



**TOKOLOGO MUNICIPALITY**  
(Demarcation code FS182)  
Annual Financial Statements  
for the year ended 30 June 2012

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## General Information

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<b>Legal form of entity</b>	Tokologo is a Category B Local Municipality as defined by the Municipal Structures Act. (Act no 117 of 1998)
<b>Nature of business and principal activities</b>	Tokologo Municipality is a local municipality performing the functions as set out in the Constitution, Act no 105 of 1996)
<b>Council</b>	
Mayor / Speaker	G K Mokhobo
Councillors	A F Bartleman G K Ditira M M Lentsa D D Mongana M G Nyamani B E Seakge B E Seekoei
<b>Grading of local authority</b>	Low Capacity (Grade 2)
<b>Accounting Officer</b>	L M A Mofokeng (Municipal Manager)
<b>Chief Finance Officer (CFO)</b>	M O Masisi
<b>Registered office</b>	Voortrekker Street Market Square Boshof 8340
<b>Business address</b>	Voortrekker Street Market Square Boshof 8340
<b>Postal address</b>	Private Bag X46 Boshof 8340
<b>Bankers</b>	First National Bank, Boshof
<b>Auditors</b>	The Auditor General of South Africa

# TOKOLOGO MUNICIPALITY

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## General Information

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### Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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## Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is largely dependent on Government Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that there is no intention to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on pages 5 to 48, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2012 and were signed by:

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**L M A Mofokeng (Municipal Manager)**

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**M Masisi (Chief Financial Officer)**

**Boshof**

**31 August 2012**

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011 restated
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	3 368 708	6 666 795
Inventories	3	379 319	1 339 442
Receivables from exchange transactions	4	389 814	227 535
Consumer debtors	5	2 051 838	13 103 351
VAT receivable	6	7 712 353	3 108 223
		<b>13 902 032</b>	<b>24 445 346</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	8	1 463 460	1 311 320
Intangible assets	9	12 119	-
Investment property	10	30 131 400	30 131 400
Investments	11	277 011	269 493
Property, plant and equipment	12	413 176 474	365 688 085
		<b>445 060 464</b>	<b>397 400 298</b>
<b>Total Assets</b>		<b>458 962 496</b>	<b>421 845 644</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank overdraft	2	-	4 484 472
Consumer deposits	13	362 404	320 755
Current portion of finance lease obligation	14	393 317	126 898
Payables from exchange transactions	15	18 623 575	8 770 073
		<b>19 379 296</b>	<b>13 702 198</b>
<b>Non-Current Liabilities</b>			
Non-current portion of finance lease obligation	14	284 612	181 276
Provisions	16	1 953 250	2 859 405
		<b>2 237 862</b>	<b>3 040 681</b>
<b>Total Liabilities</b>		<b>21 617 158</b>	<b>16 742 879</b>
<b>Net Assets</b>		<b>437 345 338</b>	<b>405 102 765</b>
<b>Net Assets</b>			
Accumulated surplus		437 345 338	405 102 765

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011 restated
<b>Revenue</b>			
Sale of goods in agricultural activities		56 750	228 705
Other Income		82 452	168 669
Property rates	19	2 343 116	1 701 085
Service charges	20	16 491 489	14 358 613
Rental of facilities and equipment	21	503 765	214 516
Fines		174 410	115 598
Government grants & subsidies	22	103 794 124	84 995 796
Interest earned	23	798 493	1 674 125
Gains on disposal of assets	23	-	605
Dividends received	23	16 014	2 117
<b>Total Revenue</b>		<b>124 260 613</b>	<b>103 459 829</b>
<b>Expenditure</b>			
Personnel	24	(18 901 389)	(20 329 141)
Remuneration of councillors	25	(1 896 124)	(1 497 149)
Depreciation and amortisation	26	(19 248 673)	(19 026 594)
Finance costs	27	(256 940)	(99 324)
Debt impairment	28	(19 118 409)	(24 644 542)
Repairs and maintenance		(3 967 501)	(4 990 981)
Bulk purchases	29	(11 894 519)	(10 848 627)
Contracted services	30	(7 150 754)	(7 203 042)
Grants and subsidies paid	31	(1 266 213)	(1 345 669)
General Expenses	32	(6 818 405)	3 432 122
<b>Total Expenditure</b>		<b>(90 518 927)</b>	<b>(86 552 947)</b>
Fair value adjustments		7 518	(103 419)
Gains or (losses) on biological assets and agricultural produce		-	(129 413)
<b>Surplus for the year</b>		<b>33 749 204</b>	<b>16 674 050</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	172 720 697	172 720 697
Adjustments		
GRAP adjustments	206 262 966	206 262 966
Correction of prior period error	9 445 052	9 445 052
<b>Balance at 01 July 2010 as restated</b>	<b>388 428 715</b>	<b>388 428 715</b>
Changes in net assets		
Surplus for the period	16 674 050	16 674 050
Total changes	16 674 050	16 674 050
Opening balance as previously reported	388 385 278	388 385 278
Adjustments		
Correction of prior period error	15 210 856	15 210 856
<b>Balance at 01 July 2011 as restated</b>	<b>403 596 134</b>	<b>403 596 134</b>
Changes in net assets		
Surplus for the period	33 749 204	33 749 204
Total changes	33 749 204	33 749 204
<b>Balance at 30 June 2012</b>	<b>437 345 338</b>	<b>437 345 338</b>



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Cash Flow Statement

Figures in Rand	Note(s)	2012	2011 restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		8 833 591	8 833 590
Grants		103 794 124	84 995 796
Interest income		798 493	1 674 125
Dividends received		16 014	2 117
		<u>113 442 222</u>	<u>95 505 628</u>
<b>Payments</b>			
Finance costs		(132 435)	(11 477)
Other payments		(32 004 800)	(77 973 543)
		<u>(32 137 235)</u>	<u>(77 985 020)</u>
<b>Net cash flows from operating activities</b>	33	<b><u>81 304 987</u></b>	<b><u>17 520 608</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(80 022 001)	(48 132 071)
Purchase of other intangible assets	9	(189 711)	(146 271)
Proceeds from sale of financial assets		-	35 624
Increase in biological assets	8	(348 560)	(143 200)
Proceeds from sale of biological assets that form part of an agricultural activity	8	196 420	280 027
		<u>(80 363 852)</u>	<u>(48 105 891)</u>
<b>Cash flows from financing activities</b>			
Finance lease payments		245 250	(259 912)
		<u>245 250</u>	<u>(259 912)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 186 385</b>	<b>(30 845 195)</b>
Cash and cash equivalents at the beginning of the year		2 182 323	33 027 518
<b>Cash and cash equivalents at the end of the year</b>	2	<b><u>3 368 708</u></b>	<b><u>2 182 323</u></b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

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

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

##### Provisions

Provisions were raised and management determined estimates based on information available. Additional disclosure of these estimates of provisions are included in Note 14 - Current Provisions.

##### Allowance for doubtful debts

An impairment loss on debtors is recognised in surplus and deficit when there is objective evidence that there is an impairment. An estimate is made for doubtful debtors based on a review of all outstanding amounts at year-end. Bad debts are written off with the approval of Council during the year in which they are identified. Additional disclosure of these estimates are included in note 6.

##### Numerical rounding

Numerical values were rounded by replacing it by another value that is approximately equal but has a shorter, simpler, or more explicit representation. Numerical values were rounded to the nearest Rand.

