due to revision of useful lives and changes to FAR	883 460
Net increase to plant & equipment due to revision of useful lives and changes to FAR	282 840
Net increase in IT equipment due to revision of useful lives and changes to FAR	258 887
Net increase in IT equipment due to capitalised expenses	125 123
Net decrease in IT equipment due to reclassification correction to intangible assets	(167 388)
Net increase in land due to revision of useful lives and changes to FAR	577 665
Net decrease in buildings due to revision of useful lives and changes to FAR	(18 316)
Net increase in infrastructure due to revision of useful lives and changes to FAR	5 955 939
Net increase in infrastructure due to capitalised expenses	54 719
Net decrease in community assets buildings due to revision of useful lives and changes to FAR	(25 881)
	<b>6 029 985</b>

#### *Net effect on finance lease obligation for 30 June 2010*

Net increase in intangibles due to reclassification correction from IT equipment	167 388
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#### *Net effect on intangibles for year 30 June 2010*

Decrease in finance lease obligation due to correction of value	51 503
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#### *Net effect on deficit for year 30 June 2010*

Increase in depreciation due to revision of useful lives and elimination of assets in the FAR	2 897 081
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# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Employee benefits

Provision for leave pay and bonuses were not accounted for in the prior period. Leave paid out in prior years was not adjusted against leave provision.

#### *Adjustment to opening accumulated surplus for year 30 June 2009*

Increase in employee bonuses	2 895 343
Correction of unknown balance in prior periods	(2 893)
	<b>2 892 450</b>

#### *Net effect on employee benefit for year 30 June 2010*

Increase in bonus provision	(3 031 231)
Increase in leave pay provision	(1 374 961)
Correction of leave paid against leave pay provision	(1 201 320)
Correction of unknown balance in prior periods	2 893
	<b>(5 604 619)</b>

#### *Net effect on trade and other payables from exchange transactions for year 30 June 2010*

Decrease trade payables for leave pay provision	1 201 320
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#### *Net effect on deficit on year 30 June 2010*

Increase in employee related costs due to increase in leave pay and bonus provision	1 510 849
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#### Finance lease obligations

Accrued interest was not correctly accounted for in the prior periods. Correction of leased assets recognised at incorrect values. Lease payments were not accounted for correctly.

#### *Adjustment to opening accumulated surplus 30 June 2009*

Decrease in finance costs due to overcharged amounts	(241 463)
Decrease due to immaterial changes made to opening balances	(589)
	<b>(242 052)</b>

#### *Net effect on assets and liabilities for year 30 June 2010*

Decrease in finance lease obligation due to corrections of finance lease costs	158 501
Reclassification of accrued interest to other financial liabilities	(116 775)
Decrease due to other immaterial corrections to opening balances	589
Increase in lease obligation for payments recoverable	(695 507)
Decrease in leased liability value on incorrect PPE asset value and corresponding decrease in asset value	51 503
	<b>(601 689)</b>

#### *Net effect on other finance liabilities for year 30 June 2010*

Increase in other finance liabilities due to reclassification of accrued interest	116 775
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#### *Net effect on other receivables from non-exchange transactions*

Increase in other receivables from non-exchange transactions due to payments recoverable	695 507
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#### *Net effect on property, plant and equipment for year 30 June 2010*

Decrease in vehicles due to finance lease value	(51 503)
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#### *Net effect on deficit for year 30 June 2010*

Increase in finance costs due to corrections to finance lease obligations	82 962
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# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Other finance liabilities

Corrections were made to the finance liabilities to account for accrued interest in prior periods. Reclassification was made to split the finance lease obligation and the other finance liabilities on the face of the balance sheet.

#### *Net effect on other financial liabilities for year 30 June 2010*

Decrease in other finance liabilities to account for accrued interest correction	33 745
Reclassification of finance liabilities portion's accrued interest	116 775
	<b>150 520</b>
<i>Net effect on finance lease obligations for year 30 June 2010</i>	
Increase in finance lease obligations due to accrued interest	(116 775)
	<b>(116 775)</b>
<i>Net effect on deficit for year 30 June 2010</i>	
Decrease in finance costs due to accrued interest correction	(33 745)
	<b>(33 745)</b>

#### Trade payables and other payables from exchange transactions

Corrections were made to trade payables for creditors not provided for in prior periods, with their corresponding interest due. Water purchases were provided for as well as the interest charged on overdue accounts. Leave pay provision payments were reclassified to corresponding employee benefits category. Payments in advance were adjusted for prior period errors.

#### *Adjustment to opening accumulated surplus for 30 June 2009*

Correction of payments in advance	(4 243 970)
Increase in interest provided for creditors not previously provided	53 911
Increase in interest on water purchases not previously provided	1 439 042
Increase in other payables on creditors	373 792
Increase in other payables on water purchases	9 534 095
Increase in other payables on UIF provision	262 052
Increase in other payables on UIF interest provision	65 067
	<b>7 483 989</b>

#### *Net effect on trade payables from exchange transactions for year 30 June 2010*

Decrease payments in advance	4 243 970
Reclassification of leave pay to employee benefits	1 201 320
Increase other payables for creditors not accounted for	(796 638)
Increase other payables for interest on creditors not accounted for	(148 066)
Increase in other payables for water purchases not accounted for	(11 678 140)
Increase in other payables for interest on water purchases not accounted for	(2 157 199)
Increase in other payables for UIF provision	(340 230)
Increase in other payables for UIF interest provision	(97 705)
	<b>(9 772 688)</b>

#### *Net effect on employee benefits for year 30 June 2010*

Correction of employee benefits	(1 201 320)
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#### *Net effect on deficit for year 30 June 2010*

Increase in finance costs for creditors not provided	94 151
Increase in interest costs for water purchases not provided	718 157
Increase in general expenses not provided	442 846
Increase in bulk purchases not provided (water)	2 144 045
Increase in employee costs for UIF provision	78 178
Increase in finance costs for UIF provision	32 639
	<b>3 510 016</b>

# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

### 44. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 15, 16, 17, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

