



MANGAUNG

AT THE HEART OF IT ALL

Mangaung Metropolitan Municipality
Financial statements
for the year ended 30 June 2013

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
Executive Mayor	Manyoni T M
Grading of local authority	Metropolitan
Accounting officer	Mazibuko S
Chief Finance Officer (CFO)	Mohlahlo M E
Registered office	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
Business address	Bram Fischer Building Cnr Nelson Mandela Street and Markgraaff Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
Auditors	The Auditor-General of South Africa

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

General Information

Councillors

Botes FR
Dennis ME
Ditabe RP
Hlujane MD
Horn W
Jacobs TA
Jacobs TB
July LR
Khi ZT
Lazenby JAA
Lephoi MJ
Litabe TK
Mbage MB
Mfazwe TM
Minnie H
Moiwa ME
Mokotjo NG
Mophethe TA
Morutle SS
Mtshwane KJ
Phokoje SD
Pongolo XD
Powell JD
Pretorius JC
Rametse MA
Ramokotjo FP
Ramona TM
Sechoaro CSK
Selaledi M
Siyonzana MA
Snyman van Deventer E
Terblanche AP
Toba AL
Tsomela MM
Van Biljon PJJ
Van der Merwe R
Zerwick AS

Dibeco MD
Dyosiba S
Eti MJ
Kaliya SG
Kuape PA
Lala TS
Leech D
Lekgela LE
Madela BNV
Makhele ET
Malebo MC
Mangcotywa ZE
Manyoni TM
Masoetsa LA
Mathobisa ML
Matsemelela MV
Matsoetlane MJ
Moeng MA
Mofokeng MJ
Mogamise ID
Mokoloko PR
Moloabi RLAE
Monnaggori SA
Mononyane MB
Moopelo TM

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

General Information

Moree TCL
Moruri MM
Mosiuoa TA
Motladile MZ
Motlatsi HJ
Mpeqeka MS
Naile TJ
Ndamane SS
Nkoe MJ
Parkie TD
Phajane MA
Phupha NA
Pretorius C
Rabela KN
Rampai CLM
Ratsiu NA
Sebothelo ME
Sekakanyo DM
Thipenyane GTM
Titi-Odile LM
Tobie EC
Van der Westhuizen P
Van Niekerk HJC
Viviers BJ
Ward VW
Zophe NM
Bacela GM
Britz JF
Janse Van Vuuren DE
Mokone KO
Mpakathe TS
Nothnagel J
Olivier GJ
Pato TWG
Teko ED

Enabling legislation

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (Act 6 of 2004)
Division of Revenue Act (Act 5 of 2012)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IGRAP	Interpretation of the standards of Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South Africa Local Government Association

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, and has signed on behalf of the Municipality.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 50 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, she is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the entity, she is supported by the entity's external auditors to express an independent opinion on the fair presentation of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors.

The financial statements set out on pages 7 to 131, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2013:

Mazibuko S
Accounting Officer

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

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

Surplus of the entity was R 399,765,522 (2012: surplus R 425,511,061).

2. Going concern

We draw attention to the fact that at 30 June 2013, the entity had accumulated surplus of R 9,230,427,061 and that the entity's total assets exceed its liabilities by R 9,978,770,639.

The 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 entity 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 entity.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act (Act 2 of 2013).

3. Subsequent events

Write-off of Debt:

Prescribed Consumer Debt:

On 4 July 2013 the Council resolved that all prescribed debt for households, non profit organizations, churches and small businesses (service charges and taxes) older than five years be written off from the debtors book. This amounted to R170,290,641.21 and the Provision for Bad Debt will be utilised for the write off of this debt. This debt is included in the Impairment Provision at 30 June 2013 as disclosed in notes 5, 6 and 7.

Lease Agreement Audit:

After conducting a lease agreement audit a number of deficiencies were noted with regards to the lease contracts where municipal properties are leased out to third parties. The main deficiencies noted were as follows:

- Expired contracts
- No contracts in place
- Maintenance issues of the lease properties
- Overall deficiencies relating to the existing contracts

The Council resolved that the entity is to embark on a re-negotiation process with regards to all leased municipal properties.

In addition the following write off was approved by Council for lease debt older than 3 years:

Lease debt for Commercial Properties	R535,535.94
Lease debt for Sports Clubs	R642.00

This debt is included in the Impairment Provision at 30 June 2013 as disclosed in note 5.

4. Accounting Officer's interest in contracts

None.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality
Mazibuko S	South African

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	Restated 2012 R
Assets			
Current Assets			
Inventory	3	129,158,527	94,907,963
Current portion of Centlec Receivables	14	12,766,872	13,447,336
Other receivables from exchange transactions	5	60,294,070	26,399,691
Consumer receivables from non-exchange transactions	6	114,032,235	106,447,321
Consumer receivables from exchange transactions	7	301,335,222	237,745,621
Cash and cash equivalents	8	257,366,261	178,976,851
		874,953,187	657,924,783
Non-Current Assets			
Investment property	9	2,364,689,240	2,363,202,627
Property, plant and equipment	10	7,129,405,812	6,648,420,673
Intangible assets	11	8,896,793	7,551,050
Heritage assets	12	290,395,237	247,117,109
Investments	13	100	100
Non-current portion of Centlec Receivables	14	2,465,987,668	2,247,709,086
Non-current receivables	4	9,961,566	11,613,679
		12,269,336,416	11,525,614,324
Non-current assets held for sale and assets of disposal groups	15	7,560,000	-
Total Assets		13,151,849,603	12,183,539,107
Liabilities			
Current Liabilities			
Current portion of non-current borrowings	16	9,548,467	4,401,674
Current portion of finance lease liabilities	17	2,477,556	2,477,556
Payables	18	652,643,630	577,675,301
Payables from non-exchange transactions	19	3,690,189	3,188,803
Consumer deposits	21	27,676,875	26,901,926
Unspent conditional grants and receipts	22	198,037,766	216,606,426
Current portion of provisions	25	121,053,518	-
Current portion of Centlec Payables	32	969,044,344	971,435,509
VAT payable	23	70,239,821	64,635,836
		2,054,412,166	1,867,323,031
Non-Current Liabilities			
FRESHCO Liability	31	178,377,360	101,784,878
Borrowings	16	169,537,182	57,685,520
Finance lease liability	17	4,678,339	2,990,344
Defined benefit plan obligation	24	452,964,000	344,111,000
Provisions	25	313,109,917	415,372,283
		1,118,666,798	921,944,025
Total Liabilities		3,173,078,964	2,789,267,056
Net Assets		9,978,770,639	9,394,272,051
Net Assets			
Reserves			
Revaluation reserve	27	659,401,939	501,277,217
Self-insurance reserve	29	77,484,513	77,595,746
COID reserve	30	11,457,126	11,764,522
Accumulated surplus		9,230,427,061	8,803,634,566
Total Net Assets		9,978,770,639	9,394,272,051