#### 1.2 Biological assets that form part of an agricultural activity

An entity shall recognise a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are initially measured at their fair value less estimated point-of-sale costs where the cost is not available.

Thereafter game is measured at fair value of game which is determined based on market prices of game of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

Biological assets are derecognised on death or disposal.

#### 1.3 Investment property

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

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

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.3 Mergers (continued)

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, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

#### Fair value

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

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

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

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.

### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment purchased from 01 July 2008 forward has been initially measured at cost. Property, plant and equipment purchased prior to this date has been measured at provisional amounts in terms of Directive 4 of the Accounting Standards Board issued in March 2009.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing 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.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.4 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 is carried at cost less accumulated depreciation and any impairment losses except for items of property, plant and equipment which was acquired prior to 01 July 2008, which are carried at provisional amounts.

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

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

Item	Average useful life
Land and buildings	
• Buildings	30 years
• Land	Indefinite
Furniture and fittings	
• Furniture and fittings	7 - 10 years
Motor vehicles	
• Other vehicles	5 years
• Specialised vehicles	10 years
Office Equipment	
• Office equipment	3 - 7 years
IT equipment	
• Computer equipment	3 years
Infrastructure	
• Roads and paving	30 years
• Water	15-20 years
• Sewerage	15-20 years
Community	
• Buildings	30 years
• Recreational facilities	20 - 30 years
• Security	5 years
Other property, plant and equipment	
• Watercraft	15 years
• Specialised plant and equipment	10 - 15 years
• Bins and containers	5 years

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

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

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

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

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

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.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

property, plant and equipment are initially recognised at cost.

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

Item	Useful life
Licenses and franchises	1 year

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.

### 1.6 Financial instruments

#### Classification

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

- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables
- Financial liabilities measured at amortised cost

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

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

#### 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.

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

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.6 Financial instruments (continued)

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

#### 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 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.

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

#### Fair value determination

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

#### Receivables from exchange transactions

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

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

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

Financial liabilities consist of trade and other payables. Trade and other 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 at bank and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Presentation

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.6 Financial instruments (continued)

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability..

### Derecognition

#### Financial assets

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

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

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

#### Financial liabilities

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

### 1.7 Leases

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

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

#### Finance leases – lessee

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.7 Leases (continued)

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.

The 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 on the remaining balance of the liability.

#### Operating leases - lessor

Operating lease income is recognised as an income 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 income.

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

### 1.8 Inventories

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

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

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

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

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

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

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

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

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

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

### 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.



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.9 Employee benefits (continued)

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.

### 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.

A constructive obligation is an obligation that derives from an entity's actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity had indicated to other parties that it will accept certain responsibilities; and

(b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A contingent liability is:

(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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.

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.

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

Provisions are not recognised for future operating deficits.

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.

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

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

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 35.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.11 Revenue from exchange transactions

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

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. In instances where meter readings have not been performed, provisional estimates of consumption are made. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale, therefore on a cash basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

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

### Measurement

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

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.12 Revenue from non-exchange transactions

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use to the municipality.

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

### Grants, Transfers and Donations

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

### 1.13 Investment income

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

### 1.14 Comparative figures

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

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

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

### 1.15 Unauthorised expenditure

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

### 1.16 Fruitless and wasteful expenditure

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

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.17 Irregular expenditure

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

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

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

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

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

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

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

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

### 1.18 Presentation of Currency

These annual financial statements are presented in South African Rand.

### 1.19 Offsetting

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

### 1.20 Investments

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

### 1.21 Conditional Grants and receipts

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

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Accounting Policies

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### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.23 Commitments

Capital and operational commitments are only disclosed in the notes to the financial statements and are not included as part of current liabilities as no service has been rendered or product sold to the municipality.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	227 798	-
Short-term deposits	3 140 510	6 667 278
Cashier's Float	400	(483)
Bank overdraft	-	(4 484 472)
	<b>3 368 708</b>	<b>2 182 323</b>
Current assets	3 368 708	6 666 795
Current liabilities	-	(4 484 472)
	<b>3 368 708</b>	<b>2 182 323</b>

Cash and cash equivalents comprises cash with banks, cashier's float and short-term deposits. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The carrying amounts therefore approximates their fair values.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
First National Bank - Current account - 62021285748	227 798	(3 636 547)	1 093 046	227 798	(4 484 472)	(1 036 941)
First National Bank - Current account - 62290902678	1 021 582	4 637 558	-	1 021 582	4 637 558	-
First National Bank - Money Market - 62029303542	-	-	32 128 980	-	-	32 128 980
First National Bank - 32 Day Deposit - 74037631683	119 836	115 228	110 390	119 836	115 228	111 050
First National Bank- Fixed Deposit- 71037990209	10 145	10 145	10 145	10 145	10 145	10 145
First National Bank - 32 Day Deposit -74037601777	50 623	49 142	47 643	50 623	49 142	47 643
Standard Bank - 32 Day Deposit - 048866393	1 909 320	1 827 060	1 740 556	1 909 320	1 827 060	1 740 556
Standard Bank - 32 Day Deposit- 048865303	29 004	28 146	27 228	29 004	28 146	27 228
<b>Total</b>	<b>3 368 308</b>	<b>3 030 732</b>	<b>35 157 988</b>	<b>3 368 308</b>	<b>2 182 807</b>	<b>33 028 661</b>

### 3. Inventories

Inventories	379 319	1 339 442
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Inventories comprise chemicals and spare parts amounting to R 228 189 (2011: R 0), water amounting to R12 663 (2011: R 0) and township developments R 0 (R 1 339 442).

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>4. Receivables from exchange transactions</b>		
Trade debtors	-	49 228
Other receivables	389 814	178 307
	<b>389 814</b>	<b>227 535</b>
Other receivables comprises of rental income owed to the municipality and debtors raised from payroll.		
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	8 336 058	7 264 484
Electricity	5 462 386	4 441 555
Water	425 018	399 576
Sewerage	16 915 913	14 558 325
Refuse	11 168 519	9 631 938
Sundry debtors	7 595 956	7 454 037
	<b>49 903 850</b>	<b>43 749 915</b>
<b>Less: Provision for bad debts</b>		
Rates	(8 225 168)	(6 210 051)
Electricity	(3 939 625)	(3 732 594)
Water	(292 754)	(336 431)
Sewerage	(16 799 377)	(12 257 680)
Refuse	(11 115 014)	(8 109 808)
Sundry debtors	(7 480 074)	-
	<b>(47 852 012)</b>	<b>(30 646 564)</b>
<b>Net balance</b>		
Rates	110 890	1 054 433
Electricity	1 522 761	708 961
Water	132 264	63 145
Sewerage	116 536	2 300 645
Refuse	53 505	1 522 130
Sundry debtors	115 882	7 454 037
	<b>2 051 838</b>	<b>13 103 351</b>
<b>Rates (non-exchange)</b>		
Current (0 -30 days)	100 744	435 793
31 - 60 days	10 146	412 005
61 - 90 days	-	206 635
	<b>110 890</b>	<b>1 054 433</b>
<b>Electricity</b>		
Current (0 -30 days)	342 522	47 348
31 - 60 days	164 572	30 289
61 - 90 days	151 765	35 178
91 - 120 days	863 902	596 146
	<b>1 522 761</b>	<b>708 961</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>5. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	18 630	4 761
31 - 60 days	7 958	2 612
61 - 90 days	9 042	3 150
91 - 120 days	7 838	52 622
121 - 365 days	5 476	-
> 365 days	83 320	-
	<b>132 264</b>	<b>63 145</b>
<b>Sewerage</b>		
Current (0 -30 days)	116 536	134 096
31 - 60 days	-	117 606
61 - 90 days	-	115 708
91 - 120 days	-	1 933 235
	<b>116 536</b>	<b>2 300 645</b>
<b>Refuse</b>		
Current (0 -30 days)	53 505	84 620
31 - 60 days	-	78 017
61 - 90 days	-	76 773
91 - 120 days	-	1 282 720
	<b>53 505</b>	<b>1 522 130</b>
<b>Other (house rent, sunder charges, medical aid)</b>		
Current (0 -30 days)	14 088	-
31 - 60 days	1 368	-
61 - 90 days	1 653	-
91 - 120 days	480	-
121 - 365 days	98 293	7 454 037
	<b>115 882</b>	<b>7 454 037</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	779 088	854 186
31 - 60 days	553 281	683 879
61 - 90 days	552 430	678 949
91 - 120 days	503 090	638 165
121 - 365 days	3 725 491	5 060 470
> 365 days	39 864 595	33 205 271
	45 977 975	41 120 920
Less: Provision for bad debts	(42 630 633)	(28 998 430)
	<b>3 347 342</b>	<b>12 122 490</b>