		2011	2010
<b>Total borrowings</b>			
Finance lease obligation	15	10 199 199	15 978 763
Other financial liabilities	16	26 243 533	26 375 538
Trade and other payables from exchange transactions	17	134 386 771	112 189 303
		<b>170 829 503</b>	<b>154 543 604</b>
Less: Cash and cash equivalents	3	3 661 633	2 807 068
<b>Net debt</b>		<b>167 167 870</b>	<b>151 736 536</b>

#### Financial risk management

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

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2011	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Finance lease obligations	10 199 199	6 443 528	3 755 671	-
Other financial liabilities	26 243 533	23 911 230	2 332 303	-
Trade and other payables	134 386 771	134 386 771	-	-
Employee benefit obligations	12 851 500	12 851 500	-	-
Consumer deposits	7 706 534	7 706 534	-	-
	<b>191 387 537</b>	<b>185 299 563</b>	<b>6 087 974</b>	<b>-</b>

At 30 June 2010	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Finance lease obligations	15 978 763	5 786 218	10 192 545	-
Other financial liabilities	26 375 538	20 359 028	6 016 510	-
Trade and other payables	112 189 303	112 189 303	-	-
Employee benefit obligations	9 559 407	9 559 407	-	-
Consumer deposits	7 237 055	7 237 055	-	-
	<b>171 340 066</b>	<b>155 131 011</b>	<b>16 209 055</b>	<b>-</b>

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 44. Risk management (continued)

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2011, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R 59 138 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 59 138 lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

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

- ABSA primary bank account;
- FNB bank account;
- ABSA fixed deposits;
- FNB call deposits;
- Finance lease obligations; and
- Various annuity loans;

#### Credit risk

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

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

Financial instrument	2011	2010
ABSA bank	3 650 547	2 796 991
First National Bank	166	(893)
Receivables from exchange transactions	47 667 407	57 647 236
Investments	1 285 471	2 230 482
Other receivables from exchange transactions	1 464 101	2 168 570
	<hr/>	<hr/>
	54 067 692	64 842 386

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

# Moqhaka Local Municipality

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## Notes to the Annual Financial Statements

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### 45. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in accounts payable of R 23 million (2010: R 27 million);
- The municipality incurred a deficit during the year of R 11 million (2010: R 22 million);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 224 million in 2010 to R 256 million as at 30 June 2011;
- The provision for doubtful debts have been estimated at R 209 million (2010: R 167 million). This equates to approximately 85% of gross outstanding debtors (2010: 78%) before accrued water and electricity. Included in provision for doubtful debts is an amount of R 69 million for indigent debtors (2010: R54 million) which will be written off by the municipality during 2012 year end.

At 30 June 2011 the municipality's current liabilities amounted to R 197 million (2010: R 162 million), whilst the current assets amounted to R 71 million (2010: R 76 million).

The municipality is exploring alternative options to improve it's financial position.

### 46. Events after the reporting date

Subsequent to the year ended 30 June 2011, the municipality experienced damages to its power supply lines which provides electricity to a portion of the municipality. The extent of the damage has not been determined at the finalisation of the financial statements. No provision has been made for the financial impact due to the uncertainty of the costs.

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	1 419 149	969 415
Amount paid - current year	(310 000)	(969 415)
	<b>1 109 149</b>	<b>-</b>

#### Material losses through criminal conduct

There were no material losses incurred due to criminal conduct identified during the year by the municipality.

#### Audit fees

Opening balance	884 633	343 585
Current year fee	2 505 833	2 451 287
Amount paid - current year	(1 003 348)	(1 566 654)
Amount paid - previous years	(884 633)	(343 585)
	<b>1 502 485</b>	<b>884 633</b>

#### PAYE and UIF

Opening balance	340 229	262 051
Current year payroll deductions	14 613 268	11 625 519
Amount paid - current year	(14 531 733)	(11 547 341)
	<b>421 764</b>	<b>340 229</b>

An amount of R 556 770, inclusive of interest, has been provided for during the year 30 June 2010. This relates to UIF contributions for councilors which was not paid. This constitutes a non-compliance with the UIF Contribution Act.

#### Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and council contributions	35 106 465	31 055 481
Amount paid - current year	(35 106 465)	(31 055 481)
	<b>-</b>	<b>-</b>

#### Skills Development Levy

Opening balance	-	-
Current year payroll deductions and council contributions	1 037 546	945 333
Amount paid - current year	(1 037 546)	(945 333)
	<b>-</b>	<b>-</b>

#### Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated line losses	7 140 233	6 594 973
Losses due to tampering or theft	17 960 022	13 771 580
	<b>25 100 255</b>	<b>20 366 553</b>

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses	18 437 712	10 915 697
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# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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

#### VAT

VAT receivable	12 506 446	7 180 820
VAT payable	(4 623 369)	(4 050 840)
	<b>7 883 077</b>	<b>3 129 980</b>

VAT output payables and VAT input receivables are shown in note 9 and 19.

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dire MP	-	2 029	2 029
Letsabo J	418	811	1 229
Makua TL	633	815	1 448
Mckenzie AE	349	9 072	9 421
Mkhwanazi TM	151	1 080	1 231
Moamogao A	349	2 366	2 715
Moletsane ER	515	44	559
Tumisi T	2 045	666	2 711
	<b>4 460</b>	<b>16 883</b>	<b>21 343</b>

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Colbert DPC	924	-	924
Dire MP	-	2 203	2 203
Letsabo J	478	911	1 389
Makua TL	458	922	1 380
Matli I	73	-	73
Mckenzie AE	3 289	7 553	10 842
Mkhwanazi TM	320	138	458
Mokotla ME	-	5 726	5 726
Moamogao A	360	3 162	3 522
Mokodutla ME	97	-	97
Raphuthing PP	-	3 124	3 124
Tumisi T	2 339	2 174	4 513
Viljoen WF	267	-	267
	<b>8 605</b>	<b>25 913</b>	<b>34 518</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses are listed in note 48 to 50.