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

	Notes	2013 R	Restated 2012 R
Revenue			
Fines		3,828,696	2,884,999
Government grants & subsidies	34	1,296,186,619	1,134,016,454
Income from agency services	35	106,046,017	102,247,441
Interest received	36	370,144,085	348,467,586
Licences and permits		431,225	350,660
Other income	37	102,850,990	40,587,847
Property rates	38	514,177,402	463,255,702
Rental of facilities and equipment	39	17,707,284	10,551,686
Service charges	40	718,169,818	621,237,648
Total revenue		3,129,542,136	2,723,600,023
Expenditure			
Employee related costs	45	(927,767,507)	(846,863,252)
Remuneration of councillors	50	(43,610,235)	(41,317,639)
Depreciation and amortisation	44	(260,636,627)	(280,694,608)
Finance costs	46	(124,115,692)	(131,672,056)
Bad debts and provision for bad debts	41	(303,084,652)	(222,234,114)
Repairs and maintenance		(124,231,588)	(233,847,395)
Bulk purchases	42	(336,562,227)	(286,273,929)
Contracted services	43	(169,653,696)	(129,702,666)
Grants and subsidies paid	49	(32,476,066)	(63,149,164)
General expenses	48	(335,483,136)	(285,495,353)
Total expenditure		(2,657,621,426)	(2,521,250,176)
		-	-
Operating surplus			
		471,920,710	202,349,847
Gain on fair value adjustments on assets		1,486,613	78,111,569
Loss on disposal of assets		(668,445)	(3,000)
Actuarial gain/(loss) on defined benefit plan obligation	47	(74,337,266)	143,359,180
Gain on disposal of non-current assets		1,363,910	1,693,465
		(72,155,188)	223,161,214
Surplus for the year			
		399,765,522	425,511,061
Attributable to:			
Owners of the controlling entity		399,765,522	425,511,061

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Housing development fund reserve R	Revaluation reserve R	Mark-to-market reserve R	Self insurance reserve R	COID reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	3,650,426	669,772,372	9,333	76,090,167	10,996,660	760,518,958	7,384,001,181	8,144,520,139
Adjustments								
Change in accounting policy	-	-	(9,333)	-	-	(9,333)	9,333	-
Prior year adjustments	-	(316,802,863)	-	-	-	(316,802,863)	688,480,646	371,677,783
Balance at 01 July 2011 as restated	3,650,426	352,969,509	-	76,090,167	10,996,660	443,706,762	8,072,491,160	8,516,197,922
Changes in net assets								
Net income (losses) recognised directly in net assets	-	-	-	-	-	-	-	-
Surplus for the year	-	-	-	-	-	-	425,511,061	425,511,061
Total recognised income and expenses for the year	-	-	-	-	-	-	425,511,061	425,511,061
Disposal of assets	-	-	-	-	-	-	7,558,631	7,558,631
Asset Revaluations	-	148,307,708	-	-	-	148,307,708	-	148,307,708
Contributions introduced	-	-	-	1,708,607	3,074,454	4,783,061	(4,755,981)	27,080
Prior Period Adjustments	-	-	-	-	-	-	297,365,880	297,365,880
Realisation of COID Reserve	-	-	-	-	(696,231)	(696,231)	-	(696,231)
Insurance claims processed	-	-	-	(203,028)	(1,610,361)	(1,813,389)	1,813,389	-
Transfers	(3,650,426)	-	-	-	-	(3,650,426)	3,650,426	-
Total changes	(3,650,426)	148,307,708	-	1,505,579	767,862	146,930,723	731,143,406	878,074,129
Opening balance as previously reported	-	673,286,317	11,513	77,595,746	11,764,522	762,658,098	7,989,302,031	8,751,960,129
Adjustments								
Change in accounting policy	-	-	(11,513)	-	-	(11,513)	11,513	-
Prior year adjustments	-	(172,009,100)	-	-	-	(172,009,100)	814,321,022	642,311,922
Balance at 01 July 2012 as restated	-	501,277,217	-	77,595,746	11,764,522	590,637,485	8,803,634,566	9,394,272,051
Changes in net assets								
Surplus for the year	-	-	-	-	-	-	399,765,522	399,765,522
Realisation of Revaluation reserve	-	(15,106,131)	-	-	-	(15,106,131)	15,106,131	-
Revaluation of assets	-	173,230,353	-	-	-	173,230,353	-	173,230,353

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Housing development fund reserve R	Revaluation reserve R	Mark-to-market reserve R	Self insurance reserve R	COID reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Prior year adjustments	-	-	-	-	-	-	11,502,213	11,502,213
Other income	-	500	-	-	-	500	-	500
Insurance claims processed	-	-	-	(111,233)	(3,130,828)	(3,242,061)	3,242,061	-
Contributions Received	-	-	-	-	2,823,432	2,823,432	(2,823,432)	-
Total changes	-	158,124,722	-	(111,233)	(307,396)	157,706,093	426,792,495	584,498,588
Balance at 30 June 2013	-	659,401,939	-	77,484,513	11,457,126	748,343,578	9,230,427,061	9,978,770,639
Note(s)		27	28	29	30			