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>5. Consumer debtors (continued)</b>		
<b>Industrial/ commercial</b>		
Current (0 -30 days)	90 552	44 326
31 - 60 days	50 673	40 527
61 - 90 days	40 549	72 885
91 - 120 days	36 676	33 006
121 - 365 days	965 991	614 561
> 365 days	1 558 320	951 056
	<hr/>	<hr/>
	2 742 761	1 756 361
Less: Provision for bad debts	(333 277)	(1 238 584)
	<hr/>	<hr/>
	<b>2 409 484</b>	<b>517 777</b>
<b>National and provincial government</b>		
Current (0 -30 days)	14 876	7 796
31 - 60 days	7 415	9 162
61 - 90 days	9 012	8 742
91 - 120 days	8 035	8 394
121 - 365 days	76 412	65 085
> 365 days	567 340	481 578
	<hr/>	<hr/>
	683 090	580 757
Less: Provision for bad debts	(83 219)	(409 549)
	<hr/>	<hr/>
	<b>599 871</b>	<b>171 208</b>
<b>Total</b>		
Current (0 -30 days)	183 336	906 308
31 - 60 days	611 369	733 568
61 - 90 days	601 992	760 576
91 - 120 days	547 801	679 565
121 - 365 days	4 767 894	5 740 116
> 365 days	40 431 935	34 637 905
	<hr/>	<hr/>
	47 144 327	43 458 038
Less: Provision for bad debts	(43 047 129)	(30 646 564)
	<hr/>	<hr/>
	<b>4 097 198</b>	<b>12 811 474</b>
<b>Less: Provision for debt impairment</b>		
Provision based on the provisions of IAS 39	(47 852 012)	(30 646 564)
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	13 103 351	31 382 623
Contributions to provision	19 118 409	24 644 542
Bad debts written off against provision	(30 169 922)	(42 923 814)
	<hr/>	<hr/>
	<b>2 051 838</b>	<b>13 103 351</b>
<b>Reconciliation of provision for impairment of consumer debtors</b>		
Opening balance	6 002 022	30 646 563
Provision for impairment	-	(24 644 541)
	<hr/>	<hr/>
	<b>6 002 022</b>	<b>6 002 022</b>

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 32).

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>6. Value Added Tax</b>		
VAT	7 712 353	3 108 223

VAT owed by SARS amounts to R12 811 409.

The carrying amount of VAT receivable approximates fair value due to its short-term nature.

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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### 7. New standards and interpretations

#### 7.1 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:

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

#### 7.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
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# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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

#### 7.3 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 2012 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	01 April 2013	Low
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Low
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Significant
• GRAP 103: Heritage Assets	01 April 2012	Low
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Low
• GRAP 26: Impairment of cash-generating assets	01 April 2012	Low
• GRAP 25: Employee benefits	01 April 2013	Low
• GRAP 104: Financial Instruments	01 April 2012	Low
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	
• GRAP 107: Mergers	01 April 2014	
• GRAP 20: Related parties	01 April 2013	

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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Figures in Rand

2012

2011 restated

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# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 8. Biological assets that form part of an agricultural activity

	2012		2011	
	Fair Value	Carrying value	Fair Value	Carrying value
Other bearer biological assets	1 463 460	- 1 463 460	1 311 320	- 1 311 320

#### Reconciliation of carrying valued of biological assets - 2012

	Opening balance	Additions	Disposals	Total
Other bearer biological assets	1 311 320	348 560	(196 420)	1 463 460

#### Reconciliation of carrying value of biological assets - 2011

	Opening balance	Additions	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Other bearer biological assets	1 568 760	143 200	(409 440)	8 800	1 311 320

#### Non – Financial information

##### Quantities of each biological asset (game)

Blesbok	272	255
Burchell's Zebra	56	53
Red Hartebeest	161	118
Mountain Reedbuck	6	6
Ostrich	25	13
Eland	16	11
Gemsbok	54	68
Impala	148	107
Springbok	417	364
Kudu	4	10
Giraffe	4	5
	<b>1 163</b>	<b>1 010</b>

#### Methods and assumptions used in determining fair value

Tokologo Municipality is engaged in game farming. The balance sheet valuation of biological assets is based on an actual count and the unit values on market prices.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 9. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	335 983	(323 864)	12 119	146 271	(146 271)	-

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	-	189 711	(177 592)	12 119

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Licenses and franchises	-	146 271	(146 271)	-

### 10. Investment property

	2012			2011		
	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	30 131 400	-	30 131 400	30 131 400	-	30 131 400

#### Reconciliation of carrying value of investment property - 2012

	Opening balance	Total
Investment property	30 131 400	30 131 400

#### Reconciliation of carrying value of investment property - 2011

	Opening balance	Total
Investment property	30 131 400	30 131 400

Investment property comprises grazing fields commonly described as camp sites. Their main purpose is for renting out to livestock farmers for grazing. Their carrying amounts have been measured at provisional amounts in terms of Directive 4 of the Accounting Standards Board issued in March 2009. The Municipality has planned to implement various steps to establish the correct value of investment property in terms of GRAP 16 for the financial year ended 30 June 2012.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 11. Investments

#### At fair value

Listed shares	277 011	269 493
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#### Non-current assets

At fair value through surplus or deficit - designated	277 011	269 493
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#### Fair value information

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

The 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.