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 48. Irregular expenditure

Opening balance	40 977 590	21 984 972
Add: Irregular expenditure - current year	47 721 236	18 992 618
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	<b>88 698 826</b>	<b>40 977 590</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	47 721 236	18 992 618
Prior years	40 977 590	21 984 972
	<b>88 698 826</b>	<b>40 977 590</b>

### Details of irregular expenditure – current year

#### Summary of irregular expenditure due to deviation from Supply Chain Management (SCM) requirements and tender regulations

##### Opening balances brought forward from 2006/7

##### Disciplinary steps taken/criminal proceedings

Appointment of managers directly accountable to Municipal Manager	-	2 145 809
Appointment of debt collector - non adherence to tender regulations	-	4 516 925
Purchase of air conditioners for housing department at Maokeng	-	8 633
Missing computers	-	38 500
Refurbishment of traffic offices at Maokeng	-	33 087
Misuse of council vehicles	-	436
Performance bonuses	-	141 954
Related party transactions	-	214 325
Condoned or written off by council	-	-
		<b>7 099 669</b>

#### Appointment of consultants not through a competitive bidding process - accounting services

Opening balance	15 290 974	8 909 807
Irregular expenditure current year	3 585 163	6 381 167
	<b>18 876 137</b>	<b>15 290 974</b>

The appointment of consultants was an urgent deviation of the Supply Chain Management policy, which was reported to National Treasury and which has not been tabled before council.

#### Rendering of meter reading services

Opening balance	2 323 849	1 620 560
Irregular expenditure current year	1 087 671	703 289
	<b>3 411 520</b>	<b>2 323 849</b>

The appointment of meter reading services providers was due to the non adherence of the Supply Chain Management policy and tender regulations which have not been tabled before council.



# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 48. Irregular expenditure (continued)

#### Required quotation for purchases not obtained in terms of SCM policy

Opening balance	763 884	63 652
Irregular expenditure current year	212 544	700 232
	<b>976 428</b>	<b>763 884</b>

The above consists of various payments made to service providers and suppliers that were not in compliance with the SCM policy, as the required quotation were not obtained from the suppliers.

#### Non adherence to SCM policy for payments made

Opening balance	3 031 094	2 442 638
Irregular expenditure current year	-	588 456
	<b>3 031 094</b>	<b>3 031 094</b>

The above consists of various payments made to service providers and suppliers that were not in compliance with SCM policy.

#### Non adherence to tender regulations

Opening balance	12 468 120	1 744 780
Irregular expenditure current year	5 848 274	10 723 340
	<b>18 316 394</b>	<b>12 468 120</b>

The above consists of various payments made to service providers and suppliers during the year that were not in compliance with the tender regulations.

#### Urgent matters which required deviations of SCM policy and tender regulations

Closing of toilet top structure at Rammuloutsi	8 781 254	-
Waste water treatment works at Kroonstad near Viljoenskroon	8 477 357	-
Hiring of equipment	3 519 443	-
Reconstruction of streets, grading and regravelling	2 935 415	-
Replacement of main sewer line crossing Transnet property north of subway	1 954 854	-
Repairs and maintenance of library, trackers, oil filled cables etc	1 749 217	-
Hiring of TLB water services	288 910	-
Clearing of blocked main sewer lines	805 500	-
Procurement of office furniture	750 175	-
Upgrade and repair of main sewer outfall line to Constantia pump station	487 019	-
Replacement of faulty water meters	170 325	-
Accommodation for induction of councillors	63 193	-
Supply of water purification chemicals	3 672 628	-
Transportation of water from Kroonstad to Steynsrus	810 552	-
Supply of petrol	1 535 402	-
Supply and delivery of carboncor	659 451	-
Replacement of electric panels & motor pumps at Marais Street pump stations	326 889	-
	<b>36 987 584</b>	<b>-</b>

The above service providers and suppliers were appointed to render the required services on an emergency/urgent basis. Therefore the SCM policy and tender regulations were deviated. The majority of the matters above have been approved by management and are awaiting condonement from council.

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

### 49. Fruitless and wasteful expenditure

Opening balance	21 444 126	16 306 072
Add: Fruitless and wasteful expenditure - current year	6 552 138	5 138 054
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	<b>27 996 264</b>	<b>21 444 126</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	6 552 138	5 138 054
Prior years	21 444 126	16 306 072
	<b>27 996 264</b>	<b>21 444 126</b>

### Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest on arrear payments to creditors	-	4 095 136
Interest on provision for outstanding payments towards water utilisation	-	745 349
Interest on loan amounts as a result of exceeding payment terms	-	1 399 037
Interest on arrear payments towards pension fund	-	282 294
Legal costs incurred regarding secretarial fees payable to political parties	-	30 322
		<b>6 552 138</b>

### Fruitless and wasteful expenditure occurred from prior years

Opening balance consists of:		
Late payment of VAT brought forward from 2006/7	46 697	46 697
Painting roof of municipality	110 338	110 338
Refurbishment and painting of six chalets and managers house at Kroonpark	95 437	95 437
Painting chalets at Kroonparak	46 590	46 590
Painting offices and the roof at Brentpark	40 053	40 053
Painting housing offices at Moakeng	44 930	44 930
Painting councillors offices and boardroom at Moakeng	39 960	39 960
Replacement of damaged tiles at the theatre	2 596	2 596
Fencing of Kroonpark	479 934	479 934
Tourism Extravaganza	8 767 681	8 767 681
Expenses as contained in the Majavu Report	677 673	677 673
Appointment of employees in positions not necessary for service delivery 2008/9	1 601 263	1 601 263
Fruitless and wasteful for current year	-	-
Fruitless and wasteful condoned or written off by council	-	-
	<b>11 953 152</b>	<b>11 953 152</b>

The matters are under investigation.

# Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 49. Fruitless and wasteful expenditure (continued)

#### Interest on loan amounts as a result of exceeding payment terms

Opening balance	2 558 993	2 551 151
Fruitless and wasteful current year	1 769 915	1 244 102
Interest waived by loan provider	(370 878)	(1 236 260)
Condoned or written off by council	-	-
	<b>3 958 030</b>	<b>2 558 993</b>

#### Interest on outstanding payments to pension fund

Opening balance	662 480	362 716
Fruitless and wasteful current year	282 294	299 764
Condoned or written off by council	-	-
	<b>944 774</b>	<b>662 480</b>

#### Interest on arrears payments to creditors

Opening balance	4 112 291	-
Fruitless and wasteful current year	4 095 136	4 112 291
Condoned or written off by council	-	-
	<b>8 207 427</b>	<b>4 112 291</b>

#### Interest on provision for outstanding payments towards water utilisation

Opening balance	2 157 210	1 439 053
Fruitless and wasteful current year	745 349	718 157
Condoned or written off by council	-	-
	<b>2 902 559</b>	<b>2 157 210</b>

#### Legal cost regarding secretarial fees payable to political parties

Opening balance	-	-
Fruitless and wasteful current year	30 322	-
Condoned or written off by council	-	-
	<b>30 322</b>	<b>-</b>

### 50. Unauthorised expenditure

Unauthorised expenditure - budget overspending	38 830 894	62 752 493
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The above overspending is for individual votes.