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

	Notes	2013 R	Restated 2012 R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,613,397,546	1,606,023,602
Grants		1,296,186,619	1,134,016,454
Interest received		24,764,467	14,571,843
Other Receipts		102,307,787	40,587,847
		<u>3,036,656,419</u>	<u>2,795,199,746</u>
Payments			
Employee costs		(971,377,742)	(888,180,891)
Suppliers		(1,345,661,911)	(1,155,293,631)
		<u>(2,317,039,653)</u>	<u>(2,043,474,522)</u>
Net cash flows from operating activities	51	<u>719,616,766</u>	<u>751,725,224</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(610,750,424)	(369,688,772)
Proceeds from sale of property, plant and equipment	10	7,028,994	865,799
Purchase of investment property	9	-	(313,465,127)
Purchase of Heritage Assets	9	(14,493,612)	-
(Purchase)/disposal of other intangible assets	11	(1,664,776)	(410,249)
Proceeds from sale of other intangible assets	11	-	14,923
Entity combinations - Motheo		-	4,202,851
Increase in non-current receivables		(216,626,469)	(270,082,196)
		<u>(836,506,287)</u>	<u>(948,562,771)</u>
Net cash flows from investing activities		<u>(836,506,287)</u>	<u>(948,562,771)</u>
Cash flows from financing activities			
Proceeds from borrowings		193,590,937	141,524,916
Finance lease movements		1,687,994	2,613,949
		<u>195,278,931</u>	<u>144,138,865</u>
Net cash flows from financing activities		<u>195,278,931</u>	<u>144,138,865</u>
Net (decrease)/increase in cash and cash equivalents		<u>78,389,410</u>	<u>(52,698,682)</u>
Cash and cash equivalents at the beginning of the year		178,976,851	231,675,533
Cash and cash equivalents at the end of the year	8	<u>257,366,261</u>	<u>178,976,851</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	709,494,462	-	709,494,462	718,169,818	8,675,356	A1 & B1
Rental of facilities and equipment	24,792,950	(2,130,281)	22,662,669	17,707,284	(4,955,385)	A2
Income from agency services	3,039,220	-	3,039,220	106,046,017	103,006,797	A1
Licences and permits	765,567	31,065	796,632	431,225	(365,407)	A3
Other income	577,028,443	143,648,229	720,676,672	102,850,990	(617,825,682)	A4 & B2
Interest received - investment	54,727,000	74,320,880	129,047,880	370,144,085	241,096,205	A3 & B3
Total revenue from exchange transactions	1,369,847,642	215,869,893	1,585,717,535	1,315,349,419	(270,368,116)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	493,976,301	-	493,976,301	514,177,402	20,201,101	A1 & B4
Government grants & subsidies	651,134,000	(804,755)	650,329,245	884,892,828	234,563,583	A5 & B5
Transfer revenue						
Fines	5,062,882	(1,000,000)	4,062,882	3,828,696	(234,186)	A6
Gain on fair value adjustments on assets	-	-	-	1,486,613	1,486,613	A1
Gains on disposal of property, plant and equipment	-	-	-	695,465	695,465	A1
Total revenue from non-exchange transactions	1,150,173,183	(1,804,755)	1,148,368,428	1,405,081,004	256,712,576	
'Total revenue from exchange transactions'	1,369,847,642	215,869,893	1,585,717,535	1,315,349,419	(270,368,116)	
'Total revenue from non-exchange transactions'	1,150,173,183	(1,804,755)	1,148,368,428	1,405,081,004	256,712,576	
Expenditure						
Personnel	(802,627,751)	(9,523,300)	(812,151,051)	(927,767,507)	(115,616,456)	A3 & B6
Remuneration of councillors	(44,937,916)	-	(44,937,916)	(43,610,235)	1,327,681	A1
Depreciation and amortisation	(155,029,556)	(135,267,859)	(290,297,415)	(260,636,627)	29,660,788	A7 & B7
Finance costs	(47,509,986)	(102,055,583)	(149,565,569)	(124,115,692)	25,449,877	A4 & B8
Debt impairment	(104,200,798)	-	(104,200,798)	(303,084,652)	(198,883,854)	A1 & B9
Other materials	(190,139,742)	22,557,768	(167,581,974)	-	167,581,974	A8 & B13
Bulk purchases	(329,314,971)	-	(329,314,971)	(336,562,227)	(7,247,256)	A1 & B10
Contracted Services	(171,617,160)	(29,651,798)	(201,268,958)	(169,653,696)	31,615,262	A3 & B11
Grants and subsidies paid	(140,236,371)	-	(140,236,371)	(32,476,066)	107,760,305	A1 & B12
General Expenses	(523,051,937)	(86,344,961)	(609,396,898)	(459,714,724)	149,682,174	A9 & B14
Total expenditure	(2,508,666,188)	(340,285,733)	(2,848,951,921)	(2,657,621,426)	191,330,495	
	2,520,020,825	214,065,138	2,734,085,963	2,720,430,423	(13,655,540)	
	(2,508,666,188)	(340,285,733)	(2,848,951,921)	(2,657,621,426)	191,330,495	

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Operating surplus	11,354,637	(126,220,595)	(114,865,958)	62,808,997	177,674,955	
Transfers recognised - capital	513,967,000	182,810,150	696,777,150	411,293,791	(285,483,359)	A3
Actuarial gain/(loss) on defined benefit plan obligation	-	-	-	(74,337,266)	(74,337,266)	A1
	513,967,000	182,810,150	696,777,150	336,956,525	(359,820,625)	
	11,354,637	(126,220,595)	(114,865,958)	62,808,997	177,674,955	
	513,967,000	182,810,150	696,777,150	336,956,525	(359,820,625)	
Surplus before taxation	525,321,637	56,589,555	581,911,192	399,765,522	(182,145,670)	
Deficit before taxation	525,321,637	56,589,555	581,911,192	399,765,522	(182,145,670)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	525,321,637	56,589,555	581,911,192	399,765,522	(182,145,670)	

Reconciliation

Explanations for adjustments to original budget:

A1 - No adjustments to the budgeted figure is applicable.

A2 - Downward adjustment revenue projection not to be realised.

A3 - Upward adjustment original budget underestimated.

A4 - Intercompany loan interest adjustment in line with the newly signed agreement.

A5 - Net decrease due to mainly erroneous budgeting for district health services.

A6 - Downward adjustment revenue projection not to be realised.

A7 - Additional depreciation recharge in line with 2011/12 audit outcome and updated FAR.

A8 - Mainly due to reduction in maintenance of roads and furniture, tools and equipment.

A9 - Additional appropriation due to under budgeting on the original budget and expenditure classification.

Explanations for variances between original budget and actual:

B1 - Unfavourable Water revenue due to seasonal fluctuation and the decrease in billing.

B2 - The difference is due to improper budgeting as grants are included as other income for the budget purposes. The difference is also due to inclusion of interest of shareholders loan and the management fees which is eliminated during the consolidation process.

B3 - Increased cash reserves and interest on intercompany loan account.

B4 - Favourable Property Rates due to more properties being levied than budgeted.

B5 - The difference is due to additional grants being received as compared to the budget.

B6 - Employee related costs unfavourable due to filling of vacancies.

B7 - Favourable due to revaluation of assets and correction of prior period errors.

B8 - Favourable due to the external loan and finance lease not yet being fully utilized.

B9 - Unfavourable due to implementation of new Debt Impairment Policy.