### 12. Property, plant and equipment

	2012			2011		
	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Provisional amount	Accumulated depreciation and accumulated impairment	Carrying value
Land	66 668 308	-	66 668 308	66 668 308	-	66 668 308
Infrastructure	362 711 502	(142 635 907)	220 075 595	349 248 970	(125 108 625)	224 140 345
Community	13 602 600	(1 422 225)	12 180 375	13 602 600	(1 137 780)	12 464 820
Finance lease assets	762 476	(334 374)	428 102	417 967	(154 821)	263 146
Capital work in progress	106 177 188	-	106 177 188	53 665 042	-	53 665 042
Other property, plant and equipment	16 258 715	(8 611 809)	7 646 906	16 018 432	(7 532 008)	8 486 424
<b>Total</b>	<b>566 180 789</b>	<b>(153 004 315)</b>	<b>413 176 474</b>	<b>499 621 319</b>	<b>(133 933 234)</b>	<b>365 688 085</b>

#### Reconciliation of carrying value of property, plant and equipment - 2012

	Opening balance	Additions	Capitalised to infrastructure	Depreciation	Total
Land	66 668 308	-	-	-	66 668 308
Infrastructure	224 140 345	13 462 532	-	(17 527 282)	220 075 595
Community	12 464 820	-	-	(284 445)	12 180 375
Finance lease assets	263 146	344 509	-	(179 553)	428 102
Capital work in progress	53 665 042	65 974 678	(13 462 532)	-	106 177 188
Other property, plant and equipment owned	8 486 424	240 282	-	(1 079 800)	7 646 906
	<b>365 688 085</b>	<b>80 022 001</b>	<b>(13 462 532)</b>	<b>(19 071 080)</b>	<b>413 176 474</b>

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



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

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

	Opening balance	Additions	Capitalised to infrastructure	Depreciation	Total
Land	66 668 308	-	-	-	66 668 308
Infrastructure	235 021 581	6 508 049	-	(17 389 285)	224 140 345
Community	12 749 265	-	-	(284 445)	12 464 820
Finance lease assets	346 739	-	-	(83 593)	263 146
Capital work in progress	19 091 100	41 081 992	(6 508 050)	-	53 665 042
Other property, plant and equipment owned	9 067 394	542 030	-	(1 123 000)	8 486 424
	<b>342 944 387</b>	<b>48 132 071</b>	<b>(6 508 050)</b>	<b>(18 880 323)</b>	<b>365 688 085</b>

### Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	428 102	263 146
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# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>13. Consumer deposits</b>		
Electricity and water	287 658	320 805
Water	74 746	(50)
	<b>362 404</b>	<b>320 755</b>
<b>14. Non-current portion of finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	491 662	220 168
- in second to fifth year inclusive	331 995	247 428
	823 657	467 596
less: future finance charges (within one year)	(98 345)	(126 898)
less: future finance charges (in second to fifth year inclusive)	(47 383)	(32 524)
<b>Present value of minimum lease payments</b>	<b>677 929</b>	<b>308 174</b>
<b>Present value of minimum lease payments due</b>		
- within one year	339 317	126 898
- in second to fifth year inclusive	284 612	181 276
	<b>623 929</b>	<b>308 174</b>
Non-current liabilities	284 612	181 276
Current liabilities	393 317	126 898
	<b>677 929</b>	<b>308 174</b>

The average lease term is 5 years and the average effective borrowing rate is 13.17%. The Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate at 18% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset. The Minolta lease has expired and was not renewed is currently running on a month to month until it is replaced.

### 15. Payables from exchange transactions

Trade payables	5 540 431	6 035 823
Payments received in advanced	589 602	50 465
Accruals	10 463 017	542 564
Accrued Lease Interest	-	2 774
Accrued leave pay	2 030 525	2 138 126
Other Creditors	-	321
	<b>18 623 575</b>	<b>8 770 073</b>

The fair values approximate carrying amount.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

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Figures in Rand 2012 2011 restated

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### 16. Provisions

#### Reconciliation of provisions - 2012

	Opening Balance	Reversed during the year	Total
Rehabitation of Landfill Sites	2 859 405	(906 155)	1 953 250

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#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Rehabitation of Landfill Sites	1 746 866	1 112 539	2 859 405

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#### Rehabilitation of Landfill Sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is based on professional estimates received and is expected to be incurred within the next twelve months.

Estimates from industry sources were utilised to calculate the provision. Reports and reading material from Department of Water Affairs and Forestry (Requirements for Waste Disposal by Landfill and Waste Management & Minimum Requirements) and Waste Management Legislation Act. Feasibility studies comprising preliminary geohydrological investigation, preliminary environmental impact assessment, concept design and operational strategy and impact studies were performed to estimate the related costs to rehabilitate the sites.

Calculations were split into direct and indirect costs, and include a process of closure of 3 landfill sites, construction of 2 new waste transfer stations and a new landfill site for the Tokologo Local Municipality in terms of Section 20(b) of the National Environmental Management Waste Act, 2008 (Act no. 59 of 2008).

Only the cost of the closure of the existing landfill sites were included in the provision as it is the only costs expected to be incurred within the next twelve months with regards to landfill sites. The construction of the new landfill sites are only expected to start in the 2013/2014 financial year thus they are not included in the provision for the current year.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>17. Current unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	-	23 292 894
Additions during the year	69 151 840	14 845 000
Income recognition during the year	(69 151 840)	(38 137 894)
	<u>-</u>	<u>-</u>

See note 22 for reconciliation of grants from National/District Municipality.

### 18. Revenue

Sale of goods in agricultural activities	56 750	228 705
Other income	82 452	168 669
Property rates	2 343 116	1 701 085
Service charges	16 491 489	14 358 613
Rental of facilities & equipment	503 765	214 516
Fines	174 410	115 598
Government grants & subsidies	103 794 124	84 995 796
	<u><b>123 446 106</b></u>	<u><b>101 782 982</b></u>

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

Sale of goods in agricultural activities	56 750	228 705
Other Income	82 452	168 669
Service charges	16 491 489	14 358 613
Rental of facilities & equipment	503 765	214 516
	<u><b>17 134 456</b></u>	<u><b>14 970 503</b></u>

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

<b>Taxation revenue</b>		
Property rates	2 343 116	1 701 085
Fines	174 410	115 598
<b>Transfer revenue</b>		
Government grants & subsidies	103 794 124	84 995 796
	<u><b>106 311 650</b></u>	<u><b>86 812 479</b></u>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 19. Property Rates

#### Rates received

Residential	3 182 886	2 899 700
Less: Income forgone	(839 770)	(1 198 615)
	<b>2 343 116</b>	<b>1 701 085</b>

#### Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 20XX. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of - (2011: -) is applied to property valuations to determine assessment rates. Rebates of -% (2011: -%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 September 2010 (30 September 2009). Interest at prime plus 1% per annum (2011: -%) and a collection fee of -% (2011: -%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2007.