### 51. Capital commitments

#### Approved and contracted for:

Infrastructure	59 885 051	58 526 685
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Infrastructure commitments approved and contracted for will be funded by grants from government.

# Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

## Detailed Income statement

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Property rates	23	36 452 422	34 261 196
Service charges	24	202 796 867	175 208 890
Rental income	28	3 379 868	3 216 209
Fines	21	975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Fees earned	26	578 845	322 969
Discount received	26	15 091	-
Other income	27	7 013 791	4 919 294
Interest received - investment	25	4 174 104	4 048 968
Dividends received	25	5 947	37 814
<b>Total Revenue</b>		<b>422 249 428</b>	<b>370 719 895</b>
<b>Expenditure</b>			
Personnel	30	(134 230 907)	(120 835 380)
Remuneration of councillors	31	(12 591 562)	(12 009 197)
Depreciation and amortisation	33	(49 634 477)	(47 897 437)
Finance costs	34	(10 368 171)	(10 879 232)
Debt impairment	32	(38 313 470)	(39 953 076)
Write off erven sales		-	(3 002 697)
Repairs and maintenance		(22 487 026)	(17 892 426)
Bulk purchases	37	(111 830 655)	(88 470 251)
Contracted services	36	(6 188 586)	(6 481 740)
General Expenses	29	(47 082 169)	(44 713 976)
<b>Total Expenditure</b>		<b>(432 727 023)</b>	<b>(392 135 412)</b>
Loss on disposal of assets and liabilities		(476 688)	(130 033)
Fair value adjustments		26 639	30 896
<b>Deficit for the year</b>		<b>(10 927 644)</b>	<b>(21 514 654)</b>

**MOQHAKA LOCAL MUNICIPALITY**  
**UNAUDITED SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011**

**APPENDIX A**

External loans	Loan number	Redeemable	Balance at 30/6/2010	Received/incurred during the year	Redeemed or written off during the year	Balance at 30/06/2011	Other costs in accordance with MFFA
<u>Annuity loans</u>							
Development Bank of SA @ 13.50%	100769	2012	20 206 895	2 512 650	1 524 872	21 194 674	0
Development Bank of SA @ 12.00%	12841	2013	255 372	35 750	63 197	227 925	0
Development Bank of SA @ 13.30%	12842	2014	54 959	8 104	16 082	46 982	0
Development Bank of SA @ 10.70%	101183	2026	3 241 489	294 755	2 988	3 533 256	0
<b>Total</b>			<u>23 758 715</u>	<u>2 851 260</u>	<u>1 607 138</u>	<u>25 002 837</u>	<u>0</u>
Infrastructure Finance Corporation Ltd @ 17.25%	27	2011	980 041	109 034	504 125	584 950	0
<b>Total</b>			<u>980 041</u>	<u>109 034</u>	<u>504 125</u>	<u>584 950</u>	<u>0</u>
ABSA @ 9.94%	2	2010	60 660	171	60 831	0	0
<b>Total</b>			<u>60 660</u>	<u>171</u>	<u>60 831</u>	<u>0</u>	<u>0</u>
Standard Bank @ 8.73%	36	2010	604 585	7 919	612 505	0	0
<b>Total</b>			<u>604 585</u>	<u>7 919</u>	<u>612 505</u>	<u>0</u>	<u>0</u>
Infrastructure Finance Corporation Ltd @ 16.50%	21	2010	129 338	0	129 338	0	0
Infrastructure Finance Corporation Ltd @ 16.80%	23	2011	247 461	20 206	89 222	178 445	0
Infrastructure Finance Corporation Ltd @ 17.26%	25	2011	540 245	89 320	152 264	477 301	0
<b>Total</b>			<u>917 044</u>	<u>109 526</u>	<u>370 825</u>	<u>655 746</u>	<u>0</u>
Free State Municipal Pension Fund @ 10.00%	36047	2010	54 495	0	54 495	0	0
<b>Total</b>			<u>54 495</u>	<u>0</u>	<u>54 495</u>	<u>0</u>	<u>0</u>
<b>Total external loans</b>			<u>26 375 540</u>	<u>3 077 910</u>	<u>3 209 918</u>	<u>26 243 533</u>	<u>0</u>