B10 - Unfavourable due to water losses.

B11 - The variance is due to the following: - Audit fees for the current year not yet incurred - Less use of consultants during the current year. - Classification of expenditure as per budget vs annual financial statements - Less expenditure incurred for the current year as opposed to the budget.

B12 - The reason is due to late conclusion of contracts.

B13 - The variance is due to underspending on the repairs and maintenance on the municipality's own infrastructure.

B14 - Included in the general expenses budgeted amount is the expected budgeted amount for actuarial gains/(losses) and rehabilitation cost resulting the difference.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventory	41,039,591	306,203	41,345,794	129,158,527	87,812,733	A1 & B1
Current portion of long-term receivables	16,338,703	816,935	17,155,638	12,766,872	(4,388,766)	A1
Other receivables from exchange transactions	129,002,602	9,294,878	138,297,480	60,294,070	(78,003,410)	A1 & B2
Consumer debtors	354,285,980	266,502,983	620,788,963	415,367,457	(205,421,506)	A1 & B2
Cash and cash equivalents	305,136,032	118,379,591	423,515,623	257,366,261	(166,149,362)	A1 & B3
	845,802,908	395,300,590	1,241,103,498	874,953,187	(366,150,311)	
Non-Current Assets						
Investment property	43,722,294	1,300,486,506	1,344,208,800	2,364,689,240	1,020,480,440	A1 & B4
Property, plant and equipment	4,813,649,877	4,788,207,427	9,601,857,304	7,129,405,812	(2,472,451,492)	A1 & B4
Intangible assets	13,414,236	252,382	13,666,618	8,896,793	(4,769,825)	A1 & B4
Heritage assets	-	-	-	290,395,237	290,395,237	A1 & B4
Investments	11,868	11,868	23,736	100	(23,636)	A1
Centlec Receivables	-	-	-	2,465,987,668	2,465,987,668	A1 & B5
Non-current receivables	2,254,808	112,740	2,367,548	9,961,566	7,594,018	A1
	4,873,053,083	6,089,070,923	10,962,124,006	12,269,336,416	1,307,212,410	
Non-current assets held for sale and assets of disposal groups	-	-	-	7,560,000	7,560,000	A1
Non-Current Assets	845,802,908	395,300,590	1,241,103,498	874,953,187	(366,150,311)	
Current Assets	4,873,053,083	6,089,070,923	10,962,124,006	12,269,336,416	1,307,212,410	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	7,560,000	7,560,000	
Total Assets	5,718,855,991	6,484,371,513	12,203,227,504	13,151,849,603	948,622,099	
Liabilities						
Current Liabilities						
Non-current borrowings	18,503,898	(14,102,224)	4,401,674	9,548,467	5,146,793	A1
Finance lease liability	-	-	-	2,477,556	2,477,556	A1
Payables	727,888,915	224,649,404	952,538,319	652,643,630	(299,894,689)	A1 & B6
Taxes and transfers payable (non-exchange)	-	-	-	3,690,189	3,690,189	A1
Consumer deposits	85,175,873	(333,374)	84,842,499	27,676,875	(57,165,624)	A1 & B7
Unspent conditional grants and receipts	-	-	-	198,037,766	198,037,766	A1 & B8
Provisions	-	-	-	121,053,518	121,053,518	A1 & B9
Current portion of Centlec Payables	-	-	-	969,044,344	969,044,344	A1 & B10
VAT payable	-	-	-	70,239,821	70,239,821	A1 & B11
	831,568,686	210,213,806	1,041,782,492	2,054,412,166	1,012,629,674	

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Non-Current Liabilities						
FRESHCO Liability	-	-	-	178,377,360	178,377,360	A1 & B12
Non-current borrowings	253,814,483	(127,353,463)	126,461,020	169,537,182	43,076,162	A1 & B13
Finance lease liability	-	-	-	4,678,339	4,678,339	A1
Defined benefit plan obligation	-	-	-	452,964,000	452,964,000	A1 & B14
Provisions	564,066,326	7,783,581	571,849,907	313,109,917	(258,739,990)	A1 & B9
	817,880,809	(119,569,882)	698,310,927	1,118,666,798	420,355,871	
	831,568,686	210,213,806	1,041,782,492	2,054,412,166	1,012,629,674	
	817,880,809	(119,569,882)	698,310,927	1,118,666,798	420,355,871	
	-	-	-	-	-	
Total Liabilities	1,649,449,495	90,643,924	1,740,093,419	3,173,078,964	1,432,985,545	
Assets	5,718,855,991	6,484,371,513	2,203,227,504	3,151,849,603	948,622,099	
Liabilities	(1,649,449,495)	(90,643,924)	(1,740,093,419)	(3,173,078,964)	(1,432,985,545)	
Net Assets	4,069,406,496	6,393,727,589	0,463,134,085	9,978,770,639	(484,363,446)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	1,496,437,857	1,283,028,034	2,779,465,891	659,401,939	(2,120,063,952)	A1 & B15
Insurance reserve	-	-	-	77,484,513	77,484,513	A1 & B16
COID reserve	-	-	-	11,457,126	11,457,126	A1 & B16
Accumulated surplus	2,572,968,639	5,110,699,555	7,683,668,194	9,230,427,061	1,546,758,867	A1 & B17
Total Net Assets	4,069,406,496	6,393,727,589	0,463,134,085	9,978,770,639	(484,363,446)	

Explanations for adjustments to original budget:

A1 - The adjustments are due to changes in the financial performance and capital expenditure of the entity, refer to explanations contained in the statement of financial performance.

Explanations for variances between original budget and actual:

B1 - The difference is due to increased stock for water.

B2 - The reason for the variance is due to the implementation of the new impairment policy.

B3 - Investments made during the year.

B4 - Variances due to reclassification of assets for accounting purposes, correction of prior period errors and revaluation performed on assets.

B5 - No budgeting for Centlec receivables.

B6 - Due to underspending on expenses, refer to the statement of financial performance.

B7 - Interest is no longer calculated on the consumer deposit balances.

B8 - No budgeting for unspent conditional grants and overbudgeting of vote.

B9 - Over budgeting for rehabilitation cost during the period.

B10 - No budgeting for Centlec payables.

B11 - No budgeting for VAT payable.

B12 - No budgeting for FRESHCO liability.

B13 - Additional loan was taken with the DBSA.

B14 - Reassessment of defined benefit obligation.

B15 - Variances due to reclassification of assets for accounting purposes, correction of prior period errors and revaluation performed on assets.