### 20. Service charges

Sale of electricity	10 372 261	9 169 409
Sale of water	1 109 567	460 410
Sewerage and sanitation charges	3 042 017	2 883 509
Refuse removal	1 967 644	1 845 285
	<b>16 491 489</b>	<b>14 358 613</b>

### 21. Rental of facilities and equipment

#### Facilities and equipment

Rental of facilities	214 956	63 240
Rental of equipment	4 679	6 872
Rental of camps	284 130	144 404
	<b>503 765</b>	<b>214 516</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>22. Government grants and subsidies</b>		
Intergrated National Electricification Programme Grant	-	3 000 000
COGTA CFO's Subsidy	-	500 000
Municipal Systems Improvements Grant	790 000	750 000
Financial Management Grant	1 450 000	1 200 000
Equitable Share	34 082 000	34 525 382
Municipal Infrastructure Grant	66 911 840	38 137 895
Department of Water Affairs Grant (BULK Water)	-	6 882 519
LG Seta	51 284	-
Expanded Public Works Programme Incentive Grant	509 000	-
	<b>103 794 124</b>	<b>84 995 796</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as to subsidise the municipality's operations.		
All registered indigents received a monthly subsidy from the Equitable Share Grant.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	23 292 894
Current-year receipts	17 855 000	14 845 000
Conditions met - transferred to revenue	(17 855 000)	(38 137 894)
	-	-
Conditions met - transferred to revenue (see note 17&22)		
<b>COGTA CFO's Salary Subsidy</b>		
Current-year receipts	-	500 000
Conditions met - transferred to revenue	-	(500 000)
	-	-
Conditions met - transferred to revenue (see note 13&20)		
<b>Municipal Systems Improvement Grant</b>		
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(750 000)
	-	-
Conditions met - transferred to revenue (see note 17&22)		
<b>Financial Management Grant</b>		
Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 200 000)
	-	-
Conditions met - transferred to revenue (see note 17&22)		
<b>Intergrated National Electrification Programme Grant</b>		
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>22. Government grants and subsidies (continued)</b>		
	-	-
Conditions met - transferred to revenue (see note 17&22)		
<b>Department Water Affairs (BULK Water) Grant</b>		
Current-year receipts	49 056 840	6 882 519
Conditions met - transferred to revenue	(49 056 840)	(6 882 519)
	-	-
Conditions met - transferred to revenue (see note 17&22)		
<b>23. Interest and dividend earned</b>		
<b>Dividend revenue</b>		
Listed financial assets - Local	16 014	2 117
Bank	197 516	1 164 740
Interest charged on trade and other receivables	600 977	509 385
	<b>798 493</b>	<b>1 674 125</b>
	<b>814 507</b>	<b>1 676 242</b>

The amount included in interest earned arising from exchange transactions amounted to R 600 977 (2011: R509 385).

The amount included in interest earned arising from non-exchange transactions amounted to R197 516 (2011: R1 164 740).

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>24. Employee related costs</b>		
Salaries and wages	14 567 414	15 454 792
Performance and other bonus	848 208	790 579
Medical aid - company contributions	962 094	666 283
UIF	118 435	112 178
WCA	137 689	52 566
Leave pay provision charge	122 263	377 509
Pension	1 480 374	1 357 619
Transport allowance	664 912	1 065 868
Overtime payments	-	451 747
	<b>18 901 389</b>	<b>20 329 141</b>
<b>Remuneration of Adv LMA Mofokeng (Municipal Manager)</b>		
Annual Remuneration	545 069	536 752
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	<b>546 566</b>	<b>538 249</b>
<b>Remuneration of M Masisi (Chief Finance Officer)</b>		
Annual Remuneration	384 000	390 000
Car Allowance	216 000	180 000
Contributions to UIF, Medical and Pension Funds	1 372	1 497
	<b>601 372</b>	<b>571 497</b>
<b>Remuneration of OH Setlhare (Corporate and human resources)</b>		
Annual Remuneration	326 805	345 947
Car Allowance	96 356	102 000
Contributions to UIF, Medical and Pension Funds	1 372	1 497
Housing allowances	11 336	12 000
	<b>435 869</b>	<b>461 444</b>
<b>Remuneration of MJ Chakane (Technical Manager)</b>		
Annual Remuneration	345 948	345 947
Car Allowance	90 000	90 000
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Housing Allowance	24 000	24 000
	<b>461 445</b>	<b>461 444</b>
<b>25. Remuneration of Councillors</b>		
Mayor / Speaker	610 700	423 462
Councillors	1 285 424	1 073 687
	<b>1 896 124</b>	<b>1 497 149</b>
<b>In-kind benefits</b>		
The Mayor is provided with an office with secretarial support and an official vehicle with a driver at the cost of the Council.		



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>26. Depreciation and amortisation</b>		
Property, plant and equipment	19 248 673	18 880 323
Intangible assets	-	146 271
	<b>19 248 673</b>	<b>19 026 594</b>
<b>27. Finance costs</b>		
Trade and other payables	132 435	11 477
Finance leases	124 505	87 847
	<b>256 940</b>	<b>99 324</b>
<b>28. Debt impairment</b>		
Provision for bad debts	19 118 409	24 644 542
<b>29. Bulk purchases</b>		
Electricity	10 608 054	8 564 193
Water	1 286 465	2 284 434
	<b>11 894 519</b>	<b>10 848 627</b>
<b>30. Contracted Services</b>		
Legal Fees	540 537	1 171 306
Audit Fees	988 207	3 691 882
Specialist Services	5 622 010	2 337 574
Valuation Fees	-	2 280
	<b>7 150 754</b>	<b>7 203 042</b>
<b>31. Grants and subsidies paid</b>		
Free Basic Electricity	213 863	19 703
Free Basic Water	632 604	-
HIV/Aids programme	-	8 732
Indigents Refuse	134 226	59 927
Indigents Sanitation	47 877	2 815
Indigents Sewerage	182 472	86 923
Indigents Water	55 171	-
MFMA Conversion	-	1 137 830
MSIG	-	12 939
<b>Other subsidies</b>		
Pauper Funerals	-	16 800
	<b>1 266 213</b>	<b>1 345 669</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>32. General expenses</b>		
Accommodation	236 640	327 750
Advertising	222 553	188 205
Assets expensed	15 048	-
Audit committee	51 524	22 321
Bank charges	246 000	258 753
Capacity building	171 624	1 269 844
Chemicals	-	179 400
Cleaning	714	14 754
Community development and training	25 704	117 498
Conferences and seminars	-	90
Consumables	-	2 573
Contribution to landfill sites rehabilitation	-	(11 260 794)
Electricity	114 595	-
Employee Wellness Programme	174 560	-
Entertainment	104 762	163 015
Fuel and oil	660 610	560 153
IDP/LED	22 751	543 461
IT expenses	10 691	94 005
Insurance	245 636	236 220
Lease rentals on operating lease	243 084	180 069
Loss on operations	-	24 000
Miscellaneous office expenses	494 954	157 035
Motor vehicle expenses	204 722	23 467
Penalties	119 771	-
Postage and courier	18 916	17 901
Printing and stationery	322 114	211 578
Protective clothing	967	-
Refuse	28 075	19 415
Staff welfare	3 990	4 923
Subscriptions and membership fees	54 433	336 366
Telephone and fax	1 025 679	715 822
Training	506 366	614 386
Transport services rental expense	35 359	-
Travel - local	1 271 196	1 425 751
Uniforms	180 347	114 025
Water	1 720	1 678
Workmens' expenses	3 300	4 214
	<b>6 818 405</b>	<b>(3 432 122)</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011 restated
<b>33. Cash generated from operations</b>		
Surplus	33 749 204	16 674 050
<b>Adjustments for:</b>		
Depreciation and amortisation	19 248 673	19 026 594
Gain on sale of assets and liabilities	-	128 808
Fair value adjustments	(7 518)	103 419
Finance costs - Finance leases	124 505	87 847
Debt impairment	19 118 409	24 644 542
Movements in provisions	(906 155)	-
Other non-cash items	-	(147 934)
Other non-cash items - landfill site	906 155	1 112 539
Other non-cash items - prior year adjustments	11 049 733	(5 507 443)
<b>Changes in working capital:</b>		
Inventories	960 123	-
Receivables from exchange transactions	(162 279)	(186 493)
Consumer debtors	(8 066 896)	(6 073 392)
Prepayments	-	(9 491)
Payables from exchange transactions	9 853 514	(8 355 547)
VAT	(4 604 130)	(701 310)
Current unspent conditional grants and receipts	-	(23 292 894)
Consumer deposits	41 649	17 313
	<b>81 304 987</b>	<b>17 520 608</b>
<b>34. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	52 629 814	47 909 548
<b>Approved but not yet contracted for</b>		
• Infrastructure	15 000 138	17 646 716
<b>TOTAL</b>	<b>67 629 952</b>	<b>65 556 264</b>