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals		Closing Balance
<b>Land and Buildings</b>													
Land	6 926 757						6 926 757	-				-	6 926 757
Buildings	21 198 781						21 198 781	(8 997 001)	(249 461)			(9 246 461)	11 952 320
	<b>28 125 538</b>	-	-	-	-	-	<b>28 125 538</b>	<b>(8 997 001)</b>	<b>(249 461)</b>	-	-	<b>(9 246 461)</b>	<b>18 879 077</b>
<b>Infrastructure</b>													
Electricity	684 858 815		315 402		11 160 771		696 334 989	(349 225 106)	(12 041 111)	(5 674)		(361 271 892)	335 063 097
Infrastructure assets at parks	79 815 786	20 698	2 599 444		2 435 855		84 871 783	(44 731 624)	(1 637 745)	(47 133)		(46 416 502)	38 455 280
Potable water networks	421 044 477	1 142 053	58 000		1 227 045		423 471 574	(222 264 017)	(7 180 696)	(1 247)		(229 445 960)	194 025 615
Roads, bridges and roadside structures.	566 614 256		11 276 279		34 905 362		612 795 896	(360 185 100)	(12 109 529)	(131 459)		(372 426 087)	240 369 809
Waste water network	337 580 242	11 165 492	6 309 933		10 273 211		365 328 878	(162 968 991)	(6 747 562)	(100 679)		(169 817 232)	195 511 646
Storm Water	65 435 962		6 211 917		-		71 647 879	(31 456 855)	(988 448)	(47 456)		(32 492 759)	39 155 120
Solid waste	10 741 053				-		10 741 053	(6 508 813)	(354 189)			(6 863 002)	3 878 051
	<b>2 166 090 590</b>	<b>12 328 243</b>	<b>26 770 975</b>	-	<b>60 002 244</b>	-	<b>2 265 192 052</b>	<b>(1 177 340 507)</b>	<b>(41 059 912)</b>	<b>(333 647)</b>	-	<b>(1 218 733 434)</b>	<b>1 046 458 618</b>
<b>Community Assets</b>													
Parks & Gardens	70 789 078						70 789 078	(45 327 795)	(1 713 646)			(47 041 441)	23 747 637
Land	920 448						920 448	-	-			-	920 448
Buildings	9 652 971						9 652 971	(4 375 121)	(107 705)			(4 482 827)	5 170 145
	<b>81 362 497</b>	-	-	-	-	-	<b>81 362 497</b>	<b>(49 702 917)</b>	<b>(1 821 351)</b>	-	-	<b>(51 524 268)</b>	<b>29 838 230</b>
<b>Heritage Assets</b>													
Heritage Assets	17 544						17 544	-	-			-	17 544
	<b>17 544</b>	-	-	-	-	-	<b>17 544</b>	-	-	-	-	-	<b>17 544</b>
<b>Other Assets</b>													
Motor Vehicles	34 510 832	10 984 809				(631 259)	44 864 382	(7 201 114.00)	(3 222 031)		279 481	(10 143 664)	34 720 718
Furniture	2 750 156	461 565				(60 100)	3 151 621	(788 168.99)	(129 677)		32 108	(885 737)	2 265 884
Office Equipment	14 592 754	30 660				-	14 623 413	(5 630 373.63)	(1 632 040)		-	(7 262 413)	7 361 000
Plant and Equipment	3 534 394	799 506				(71 350)	4 262 550	(1 712 932.02)	(286 810)		10 062	(1 989 680)	2 272 870
IT Equipment	4 804 112	228 760				(86 070)	4 946 802	(2 380 490.48)	(475 308)		50 372	(2 805 426)	2 141 376
	<b>60 192 247</b>	<b>12 505 300</b>	-	-	-	<b>(848 779)</b>	<b>71 848 768</b>	<b>(17 713 079)</b>	<b>(5 745 865)</b>	-	<b>372 024</b>	<b>(23 086 921)</b>	<b>48 761 847</b>
<b>Total</b>	<b>2 335 788 416</b>	<b>24 833 543</b>	<b>26 770 975</b>	-	<b>60 002 244</b>	<b>(848 779)</b>	<b>2 446 546 400</b>	<b>(1 253 753 504)</b>	<b>(48 876 589)</b>	<b>(333 647)</b>	<b>372 024</b>	<b>(1 302 591 084)</b>	<b>1 143 955 316</b>

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C

UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Assessment Rates	83 269	-	-	-	-	-	83 269	(45 611)	(5 955)	-	-	(51 566)	31 703
Brentpark Swimming Bath	4 334 985	-	-	-	-	-	4 334 985	(3 041 738)	(91 660)	-	-	(3 133 398)	1 201 587
Budgets	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Survey	1 797 350	-	-	-	-	-	1 797 350	(455 429)	(209 684)	-	-	(665 113)	1 132 237
Buildings	38 098 957	-	-	-	-	-	38 098 957	(13 372 122)	(357 166)	-	-	(13 729 288)	24 369 669
Cemetaries	5 255 735	507 699	2 599 444	-	2 435 855	-	10 798 733	(2 244 294)	(185 605)	(47 133)	-	(2 477 032)	8 321 701
Civic Centre	276 741	-	-	-	-	(1 500)	275 241	(124 902)	(10 387)	-	840	(134 449)	140 793
Civil Services	1 292 166	10 425	-	-	-	(27 900)	1 274 691	(576 058)	(125 440)	-	16 154	(685 345)	589 347
Cleansing	261 659	-	-	-	-	-	261 659	(28 163)	(37 380)	-	-	(65 543)	196 116
Communication and Marketing	48 333	-	-	-	-	-	48 333	(25 749)	(3 890)	-	-	(29 639)	18 694
Community and emergency services	16 641	-	-	-	-	-	16 641	(2 593)	(3 175)	-	-	(5 768)	10 873
Community Halls	42 045	-	-	-	-	-	42 045	(23 436)	(1 696)	-	-	(25 133)	16 912
Community Services Administration	656 104	351	-	-	-	-	656 455	(308 949)	(51 070)	-	-	(360 019)	296 436
Corporate Services Administration	4 861 306	5 504	-	-	-	(759 759)	4 107 051	(1 914 814)	(504 022)	-	352 286	(2 066 550)	2 040 501
Corporate Services	57 584	-	-	-	-	-	57 584	(9 644)	(7 201)	-	-	(16 845)	40 739
Corporate Services Caretaker	702	-	-	-	-	-	702	(32)	(140)	-	-	(172)	529
Corporate Services IT	584 964	-	-	-	-	-	584 964	(87 470)	(116 993)	-	-	(204 463)	380 501
Corporate Services Registry	6 925	-	-	-	-	-	6 925	(933)	(1 154)	-	-	(2 087)	4 838
Council General Expenses	357 000	-	-	-	-	-	357 000	(22 963)	(58 870)	-	-	(81 833)	275 167
Councillors	189 463	49 718	-	-	-	-	239 180	(17 520)	(18 051)	-	-	(35 572)	203 608
Drawing Office	81 275	-	-	-	-	-	81 275	(8 417)	(5 060)	-	-	(13 476)	67 799
Electricity Distribution	658 073 253	712 443	315 402	-	11 160 771	-	670 261 869	(326 392 880)	(11 407 635)	(5 674)	-	(337 806 189)	332 455 680
Electricity Generation	1 220	-	-	-	-	-	1 220	-	-	-	-	-	1 220
Electricity Metering Section	723 189	307 096	-	-	-	-	1 030 284	(150 025)	(48 278)	-	-	(198 303)	831 981
Electricity Services Administration	30 035 536	-	-	-	-	(850)	30 034 686	(23 742 051)	(781 485)	-	567	(24 522 969)	5 511 717
Electricity Emergency and Disaster	131 524	-	-	-	-	-	131 524	(14 186)	(18 829)	-	-	(33 015)	98 510
Management Administration	646 440	1 409	-	-	-	-	647 848	(267 490)	(58 578)	-	-	(326 068)	321 780
Finance Services Administration	1 831 372	167 702	-	-	-	-	1 999 074	(938 106)	(153 647)	-	-	(1 091 753)	907 321
Finance	613 592	-	-	-	-	-	613 592	(102 965)	(56 307)	-	-	(159 273)	454 319
Fire fighting	3 688 147	335 095	-	-	-	-	4 023 242	(1 423 009)	(289 959)	-	-	(1 712 968)	2 310 273
Fleet Management	274 624	-	-	-	-	-	274 624	(50 788)	(16 642)	-	-	(67 430)	207 194
Grants- in- aid	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	147 305	1 403	-	-	-	-	148 708	(38 372)	(2 099)	-	-	(40 471)	108 236
Housing Maokenq	-	-	-	-	-	-	-	-	-	-	-	-	-
Human Resources	169 026	6 604	-	-	-	-	175 630	(77 069)	(13 666)	-	-	(90 735)	84 895
Information Technology	918 426	124 066	-	-	-	-	1 042 492	(450 023)	(92 510)	-	-	(542 533)	499 958
Integrated Development and Planning	5 750	-	-	-	-	-	5 750	(3 174)	(405)	-	-	(3 579)	2 171
Internal Audit	201 346	6 003	-	-	-	(6 070)	201 279	(84 994)	(21 369)	-	-	(106 363)	94 916
Jukseipark	-	-	-	-	-	-	-	-	-	-	-	-	-
Kroonpark	58 900 881	60 761	-	-	-	(52 700)	58 908 942	(27 209 827)	(1 516 810)	-	2 176	(28 724 461)	30 184 480
Landfill Site	10 968 932	2 747 000	-	-	-	-	13 715 932	(6 652 107)	(369 912)	-	-	(7 022 019)	6 693 912
Libraries	233 990	789	-	-	-	-	234 779	(120 397)	(10 073)	-	-	(130 470)	104 309
Local Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Loubserpark	13 068 626	-	-	-	-	-	13 068 626	(9 685 606)	(294 101)	-	-	(9 979 708)	3 088 919
Manager Corporate Services	76 636	-	-	-	-	-	76 636	(37 662)	(5 267)	-	-	(42 929)	33 707
Mayor's Office	882 715	-	-	-	-	-	882 715	(115 118)	(106 182)	-	-	(221 300)	661 416
Metering services	130 829	-	-	-	-	-	130 829	(14 081)	(18 690)	-	-	(32 771)	98 058