B16 - Refer to the reasons provided for in statement of financial performance.

B17 - Refer to the reasons provided to the Income statement. Correction of prior period errors.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	3,240,690,294	195,463,026	3,436,153,320	1,613,397,546	(1,822,755,774)	A1 & B1
Grants	1,165,101,000	149,488,933	1,314,589,933	1,296,186,619	(18,403,314)	A2 & B1
Interest income	52,656,100	4,023,569	56,679,669	24,764,467	(31,915,202)	A3 & B1
Other receipts	-	-	-	102,307,787	102,307,787	
	4,458,447,394	348,975,528	4,807,422,922	3,036,656,419	(1,770,766,503)	
Payments						
Employee costs	(3,497,849,288)	(265,673,379)	(3,763,522,667)	(971,377,742)	2,792,144,925	A4 & B1
Suppliers	-	-	-	(1,345,661,911)	(1,345,661,911)	
Finance costs	(61,799,231)	(102,055,583)	(163,854,814)	-	163,854,814	A5 & B1
Other payments	(140,289,371)	17,274,213	(123,015,158)	-	123,015,158	A6 & B1
	(3,699,937,890)	(350,454,749)	(4,050,392,639)	(2,317,039,653)	1,733,352,986	
Total receipts	4,458,447,394	348,975,528	4,807,422,922	3,036,656,419	(1,770,766,503)	
Total payments	(3,699,937,890)	(350,454,749)	(4,050,392,639)	(2,317,039,653)	1,733,352,986	
Net cash flows from operating activities	758,509,504	(1,479,221)	757,030,283	719,616,766	(37,413,517)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(678,300,449)	(68,002,109)	(746,302,558)	(610,750,424)	135,552,134	A7 & B2
Proceeds from sale of property, plant and equipment	35,936	(35,936)	-	7,028,994	7,028,994	
Purchase of other intangible assets	-	-	-	(1,664,776)	(1,664,776)	B2
Purchase of heritage assets	-	-	-	(14,493,612)	(14,493,612)	B2
Increase in non-current receivables	-	-	-	(216,626,469)	(216,626,469)	B2
Net cash flows from investing activities	(678,264,513)	(68,038,045)	(746,302,558)	(836,506,287)	(90,203,729)	
Cash flows from financing activities						
Proceeds on consumer deposits	1,255,400	3,857,600	5,113,000	-	(5,113,000)	A8 & B3
Proceeds from non-current borrowings	105,885,163	(26,471,291)	79,413,872	193,590,937	114,177,065	A9 & B3
Repayment of non-current borrowings	(13,500,000)	-	(13,500,000)	-	13,500,000	A9 & B3
Finance lease movement	-	-	-	1,687,994	1,687,994	B3
Net cash flows from financing activities	93,640,563	(22,613,691)	71,026,872	195,278,931	124,252,059	

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net increase/(decrease) in cash and cash equivalents	173,885,554	(92,130,957)	81,754,597	78,389,410	(3,365,187)	
Cash and cash equivalents at the beginning of the year	131,250,478	210,510,548	341,761,026	178,976,851	(162,784,175)	
Cash and cash equivalents at the end of the year	305,136,032	118,379,591	423,515,623	257,366,261	(166,149,362)	

Explanations for adjustments to original budget:

A1 - Mainly an increase in electricity sales and reclassification FBS from grants.

A2 - Mainly appropriation of rollover of unspent grants and new additional funds received.

A3 - Mainly due an increase in the investment amount, higher than budget.

A4 - Mainly due to additional appropriated operating funds on the budget.

A5 - Intercompany loan interest adjustment in line with the newly signed agreement, including additional income.

A6 - Reclassification of transfer FBS to entity as Ratepayers and others.

A7 - Additional capex cash outflow due to additional rollover funds.

A8 - Net increase in under budgeted consumer deposit.

A9 - Reduction due to delay with the fleet lease tender and delayed expenditure on DBSA loan funded projects.

Explanations for variances between original budget and actual:

B1 - Under collection of debt from customers.

B2 - Due to late appointments of contractors for capital projects.

B3 - Increased in cash reserves for capital expenditure.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Standards and interpretations effective and adopted in the current year.

1.1 Transfer of functions between entities under common control

Transfer of functions between entities not under common control will be accounted for on the acquisition method. The consideration transferred for the acquisition of a function is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the transfer of functions are measured initially at their fair values at the transfer date.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired and liabilities assumed

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their fair values.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the fair value of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the fair value of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the entity incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees and general administrative costs. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The entity subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP, as set out in the accounting policies for those types of assets and liabilities.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The entity makes those classifications or designations on the basis of the terms of the binding arrangement, conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the entity derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the fair value of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

Trade receivables, loans and other receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets, such as trading securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for the assets as noted in accounting policy 1.4. This estimate is based on industry norm. Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives."

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and medical aid obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 24.

Allowance for doubtful debts

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

1.3 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.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Fair value

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

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

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, 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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or, replace part of an item of property, plant and equipment. 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.

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

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 shall be depreciated separately

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement - Revaluation model (Land and Buildings)

Subsequent to initial recognition items of property, plant and equipment are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Land is not depreciated, except for landfill and quarry sites, as it is deemed to have an indefinite useful life.

Revaluations are performed every 5 years by registered valuers for every class separately.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent measurement - Cost

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalised the new component. Subsequent expenditure incurred on an asset is capitalized when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

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

Land is not depreciated as it has an indefinite useful life.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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1.4 Property, plant and equipment (continued)

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

Item	Estimated useful life (years)
Buildings	30-53
Other assets	5-15
Other vehicles	4-10
Fire Arms	3-5
Community / Recreational facilities	20-30
Environmental facilities	3-5
Finance lease - Equipment	3-5
Roads and storm water	15-30
Finance leases - 3 G cards	2
Finance leases - Cell phones	2
Security	3-5
Sewerage and Mains	10-15
Quarries	20-30
Landfill sites	15-70
Water and sewerage network	15-20
Housing	30
Specialised plant and equipment	3-5

The residual value, and 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.

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 entity 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 entity.

Commitments:

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 52. The commitments as disclosed are the contractual amount less any payments made in respect of the contract

1.5 Site restoration and dismantling cost

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

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Accounting Policies

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

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

1.6 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 entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

For an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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

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

Item	Useful life (years)
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal (including disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

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1.6 Intangible assets (continued)

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.