This committed expenditure for Infrastructure relates to the BULK projects and MIG projects of R48,048,594 and R19,581,358 respectively split as follows:

• Construction of water treatment plant: Mechanical & Electrical	-	7,609,154
• Construction of water treatment plant Hertzoville	-	2,608,622
• Construction of 8,5km Ductile Iron	-	3,757,751
• Construction of 10km pipeline	-	8,120,028
• Construction of 7km pipeline	-	9,300,000
• Construction of abstraction works	-	11 426 401
• Mechanical & Electric Abstraction works	-	<u>5,226,635</u>
• <b>TOTAL REGIONAL BULK INFRASTRUCTURE GRANT</b>	-	<b><u>48,048,594</u></b>
• Installation of water network: Dealesville/Tswaraganang	-	3,116,200
• Upgrading of stadium: Boshof/Seretse	-	3,288,487
• Upgrading of Sewer Oxidation Ponds	-	2,411,651
• Seretse Provision of 2km Pave Roads Phase 2	-	<u>10,765,020</u>
• <b>TOTAL MIG</b>	-	<b><u>19,581,358</u></b>
• <b>TOTAL COMMITMENTS</b>	-	<b><u>67,629,952</u></b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand

2012

2011 restated

### 35. Contingencies

The municipality has the following contingent liabilities:

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

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

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

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

### Contingent assets

The municipality did not have any contingent assets noted for the year under review.

### 36. Related parties

#### Relationships

Accounting Officer

No related parties transactions noted except for remuneration as disclosed in note 24.

Close family member of key management

No related parties transactions noted

Joint venture of key management

No related parties transactions noted

Associate of close family member of key management

No related parties transactions noted

Post employment benefit plan for employees of entity and/or other related parties

No related parties transactions noted

Post employment benefit plan for employees of a related party of a close family member of key management

No related parties transactions noted

Compensation to councillors and other key management (refer to note 24 & 25)

### Key management information

Class	Remuneration	Number
Sec 57 Managers	Refer to note 24	3
Mayor	Refer to note 25	1
Councillors	Refer to note 25	7
Municipal Managers	Refer to note 24	1

### 37. Prior period errors

Cheques amounting to R316 530 were not captured. This also resulted in a decrease of trade and other payables from exchange transactions amounting to R104 566.

One of the leases were classified as a operating lease instead of a finance lease. This affected the lease obligation by an amount R52 465, and has been corrected retrospectively.

During 2011 the provision for landfill sites was incorrectly estimated and are thus being retrospectively corrected

During 2011 there were stale cheques amounting to R259 936.

During 2011 payroll debtors and creditors amounting to R15 725 were writtem off.

Errors on inventory amounting tp R338 524 were corrected.

Debtor accounts older than the prescribed period was written back amounting to R3 615 149.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 37. Prior period errors (continued)

Revenue amounting to R3 539 was corrected as it was recorded in the incorrect financial year.

Expenditure was allocated for correct classification to the amount of R7 250.

Correction of overtime query reported by the Auditor General to the amount of R98 451.

Correction of accrual as reported by the Auditor General to the amount of R5 898.

Correction to the cashier's float to the amount of R882.

Stale cheques were written back to the amount of R52 465.

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

#### Statement of financial position

Decrease in trade receivable from exchange transactions	-	3 615 149
Decrease in cash and cash equivalents	-	(55 712)
Increase in lease obligation	-	(52 465)
Decrease in trade and other payables from exchange transactions	-	104 566
Decrease in provisions	-	11 260 794
Increase in inventories	-	338 524
NET EFFECT ON STATEMENT OF FINANCIAL POSITION	-	15 210 856
Opening Accumulated Surplus	-	(15 210 856)

#### Statement of Financial Performance

Cheques not capture in 2011	-	316 530
Payroll debtors and creditors written off	-	(15 724)
Stale cheques written back	-	(259 936)
Correct inventories	-	(338 524)
Write back prescription period	-	(3 615 149)
Correct provision for landfill site: audit query	-	(11 260 794)
Allocation of revenue in correct year	-	(3 539)
Expenditure allocated	-	7 250
Overtime: Audit query	-	(98 451)
Accrual correction: Audit query	-	5 898
Correction of lease cost	-	52 465
Correction of cashier's float	-	(882)

#### Cash flow statement

### 38. Comparative figures

Leave accrual was mapped to trade and other payables from exchange transactions from provisions for the year ended 30 June 2011

Property rates previously disclosed as trade receivables from exchange transactions, now reclassified as trade receivables from non-exchange transactions.

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 39. Risk management

#### Liquidity risk

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

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

At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	223 260	19 648	-	-
Trade and other payables	19 139 084	-	-	-
At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance leases	126 898	181 276	-	-
Trade and other payables	8 770 068	-	-	-

#### Risk from biological assets

The municipality is exposed to financial risks arising from changes in the market price of game. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices. The municipality reviews its outlook for game prices regularly in considering the need for active financial risk management. There is also the risk of diseases which at the moment is unmanageable.

#### Interest rate risk

As the municipality has a couple of less significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed deposits	- %	2 118 928	-	-	-	-

#### Credit risk

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

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end are shown in the relevant note for cash and cash equivalents and trade receivables.

Financial instrument	2012	2011
Bank	1 249 380	1 001 011
Consumer debtors	2 051 838	13 301 351

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 40. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from Treasury. Funding will be received from National Treasury as long as the municipality submit their reports on time. The collection of outstanding consumer debtor accounts are also a priority for the next twelve months.

### 41. Events after the reporting date

There are no adjusting events after reporting date to report on, except for equitable share withheld but relating to the 2011/2012 financial year.

Construction of 2 new waste transfer stations and a new landfill site for the Tokologo Local Municipality in terms of Section 20(b) of the National Environmental Management Waste Act, 2008 (Act no. 59 of 2008) are not provided for as the construction of the new landfill sites are only expected to start in the 2013/2014 financial year thus they are not included in the provision for the current year.

### 42. Unauthorised expenditure

Actual expenditure exceeded the budgeted expenditure by 36 221 598 32 329 251

The above matters have not been tabled to council. The municipality is investigating the matters prior to tabling to Council for further action to be taken. The limited resources within the municipality have led to this process being very slow.

Unauthorised expenditure of R12 484 608 was identified during the 2008/2009 financial year which has not been presented to Council.

All the matters noted above will be presented to Council during the 2012/2013 financial year end so that they could be speedily resolved and concluded. The amount for the year under review will be investigated to get the exact amount and this will be presented to council for further action.

### 43. Fruitless and wasteful expenditure

Legal fees	442 103	-
Interest paid for late payments	151 809	95 912
Differences noted between the invoice and General Ledger	-	7 089
Suppliers overpaid	-	50 000
Penalties	2 015	-
	<b>595 927</b>	<b>153 001</b>

Interest paid and penalties: The interest could not be avoided as the municipality had a cashflow problem at that stage, but will be tabled to council for further action.