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Morewag Swimming Bath	7 699 678	-	-	-	-	-	7 699 678	(5 353 273)	(166 007)	-	-	(5 519 280)	2 180 399
Mowing Section	557 483	-	-	-	-	-	557 483	(208 738)	(34 811)	-	-	(243 549)	313 935
Municipal Manager	15 887	-	-	-	-	-	15 887	(2 437)	(3 144)	-	-	(5 581)	10 306
Municipality Manager Administration	2 863 188	287 930	-	-	-	-	3 151 118	(1 284 032)	(278 524)	-	-	(1 562 556)	1 588 562
Nyakallong Recreation Resort	4 971 279	396	-	-	-	-	4 971 675	(2 282 778)	(142 791)	-	-	(2 425 569)	2 546 106
Occupational Health and Safety	127 348	-	-	-	-	-	127 348	(33 158)	(6 720)	-	-	(39 879)	87 469
Office of the Whip	1 256 845	-	-	-	-	-	1 256 845	(509 219)	(140 443)	-	-	(649 661)	607 183
Other Councillors	1 286 083	-	-	-	-	-	1 286 083	(507 313)	(141 569)	-	-	(648 881)	637 201
Parks	654 334	-	-	-	-	-	654 334	(77 165)	(85 329)	-	-	(162 494)	491 840
Parks Administration	1 288 355	1 273 003	-	-	-	-	2 561 357	(592 508)	(109 212)	-	-	(701 720)	1 859 637
Pavements and Open Spaces	242 683	-	-	-	-	-	242 683	(37 175)	(10 878)	-	-	(48 053)	194 630
Properties Farmlands	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Gardens North	200 743	-	-	-	-	-	200 743	(40 546)	(9 132)	-	-	(49 678)	151 065
Public Gardens South	28 770	-	-	-	-	-	28 770	-	-	-	-	-	28 770
Public Toilets	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works	4 620 062	-	-	-	-	-	4 620 062	(571 056)	(612 196)	-	-	(1 183 252)	3 436 810
Pumps and Purification	157 771 634	1 365 592	-	-	1 227 045	-	160 364 272	(116 225 600)	(3 089 072)	-	-	(119 314 672)	41 049 600
Railway sidings	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	59 540 812	5 044	-	-	-	-	59 545 856	(41 482 533)	(1 193 269)	-	-	(42 675 802)	16 870 054
Refuse Removal	7 756 356	-	-	-	-	-	7 756 356	(1 221 038)	(913 444)	-	-	(2 134 482)	5 621 875
Regional Co-ordinator Steynsrus	137 302	-	-	-	-	-	137 302	(59 842)	(10 920)	-	-	(70 762)	66 540
Regional Co-ordinator Vilienskroon	98 878	-	-	-	-	-	98 878	(6 769)	(4 102)	-	-	(10 870)	88 008
Riverside Swimming Bath	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Streets	572 656 449	3 885 380	11 276 279	-	34 905 362	-	622 723 470	(361 958 571)	(12 565 287)	(131 459)	-	(374 655 316)	248 068 153
Security	306 320	183 765	-	-	-	-	490 084	(41 412)	(34 613)	-	-	(76 025)	414 059
Sewerage	130 829	-	-	-	-	-	130 829	(14 081)	(18 690)	-	-	(32 771)	98 058
Sewerage and Purification	145 798 189	9 179 112	6 309 933	-	-	-	161 287 235	(78 608 382)	(3 483 666)	(100 679)	-	(82 192 727)	79 094 508
Sewerage Network	191 117 858	1 954 854	-	-	10 273 211	-	203 345 923	(84 577 032)	(3 323 474)	-	-	(87 900 506)	115 445 418
Speaker's Office	277 972	5 374	-	-	-	-	283 346	(74 639)	(21 728)	-	-	(96 367)	186 979
Storage Dams	12 779 330	-	-	-	-	-	12 779 330	(5 332 747)	(181 630)	-	-	(5 514 377)	7 264 954
Stores and Procurement	2 910	6 003	-	-	-	-	8 913	(1 347)	(167)	-	-	(1 514)	7 399
Street Cleaning Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Town Hall	52 222	-	-	-	-	-	52 222	(26 267)	(1 736)	-	-	(28 003)	24 219
Traffic	281 884	-	-	-	-	-	281 884	(27 140)	(40 269)	-	-	(67 409)	214 475
Traffic department	797 798	-	-	-	-	-	797 798	(133 497)	(56 493)	-	-	(189 991)	607 807
Valuations	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reticulation	317 998 478	981 590	6 269 917	-	-	-	325 249 985	(132 230 933)	(4 938 183)	(48 702)	-	(137 217 818)	188 032 167
Water Services	468 851	-	-	-	-	-	468 851	(56 289)	(63 750)	-	-	(120 039)	348 812
Water Services Administration	1 844 210	-	-	-	-	-	1 844 210	(290 442)	(86 774)	-	-	(377 217)	1 466 994
Works	130 829	661 437	-	-	-	-	792 266	(14 081)	(21 582)	-	-	(35 664)	756 602
<b>Total</b>	<b>2 335 788 415</b>	<b>24 833 543</b>	<b>26 770 975</b>	<b>-</b>	<b>60 002 244</b>	<b>(848 779)</b>	<b>2 446 546 399</b>	<b>(1 253 762 808)</b>	<b>(48 866 652)</b>	<b>(333 647)</b>	<b>372 024</b>	<b>(1 302 591 083)</b>	<b>1 143 955 316</b>