1.7 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial recognition

Biological and other assets recognised as heritage assets are initially recognised and measured at its cost. When the asset is acquired through a non-exchange transaction, its cost is measured at its fair value at the date of acquisition.

Subsequent measurement

Heritage assets of the entity are subsequently measured at fair value as per the revaluation model. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done every five years.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The heritage assets of the entity shall not be depreciated but will be assessed at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

The entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

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Accounting Policies

1.7 Heritage assets (continued)

Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Investments

Investments are carried at cost less any accumulated impairment in the separate financial statements.

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

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

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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Accounting Policies

1.9 Financial instruments (continued)

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

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Accounting Policies

1.9 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

- Financial instruments measured at fair value
- Financial instruments measured at amortised cost
- Financial instruments measured at cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account, whichever is appropriate. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account, whichever is appropriate. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
 - National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group).
- Is the account in arrears for a period longer than the initial estimated repayment period
- accounts with arrears of over 90 days showing no repayments in the last financial year
- accounts handed over for collection
- any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (example: an increased number of late payments)
- a breach in contract, such as a default in interest or capital payments

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1.9 Financial instruments (continued)

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment. The information which management will utilize should adequately reflect the current status, relating to the collectability of the receivables.

Refer to notes 4 to 7 and 39 for the impact of the above application.

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest 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.

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.

1.10 Tax

VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.11 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

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

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

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

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

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1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

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

1.12 Inventory

Inventories are initially measured at cost except where Inventories are acquired through a non-exchange transaction, 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 entity incurs to acquire the asset on the reporting date.

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

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

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

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.

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1.13 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

All assets of the entity are accounted for as non cash-generating assets.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.14 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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1.15 Impairment of non-cash-generating assets (continued)

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.15 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.16 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.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the entity expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

The entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

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Accounting Policies

1.16 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

Actuarial assumptions are included in the note of defined benefit obligation plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are measured at the discounted future cost.

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

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

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

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

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1.17 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

Onerous contracts

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liabilities

Changes in the measurement of an existing decommissioning, restoration and similar liabilities that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, are accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:

- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Revenue from exchange transactions

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

Revenue consists primarily of grants from National- and Provincial Government, services charges, rentals, interest received and other services rendered.

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

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water.

Interest

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Currently fines are recognised as revenue at the earliest of:

- Receipts or;
- Final court ruling.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the entity recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Conditional grants and receipts

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

The comparative figures have been restated.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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).

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

Detailed disclosures were made in the notes to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.25 Fruitless and wasteful expenditure

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

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.25 Fruitless and wasteful expenditure (continued)

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

Detailed disclosures were made in the notes to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act (Act No.56 of 2003) 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 Municipal Systems Act; or
- (c) the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) the supply chain management policy or by-laws giving effect to such policy.

Municipal Finance Management Act (Act No.56 of 2003) Circular No. 68 was issued on 10 May 2013 to provide clarity on the procedures to be followed when dealing with irregular expenditure. This guideline is to be effective for all irregular expenditure from 1 July 2013, but was used as a guideline for irregular expenditure in the current year.

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 entity's supply chain management policy and has not been condoned. 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.

1.27 Use of estimates

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

1.28 Presentation of currency

These financial statements are presented in South African Rand.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.29 Offsetting

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

1.30 Housing development fund

The housing development fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a housing development fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the housing development fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the fund. Monies standing to the credit of the fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Internal reserves

Self insurance reserve

The entity has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self-Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund should be invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Reserve is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993).

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

1.32 Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.33 Mark-to-market reserve

Before adoption of GRAP 104 - Financial Instruments this reserve comprised of all fair value adjustments on available-for-sale financial instruments (unlisted shares). When an asset or liability was to be derecognised, the fair value adjustments relating to that asset or liability would be transferred to surplus/ (deficit).

With the adoption of GRAP 104 - Financial Instruments, the financial instrument previously classified as available-for-sale was reclassified to financial instrument at fair value and the cumulative fair value adjustments within the mark-to-market reserve was transferred to surplus/(deficit).

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.34 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

1.35 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.

1.36 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements. GRAP 18 has not been considered in developing these policies.

1.37 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2012 to 30 June 2013.

The budget for the entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.38 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled 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 local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.39 Free State Social Housing Company arrangement

The entity grants the right to use the Brandwag Property (Brandwag Flats) to Free State Social Housing Company (FRESHCO).

FRESHCO is the entity that uses the Brandwag Property (Brandwag Flats) to provide public services subject to the entity's control of the asset.

The FRESHCO agreement is a binding arrangement between the entity and FRESHCO in which:

- FRESHCO uses the Brandwag Property (Brandwag Flats) to provide a public service on behalf of the entity for a specified period of time; and
- FRESHCO is compensated for its services over the period of the arrangement.

The Brandwag Property (Brandwag Flats) is an asset used to provide public services in an arrangement that

- Is provided by the entity which:
- Is an existing asset of the entity or
- Is an upgrade to an existing asset of the entity.
- Is provided by FRESHCO which:
- FRESHCO constructs, develops, or acquires from a third party or
- Is an existing asset of FRESHCO.

The entity shall recognize an asset provided by FRESHCO and an upgrade to an existing asset of the entity as a Brandwag Property (Brandwag Flats) if:

- The entity controls or regulates what services FRESHCO must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the Brandwag Property (Brandwag Flats) recognised at its fair value.

Brandwag Property (Brandwag Flats) shall subsequently be accounted for in accordance with GRAP 17 - Property, Plant, and Equipment or GRAP 16 - Investment Property or GRAP 31 - Intangible Assets, whichever is appropriate.

Where the entity recognises a Brandwag Property (Brandwag Flats), the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the Brandwag Property (Brandwag Flats), adjusted by the amount of any other consideration (e.g. cash) from the entity to FRESHCO, or from FRESHCO to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to FRESHCO for the construction, development, acquisition, or upgrade of a Brandwag Property (Brandwag Flats), and grants FRESHCO the right to earn revenue from third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and FRESHCO.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the FRESHCO arrangement.

The entity shall account for revenues from a FRESHCO arrangement in accordance with GRAP 9 - Revenue from Exchange Transactions.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2013	Restated
R	2012
	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none">GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012
<ul style="list-style-type: none">GRAP 104: Financial Instruments	01 April 2012

The entity has adopted GRAP 24: Presentation of Budget Information in the Financial Statements. The main change relates to the inclusion of the comparison between budgeted figures and actuals. Refer to the statement of comparison of budget and actual amounts.

The entity has adopted GRAP 104 Financial Instruments. The main change relates to the assessment of the impairment loss for financial assets carried at amortised cost.