Fruitless and wasteful expenditure during the 2008/2009 financial year of R2 078 675 will also be investigated during 2012/2013 and the report tabled to council for further action.

### 44. Irregular expenditure

Opening balance	44 470 675	13 801 279
Add: Irregular Expenditure - current year	5 154 096	30 757 176
	<b>49 624 771</b>	<b>44 558 455</b>

# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

### 44. Irregular expenditure (continued)

There are no amounts reflected as condoned, recoverable (not condoned) and not recoverable (not condoned) because no submissions have been presented to Council. However endeavours will be made to expedite the process.

#### Details of Irregular Expenditure – Current year

	STEPS TO BE TAKEN	
Requisite quotations not obtained	Matters to be investigated and submitted to council	613 168
No contract or order supplied	Matters to be investigated and submitted to council	211 474
Payments without authorisation	Matters to be investigated and submitted to council	157 600
Grant expense not for intended purpose	Matters to be investigated and submitted to council	198 998
Consultants appointed without following SCM procedures	Matters to be investigated and submitted to council	3 972 856
		<b>5 154 096</b>

The municipality has not yet investigated these matters and as such not yet tabled to council. This mainly due to lack of capacity, but will endeavour to have them dealt with during the 2011/2012.

A register and methodology for identifying, recording, investigating and subsequently tabling to Council will be prepared soon so that the matters can be captured and dealt with speedily and on a continual basis.

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

#### Contributions to organised local government (SALGA)

Current year subscription / fee	54 000	300 000
Amount paid - current year	-	(300 000)
	<b>54 000</b>	<b>-</b>

#### Audit fees

Amount paid - current year	1 521 107	3 691 882
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#### PAYE and UIF

Amount paid - current year	-	118 165
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#### Councillors' arrear consumer accounts

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

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Mongana	246	5 620	5 866



# TOKOLOGO MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011 restated

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

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Obotseng: Account 1	168	4 454	4 622
Councillor Obotseng: Account 2	168	3 432	3 600
Councillor Mabote	929	382	1 311
Councillor Mongana	164	3 168	3 332
Councillor Lentsha: Account 1	164	3 128	3 292
Councillor Lentsha: Account 2	164	2 205	2 369
	<b>1 757</b>	<b>16 769</b>	<b>18 526</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

# **TOKOLOGO MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2012

TOKOLOGO MUNICIPALITY  
TOKOLOGO MUNICIPALITY  
**APPENDIX A**

**GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**  
Yearly Yearly

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA		
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>LEASE LIABILITIES</b>									
Gestetner @ 15.5%	01134273	2013/06/03	84 194	-	36 102	48 092	70 780	-	-
Sharp @ 15.5%	S0001362	2013/06/11	223 980	-	70 719	153 261	192 364	-	-
Nashua		2013/11/03	52 465	-	10 911	41 554	-	-	-
			<b>360 639</b>	<b>-</b>	<b>117 732</b>	<b>242 907</b>	<b>263 144</b>	<b>-</b>	<b>-</b>

TOKOLOGO MUNICIPALITY

APPENDIX B for the period ended 30 June 2012  
June 2012

	ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012				Accumulated Depreciation					
	Cost/Revaluation									
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land/ Buildings</b>										
Erven	62 567 353	-	-	-	<b>62 567 353</b>	-	-	-	-	6
Farms	4 100 955	-	-	-	<b>4 100 955</b>	-	-	-	-	6
	<b>66 668 308</b>	-	-	-	<b>66 668 308</b>	-	-	-	-	6
<b>Community Assets</b>										
Buildings	7 217 000	-	-	-	<b>7 217 000</b>	962 266	240 567	-	<b>1 202 833</b>	
Land	5 069 250	-	-	-	<b>5 069 250</b>	-	-	-	-	
Recreation facilities	1 316 350	-	-	-	<b>1 316 350</b>	175 513	43 878	-	<b>219 391</b>	
	<b>13 602 600</b>	-	-	-	<b>13 602 600</b>	<b>1 137 779</b>	<b>284 445</b>	-	<b>1 422 224</b>	
<b>Leased Assets</b>										
Office equipment	417 967	344 509	-	-	<b>762 476</b>	154 821	179 553	-	<b>334 374</b>	
	<b>417 967</b>	<b>344 509</b>	-	-	<b>762 476</b>	<b>154 821</b>	<b>179 553</b>	-	<b>334 374</b>	
<b>Infrastructure</b>										
Electricity	21 510 233	-	-	-	<b>21 510 233</b>	3 396 863	1 075 511	-	<b>4 472 374</b>	
Roads	246 154 566	-	-	-	<b>246 154 566</b>	108 786 446	12 307 728	-	<b>121 094 174</b>	12
Sewerage	30 763 270	-	-	-	<b>30 763 270</b>	3 958 721	1 538 164	-	<b>5 496 885</b>	2
Water	64 283 432	-	-	-	<b>64 283 432</b>	8 966 594	2 605 879	-	<b>11 572 473</b>	4
Capital work in progress	53 665 042	65 974 678	(13 462 532)	-	<b>106 177 188</b>	-	-	-	-	10
	<b>416 376 543</b>	<b>65 974 678</b>	<b>(13 462 532)</b>	-	<b>468 888 689</b>	<b>125 108 624</b>	<b>17 527 282</b>	-	<b>142 635 906</b>	30

TOKOLOGO MUNICIPALITY

APPENDIX B for the period ended 30 June 2012  
June 2012

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand
<b>Other assets</b>									
Furniture and fittings	1 741 617	104 468	-	-	<b>1 846 085</b>	480 685	82 073	-	<b>562 758</b>
Motor vehicles	8 599 908	-	-	-	<b>8 599 908</b>	4 834 747	719 169	-	<b>5 553 916</b>
Office equipment	471 017	71 797	-	-	<b>542 814</b>	126 457	36 323	-	<b>162 780</b>
Computer equipment	573 619	64 017	-	-	<b>637 636</b>	276 268	56 623	-	<b>332 891</b>
Plant and machinery	741 924	-	-	-	<b>741 924</b>	285 353	26 775	-	<b>312 128</b>
Specialised vehicles	3 869 547	-	-	-	<b>3 869 547</b>	1 519 136	157 797	-	<b>1 676 933</b>
Weapons	20 800	-	-	-	<b>20 800</b>	9 360	1 040	-	<b>10 400</b>
	<b>16 018 432</b>	<b>240 282</b>	-	-	<b>16 258 714</b>	<b>7 532 006</b>	<b>1 079 800</b>	-	<b>8 611 806</b>
<b>Total</b>									
Land/ Buildings	66 668 308	-	-	-	<b>66 668 308</b>	-	-	-	-
Community Assets	13 602 600	-	-	-	<b>13 602 600</b>	1 137 779	284 445	-	<b>1 422 224</b>
Leased Assets	417 967	344 509	-	-	<b>762 476</b>	154 821	179 553	-	<b>334 374</b>
Infrastructure	416 376 543	65 974 678	(13 462 532)	-	<b>468 888 689</b>	125 108 624	17 527 282	-	<b>142 635 906</b>
Furniture and fixtures	-	-	-	-	-	-	-	-	-
Other assets	16 018 432	240 282	-	-	<b>16 258 714</b>	7 532 006	1 079 800	-	<b>8 611 806</b>
	<b>513 083 850</b>	<b>66 559 469</b>	<b>(13 462 532)</b>	-	<b>566 180 787</b>	<b>133 933 230</b>	<b>19 071 080</b>	-	<b>153 004 310</b>