**MOQHAKA MUNICIPALITY  
APPENDIX D**

**UNAUDITED DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Actual Income 2011 R</b>	<b>Actual Expenditure 2011 R</b>	<b>Surplus/ (Deficit) 2011 R</b>
Councillors	-	19 680 036	(19 680 036)
Municipal manager	-	20 096 653	(20 096 653)
Corporate services	2 942 546	17 709 180	(14 766 634)
Finance services	69 840 350	138 319 725	(68 479 375)
General services	589 984	3 214 379	(2 624 395)
Public works	211 650	14 059 400	(13 847 750)
Electrical services	151 827 114	128 617 501	23 209 612
Water and sewer services	52 503 101	40 639 221	11 863 879
Community services	5 730 811	39 773 545	(34 042 734)
Waste management	144 772 320	17 117 044	127 655 276
<b>Total</b>	<b>428 417 876</b>	<b>439 226 685</b>	<b>(10 808 809)</b>

**Note 1**

Included in Finance services expenditure are the following provisions:

Doubtful debts	38 313 471
Depreciation	49 634 477
	<u>87 947 948</u>

MOQHAKA LOCAL MUNICIPALITY  
APPENDIX E (1)  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

R

**ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

<b>Revenue</b>	<b>Actual 2011 R</b>	<b>Budget 2011 R</b>	<b>Variance 2011 R</b>	<b>Variance 2011 %</b>
Property rates	36 452 422	32 235 710	4 216 712	13
Service charges	202 796 867	237 711 490	(34 914 623)	(15)
Rental of facilities and equipment	3 379 868	3 783 610	(403 742)	(11)
Interest earned	4 174 104	5 450 000		
Fines	975 612	843 800	131 812	16
Government grants and subsidies	166 856 882	133 474 470	33 382 412	25
Other income	7 607 727	5 450 738	2 156 989	40
Dividends	5 947	50 000	(44 053)	(88)
Fair value through surplus	26 639	-	26 639	100
<b>Total Revenue</b>	<b>422 276 068</b>	<b>418 999 818</b>	<b>4 552 146</b>	<b>1</b>
<b>Expenditure</b>				
Employee related costs	134 149 372	147 317 415	(13 168 043)	(9)
Remuneration of councillors	12 591 562	13 923 817	(1 332 255)	(10)
General expenditure departments	47 082 169	60 631 877	(13 549 708)	(22)
General expenditure bulk purchases	111 830 655	91 861 322	19 969 333	22
General expenditure contracted services	6 188 586	11 497 454	(5 308 868)	(46)
Finance cost	10 330 870	4 842 535	5 488 335	113
Repairs and maintenance	22 487 026	31 045 126	(8 558 100)	(28)
Debt impairment	38 313 470	19 356 948	18 956 522	98
Depreciation	49 634 477	40 000 000	9 634 477	24
Loss on asset write off	476 688			
<b>Total Expenditure</b>	<b>433 084 875</b>	<b>420 476 494</b>	<b>12 131 693</b>	<b>3</b>
<b>Net (deficit) for the year</b>	<b>(10 808 807)</b>	<b>(1 476 676)</b>	<b>(7 579 547)</b>	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX E (2)