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

In accordance with GRAP 104 the above measurement has been applied prospectively.

Refer to Note 1.9 for the full accounting policy on financial instruments and notes 4 - 7 for the effect of applying the standard.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following interpretation:

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none">IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013

The entity has early adopted IGRAP 1. The full amount of non-exchange revenue is recognized at initial recognition and no probability testing is required.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

2.3 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2013 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 20: Related parties	01 April 2013	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration.
<ul style="list-style-type: none">GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Investments in Associates that will be effected by the Standard.
<ul style="list-style-type: none">GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Interests in Joint Ventures that will be effected by the Standard.
<ul style="list-style-type: none">GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Investments in Associates that will be effected by the Standard.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- | | | |
|--|---------------|---|
| • GRAP 9 (as revised 2012): Revenue from Exchange Transactions | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 12 (as revised 2012): Inventories | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. The entity does not own any biological assets. |
| • GRAP 13 (as revised 2012): Leases | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 16 (as revised 2012): Investment Property | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 17 (as revised 2012): Property, Plant and Equipment | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101) | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. The entity is not involved in agricultural activities and therefore this standard is not considered applicable. |
| • GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102) | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • IGRAP16: Intangible assets website costs | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. |
| • GRAP 18: Segment Reporting | 01 April 2013 | It is unlikely that the standard will have a material impact on the annual financial statements. This is due to the fact that if consolidated financial statements is prepared, segment reporting only needs to be applied to the consolidated set of financial statements. |

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2. New standards and interpretations (continued)

- GRAP 25: Employee Benefits

01 April 2013

The most significant impact of the standard relates to actuarial gains and losses related to the Defined benefit obligation. On adoption of the standard the entity will only recognize these gains and losses in full in the year that it arises.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

Standard/ Interpretation:

Effective date: Years beginning on or after

Expected impact:

- GRAP 105: Transfers of functions between entities under common control
- GRAP 106: Transfers of functions between entities not under common control
- GRAP 107: Mergers
- IGRAP 11: Consolidation – Special purpose entities
- IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard. It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard. It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard. It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard. It is unlikely that the standard will have a material impact on the annual financial statements. Management is not aware of any Special purpose entities that will be effected by the Standard.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
3. Inventory		
Consumable stores	4,744,071	3,717,555
Fuel - Petrol and diesel	1,146,007	1,536,441
Unsold Properties Held for Resale	120,202,389	86,638,280
Water in pipes	333,777	296,468
Water in reservoirs	986,694	1,014,416
Water maintenance materials	1,745,589	1,704,803
	129,158,527	94,907,963
Inventory recognised as an expense		
Inventory expensed	5,552,831	3,957,819
Inventory written off	(37,450)	274,447
No inventory was pledged as security for any financial liability.		
4. Non-current receivables		
Designated at fair value		
2,535 Unlisted shares - OVK Limited	16,782	14,048
At amortised cost		
Vehicle loans	920,603	939,246
Study loans	48,509	48,509
Erven loans	9,261,872	9,393,841
Housing selling scheme loans	47,484,041	47,380,242
Cricket Stadium	9,450,444	9,345,458
	67,165,469	67,107,296
Impairment - Vehicle loans	(900,471)	(956,114)
Impairment - Study loans	(48,506)	(48,509)
Impairment - Erven loans	(9,090,752)	(9,323,863)
Impairment - Housing selling scheme loans	(47,180,955)	(45,179,178)
	9,944,785	11,599,632
Non-current assets		
Designated at Fair Value	16,782	14,048
At amortised cost	9,944,784	11,599,631
	9,961,566	11,613,679
Non-current assets	9,961,566	11,613,679
Current assets	-	-

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Class 1 - Unlisted Shares	16,782	14,048
The shares were valued using quoted market prices.	<hr/>	<hr/>

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Class 1 - Unlisted shares	16,782	14,048
	16,782	14,048
	-	-
	<hr/>	<hr/>

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the non current receivables.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Financial assets at amortised cost		
Reconciliation of provision for impairment of financial assets at amortised cost		
Impairment for vehicle loans		
Opening balance	956,114	950,522
Provision for impairment	-	5,592
Unused amounts reversed	(55,643)	-
	900,471	956,114
Impairment of study loans		
Opening balance	48,509	49,599
Unused amounts reversed	(3)	(1,090)
	48,506	48,509
Impairment for erven loans		
Opening balance	9,323,863	9,376,161
Unused amounts reversed	(233,111)	(52,298)
	9,090,752	9,323,863
Impairment for housing selling scheme loans		
Opening balance	45,179,178	45,861,900
Unused amounts reversed	-	(682,722)
Provision for impairment	2,001,776	-
	47,180,954	45,179,178

Some comparative figures have been restated as allowed by GRAP 104.

Details of financial assets at amortised cost:

Vehicle loans

Permanent staff obtained loans at 8.5% interest per annum repayable over a period of 3 to 6 years. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA. Other staff loans bear interest of prime plus 1% and are repayable over a period of 3 to 6 years.

Study loans

Staff members qualified for interest free study loans under the approved study scheme of the entity. These loans are repayable on a monthly basis by way of salary deductions. The loans are being phased out and no new loans are granted, as per section 164 (1)(c) of the MFMA.

Erven loans

Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

Housing selling scheme loans

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
5. Other receivables from exchange transactions		
Deferred lease income	112,963	75,309
Interest on investments	633,037	61,696
Staff leave day's receivable	819,532	72,632
Sundry receivables	98,988,936	63,128,024
Sundry receivables - impairment	(40,260,398)	(36,937,970)
	60,294,070	26,399,691

Other receivables pledged as security

None of the receivables were pledged as security for any financial liability.

Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2013, R 5,818,897 (2012: R 4,624,415) were past due but not impaired.

1 month past due	982,148	788,895
2 months past due	840,800	695,617
3 months past due	3,995,949	3,139,903

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 40,260,398 (2012: R 36,937,970) were impaired and provided for.

The amount of the provision was R (40,260,398) as of 30 June 2013 (2012: R (36,937,970)).