**TOKOLOGO MUNICIPALITY**

APPENDIX C for the period ended 30 June 2012  
June 2012

**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012**  
**Cost/Revaluation** **Accumulated Depreciation**

	<b>Opening Balance Rand</b>	<b>Additions Rand</b>	<b>Under Construction Rand</b>	<b>Disposals Rand</b>	<b>Closing Balance Rand</b>	<b>Opening Balance Rand</b>	<b>Depreciation Rand</b>	<b>Disposals Rand</b>	<b>Closing Balance Rand</b>	<b>Carrying Value Rand</b>
Office of the Municipal Manager	1 581 764	387 549	-	-	<b>1 969 313</b>	53 191	14 345	-	<b>67 536</b>	<b>1 901 777</b>
Council	420 468	-	-	-	<b>420 468</b>	72 344	12 034	-	<b>84 378</b>	<b>336 090</b>
Finance Service	1 083 701	1 377	-	-	<b>1 085 078</b>	350 829	218 856	-	<b>569 685</b>	<b>515 393</b>
Cooperate Services	67 899 213	2 038	-	-	<b>67 901 251</b>	87 023	12 783	-	<b>99 806</b>	<b>67 801 445</b>
Libraries	85 367	-	-	-	<b>85 367</b>	25 609	3 650	-	<b>29 259</b>	<b>56 108</b>
Halls and Facilities	84 263 304	193 827	-	-	<b>84 457 131</b>	9 108 385	2 528 494	-	<b>11 636 879</b>	<b>72 820 252</b>
Public Works	228 103 997	-	-	-	<b>228 103 997</b>	108 651 338	12 146 123	-	<b>120 797 461</b>	<b>107 306 536</b>
Traffic	47 749	-	-	-	<b>47 749</b>	14 274	808	-	<b>15 082</b>	<b>32 667</b>
Electricity	21 510 233	-	-	-	<b>21 510 233</b>	3 396 863	1 075 512	-	<b>4 472 375</b>	<b>17 037 858</b>
Water	54 423 012	-	-	-	<b>54 423 012</b>	12 173 374	3 058 475	-	<b>15 231 849</b>	<b>39 191 163</b>
Water (WIP)	53 665 042	65 974 678	(13 462 532)	-	<b>106 177 188</b>	-	-	-	-	<b>106 177 188</b>
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<b>513 083 850</b>	<b>66 559 469</b>	<b>(13 462 532)</b>	<b>-</b>	<b>566 180 787</b>	<b>133 933 230</b>	<b>19 071 080</b>	<b>-</b>	<b>153 004 310</b>	<b>413 176 477</b>	



**TOKOLOGO MUNICIPALITY**

APPENDIX E(1) for the ended 30 June 2012  
June 2012

	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000	Current year 2011 Act. Bal. R'000	Prior Year # 1 2010 Act. Bal. R'000
Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue and costs	-	-	-	-	-	-	-	-	-	-	-	-
Net surplus/ (deficit) for the year	-	-	-	-	-	-	-	-	-	-	-	-



TOKOLOGO MUNICIPALITY

APPENDIX E(2) for the period ended 30 June 2012  
June 2012

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	Additions	Under Construction	Closing Balance	Budget	Variance	Variance	Explanation of Significant Variances greater than 5% versus Budget
	Rand	Rand	Rand	Rand	Rand	%	
Land/ Heritage	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
<b>Leasehold property</b>							
Sewerage Mains & Purify	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-
Office equipment	-	-	-	-	-	-	-
<b>Intangible assets</b>							
Licences	184 611	-	184 611	184 611	-	-	-
<b>Intangible assets</b>	<b>184 611</b>	-	<b>184 611</b>	<b>184 611</b>	-	-	-
Computer software	5 100	-	5 100	5 100	-	-	-
<b>Intangible assets</b>	<b>5 100</b>	-	<b>5 100</b>	<b>5 100</b>	-	-	-
Housing Develop Fund	-	-	-	-	-	-	-
<b>Infrastructure</b>							
Drains	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-
Beach Improvements	-	-	-	-	-	-	-
Sewerage Mains & Purif	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-
Water Mains & Purification	79 437 211	-	79 437 211	79 437 211	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-
Water Mains	-	-	-	-	-	-	-
	<b>79 437 211</b>	-	<b>79 437 211</b>	<b>79 437 211</b>	-	-	-

TOKOLOGO MUNICIPALITY

APPENDIX E(2) for the period ended 30 June 2012  
June 2012

	<b>Additions</b>	<b>Under Construction</b>	<b>Closing Balance</b>	<b>Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
Community	-	-	-	-	-	-	-
<b>Other property, plant and equipment</b>							
Landfill sites	-	-	-	-	-	-	
Office Equipment	71 797	-	<b>71 797</b>	71 797	-	-	
Furniture & Fittings	104 469	-	<b>104 469</b>	104 469	-	-	
Bins and Containers	-	-	-	-	-	-	
Emergency Equipment	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Fire engines	-	-	-	-	-	-	
Refuse tankers	-	-	-	-	-	-	
Computer equipment	64 017	-	<b>64 017</b>	64 017	-	-	
Councillors Regalia	-	-	-	-	-	-	
Conservancy tankers	-	-	-	-	-	-	
Watercraft	-	-	-	-	-	-	
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	<b>240 283</b>	-	<b>240 283</b>	<b>240 283</b>	-	-	-
<b>Total</b>							
Buildings	-	-	-	-	-	-	
Leasehold property	-	-	-	-	-	-	
Plant and machinery	-	-	-	-	-	-	
Furniture and fixtures	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Office equipment	-	-	-	-	-	-	
Intangible assets	184 611	-	<b>184 611</b>	184 611	-	-	
Intangible assets	5 100	-	<b>5 100</b>	5 100	-	-	
Housing Develop Fund	-	-	-	-	-	-	
Infrastructure	79 437 211	-	<b>79 437 211</b>	79 437 211	-	-	
Community	-	-	-	-	-	-	
Other property, plant and equipment	240 283	-	<b>240 283</b>	240 283	-	-	
	<b>79 867 205</b>	-	<b>79 867 205</b>	<b>79 867 205</b>	-	-	-

**TOKOLOGO MUNICIPALITY**

**TOKOLOGO MUNICIPALITY**

APPENDIX F for the ended 30 June 2012

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

June 2012

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act Yes/ No
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Municipal infrastructure grant (MIG)	National	7 773 000	4 611 000	5 471 000	-	3 297 988	4 507 182	6 275 325	3 774 505	Yes
Financial Management Grant	National	1 450 000	-	-	-	461 572	447 414	347 713	193 301	Yes
Municipal systems improvements grant (MSIG)	National	790 000	-	-	-	-	330 376	276 910	182 714	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		<u>10 013 000</u>	<u>4 611 000</u>	<u>5 471 000</u>	<u>-</u>	<u>3 759 560</u>	<u>5 284 972</u>	<u>6 899 948</u>	<u>4 150 520</u>	

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