UNAUDITED ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Assessment Rates	-	-	-	-	-	-	
Brentpark Swimming Bath	-	-	-	-	-	-	
Budgets	-	-	-	-	-	-	
Building Survey	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
Cemetaries	3 107 143	2 435 855	5 542 998	-	5 542 998	-	
Civic Centre	-	-	-	-	-	-	
Civil Services	10 425	-	10 425	-	10 425	-	
Cleansing	-	-	-	-	-	-	
Communication and Marketing	-	-	-	-	-	-	
Community and emergency services	-	-	-	-	-	-	
Community Halls	-	-	-	-	-	-	
Community Services Administration	351	-	351	-	351	-	
Corporate Services Administration	5 504	-	5 504	-	5 504	-	
Corporate Services	-	-	-	-	-	-	
Corporate Services Caretaker	-	-	-	-	-	-	
Corporate Services IT	-	-	-	-	-	-	
Corporate Services Registry	-	-	-	-	-	-	
Council General Expenses	-	-	-	-	-	-	
Councillors	49 718	-	49 718	-	49 718	-	
Drawing Office	-	-	-	-	-	-	
Electricity Distribution	1 027 845	11 160 771	12 188 616	-	12 188 616	-	
Electricity Generation	-	-	-	-	-	-	
Electricity Metering Section	307 096	-	307 096	-	307 096	-	
Electricity Services Administration	-	-	-	-	-	-	
Electricity	-	-	-	-	-	-	
Emergency and Disaster Management Administration	1 409	-	1 409	-	1 409	-	
Finance Services Administration	167 702	-	167 702	-	167 702	-	
Finance	-	-	-	-	-	-	
Fire fighting	335 095	-	335 095	-	335 095	-	
Fleet Management	-	-	-	-	-	-	
Grants- in- aid	-	-	-	-	-	-	
Housing	1 403	-	1 403	-	1 403	-	
Housing Maokeng	-	-	-	-	-	-	
Human Resources	6 604	-	6 604	-	6 604	-	
Information Technology	124 066	-	124 066	-	124 066	-	
Integrated Development and Planning	-	-	-	-	-	-	
Internal Audit	6 003	-	6 003	-	6 003	-	
Jukseipark	-	-	-	-	-	-	
Kroonpark	60 761	-	60 761	-	60 761	-	
Landfill Site	2 747 000	-	2 747 000	-	2 747 000	-	
Libraries	789	-	789	-	789	-	
Local Economic Development	-	-	-	-	-	-	
Loubserpark	-	-	-	-	-	-	
Manager Corporate Services	-	-	-	-	-	-	
Mayor's Office	-	-	-	-	-	-	
Metering services	-	-	-	-	-	-	

The municipality do not budget for the acquisition of PPE on a departmental level. A pool of funds are budgeted for, and funds are allocated to a specific department when requested. Subsequently a comparison can not be performed between actual and budgeted PPE acquisitions on a departmental level.

N/A

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Morewag Swimming Bath	-	-	-	-	-	-	
Mowing Section	-	-	-	-	-	-	
Municipal Manager	-	-	-	-	-	-	
Municipality Manager Administration	287 930	-	287 930	-	287 930	-	
Nyakallong Recreation Resort	396	-	396	-	396	-	
Occupational Health and Safety	-	-	-	-	-	-	
Office of the Whip	-	-	-	-	-	-	
Other Councillors	-	-	-	-	-	-	
Parks	-	-	-	-	-	-	
Parks Administration	1 273 003	-	1 273 003	-	1 273 003	-	
Pavements and Open Spaces	-	-	-	-	-	-	
Properties Farmlands	-	-	-	-	-	-	
Public Gardens North	-	-	-	-	-	-	
Public Gardens South	-	-	-	-	-	-	
Public Toilets	-	-	-	-	-	-	
Public Works	-	-	-	-	-	-	
Pumps and Purification	1 365 592	1 227 045	2 592 637	-	2 592 637	-	
Railway sidings	-	-	-	-	-	-	
Recreation	5 044	-	5 044	-	5 044	-	
Refuse Removal	-	-	-	-	-	-	
Regional Co-ordinator Steynsrus	-	-	-	-	-	-	
Regional Co-ordinator Viljoenskroon	-	-	-	-	-	-	
Riverside Swimming Bath	-	-	-	-	-	-	
Roads and Streets	15 161 659	34 905 362	50 067 021	-	50 067 021	-	
Security	183 765	-	183 765	-	183 765	-	
Sewerage	-	-	-	-	-	-	
Sewerage and Purification	15 489 045	-	15 489 045	-	15 489 045	-	
Sewerage Network	1 954 854	10 273 211	12 228 065	-	12 228 065	-	
Speaker's Office	5 374	-	5 374	-	5 374	-	
Storage Dams	-	-	-	-	-	-	
Stores and Procurement	6 003	-	6 003	-	6 003	-	
Street Cleaning Services	-	-	-	-	-	-	
Town Hall	-	-	-	-	-	-	
Traffic	-	-	-	-	-	-	
Traffic department	-	-	-	-	-	-	
Valuations	-	-	-	-	-	-	
Water Reticulation	7 251 507	-	7 251 507	-	7 251 507	-	
Water Services	-	-	-	-	-	-	
Water Services Administration	-	-	-	-	-	-	
Works	661 437	-	661 437	-	661 437	-	
<b>Total</b>	<b>51 604 518</b>	<b>60 002 244</b>	<b>111 606 762</b>	<b>20 185 000</b>	<b>(91 421 762)</b>		

**MOQHAKA LOCAL MUNICIPALITY**  
**APPENDIX F**

**UNAUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2011**

**Grants and subsidies received**

Name of Grants	Name of organ of state or municipal entitv.	Quarterly Income				Quarterly Expenditure				Delayed or withheld	Comply with conditions
		Sept 2010	Dec 2010	March 2011	June 2011	Sept 2010	Dec 2010	March 2011	June 2011		
Equitable Share	National Government	56 578 779	45 263 023	31 168 268	-	56 578 779	45 263 023	31 168 268	-	No	Yes
Councillors Grant	National Government	-	-	2 779 000	-	-	-	2 779 000	-	No	Yes
Institutional Grant	National Government	750 000	-	-	-	-	-	-	-	No	Yes
Integrated National Electrification Grant	National Government	4 000 000	-	-	-	2 636 263	1 363 737	-	-	No	Yes
Expanded Public Works Program											
Inventive Grant	National Government	721 000	-	-	495 000	-	539 119	272 974	260 495	No	Yes
Municipal Infrastructure Grant	National Government	11 834 000	6 722 000	884 000	-	13 857 897	5 133 621	448 481	-	No	Yes
Housing Development Grant	National Government	-	-	-	-	-	-	-	-	No	Yes
LGSETA	National Government	80 852	361 089	-	90 000	-	-	-	91 720	No	Yes
Rehabilitation of sewerage network	National Government	-	-	-	7 885 002	-	-	-	6 320 091	No	Yes
Financial Management Grant	National Government	1 200 000	-	-	-	-	-	-	-	No	Yes
		<b>75 164 631</b>	<b>52 346 112</b>	<b>34 831 268</b>	<b>8 470 002</b>	<b>73 072 939</b>	<b>52 299 500</b>	<b>34 668 724</b>	<b>6 672 306</b>		