The ageing of these trade and other receivables are as follows:

2 months	13,562	-
Over 3 months	40,246,836	36,937,970

Reconciliation of provision for impairment of other receivables

Opening balance	36,937,970	33,902,241
Impairment for the year	3,328,617	3,035,729
Amounts written off as uncollectable	(6,189)	-
	40,260,398	36,937,970

Sundry receivables consist out of debtors raised from other income recognised (refer to note 37).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the other receivables from non exchange transactions.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
6. Consumer receivables from non-exchange transactions		
Gross balances		
Rates	436,569,652	378,880,397
Rates - Impairment	(322,537,417)	(272,433,076)
	114,032,235	106,447,321
Rates - Ageing		
Current (0 - 30 days)	37,382,051	33,748,293
31 - 60 days	16,938,188	17,812,923
61 - 90 days	13,818,663	13,603,606
91 Days +	368,430,750	313,715,575
Total	436,569,652	378,880,397
Summary of rates debtors by classification		
Residential and sundry		
Current (0 - 30 days)	17,359,485	16,123,333
31 - 60 days	7,729,446	7,869,751
61 - 90 days	6,408,897	6,301,438
91 days +	234,028,700	204,572,762
	265,526,528	234,867,284
Less: Impairment	(226,337,816)	(168,880,780)
Total	39,188,712	65,986,504
Business/commercial		
Current (0 - 30 days)	17,035,529	14,830,470
31 - 60 days	8,104,771	8,487,325
61 - 90 days	6,425,205	6,280,890
91 days +	115,591,637	88,539,618
	147,157,142	118,138,303
Less: Impairment	(96,199,601)	(92,181,630)
Total	50,957,541	25,956,673
Government		
Current (0 - 30 days)	2,987,037	2,794,489
31 - 60 days	1,103,971	1,455,847
61 - 90 days	984,561	1,021,278
91+ days	18,810,413	20,603,195
	23,885,982	25,874,809
Less: Impairment	-	(11,370,666)
Total	23,885,982	14,504,143

Consumer receivables from non-exchange transactions pledged as security

None of the debtors from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The credit quality of consumer receivables were evaluated in terms of the risk group and ageing of the individual receivable account.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
6. Consumer receivables from non-exchange transactions (continued)		
Consumer receivables from non-exchange transactions past due but not impaired		
Other receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2013, R 76,650,184 (2012: R 72,699,028) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	16,938,188	17,812,923
2 months past due	13,802,958	13,721,163
3 months past due	45,909,038	41,164,942
Consumer receivables from non-exchange transactions impaired		
As of 30 June 2013, other receivables from non-exchange transactions of R 322,537,417 (2012: R 272,433,076) were impaired and provided for.		
The amount of the provision was R 322,537,417 as of 30 June 2013 (2012: R 272,433,076).		
The ageing of these loans is as follows:		
2 months	15,705	-
Over 3 months	322,521,712	272,433,076
Reconciliation of provision for impairment of consumer receivables from non-exchange transactions		
Opening balance	272,433,076	237,398,622
Provision for impairment	56,224,889	35,034,454
Amounts written off as uncollectible	(6,120,548)	-
	322,537,417	272,433,076
The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.		
Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from non-exchange transactions.		
Comparative information has been restated as allowed GRAP 104.		
7. Consumer receivables from exchange transactions		
Gross balances		
Water	914,995,378	726,633,045
Sewerage	212,899,293	187,583,383
Refuse	26,588,015	-
Housing rental	24,536,812	21,868,953
Unallocated deposits	220,252	(814,627)
	1,179,239,750	935,270,754

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
7. Consumer receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Water	(683,568,562)	(535,611,296)
Sewerage	(158,412,813)	(141,777,633)
Refuse	(12,536,282)	-
Housing rental	(23,386,871)	(20,136,204)
	<u>(877,904,528)</u>	<u>(697,525,133)</u>
Net balance		
Water	231,426,816	191,021,749
Sewerage	54,486,480	45,805,750
Refuse	14,051,733	-
Housing rental	1,149,941	1,732,749
Unallocated deposits	220,252	(814,627)
	<u>301,335,222</u>	<u>237,745,621</u>
Water - ageing		
Current (0 -30 days)	67,316,463	60,592,372
31 - 60 days	47,592,255	34,088,360
61 - 90 days	41,090,338	29,397,147
90+ days	744,836,569	589,184,214
Meter reading estimate at year end	14,159,751	13,370,952
	<u>914,995,376</u>	<u>726,633,045</u>
Sewerage - ageing		
Current (0 -30 days)	14,099,848	14,724,478
31 - 60 days	7,675,062	7,792,402
61 - 90 days	6,275,852	6,132,672
90+ days	184,848,531	158,933,831
	<u>212,899,293</u>	<u>187,583,383</u>
Refuse - ageing		
Current (0 -30 days)	5,172,154	-
31 - 60 days	2,846,379	-
61 - 90 days	2,429,250	-
90+ days	16,140,232	-
	<u>26,588,015</u>	<u>-</u>
Housing rental - ageing		
Current (0 -30 days)	315,270	287,482
31 - 60 days	308,616	286,605
61 - 90 days	303,882	278,817
90+ days	23,609,044	21,016,049
	<u>24,536,812</u>	<u>21,868,953</u>
Unallocated deposits - ageing		
90+ days	220,252	(814,627)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
7. Consumer receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential and sundry		
Current (0 -30 days)	65,848,176	54,277,015
31 - 60 days	46,748,846	32,172,361
61 - 90 days	38,514,615	29,127,513
90+ days	886,006,101	710,790,626
	<u>1,037,117,738</u>	<u>826,367,515</u>
Less: Allowance for impairment	(800,866,545)	(607,199,017)
	<u>236,251,193</u>	<u>219,168,498</u>
Business/Commercial and municipal		
Current (0 -30 days)	21,029,033	14,995,417
31 - 60 days	8,908,667	6,749,418
61 - 90 days	9,354,633	4,560,252
90+ days	78,741,673	55,406,724
	<u>118,034,006</u>	<u>81,711,811</u>
Less: Allowance for impairment	(77,037,983)	(53,968,529)
	<u>40,996,023</u>	<u>27,743,282</u>
Government		
Current (0 -30 days)	9,734,410	8,721,156
31 - 60 days	3,746,946	4,034,487
61 - 90 days	3,084,437	2,881,982
90+ days	49,912,111	43,968,612
	<u>66,477,904</u>	<u>59,606,237</u>
Less: Allowance for impairment	-	(36,357,588)
	<u>66,477,904</u>	<u>23,248,649</u>
Total		
Current (0 -30 days)	96,611,618	77,993,588
31 - 60 days	59,404,460	42,956,265
61 - 90 days	50,953,685	36,569,746
91 - 120 days	1,014,659,885	810,165,962
Water meter reading estimate	14,159,751	13,370,952
	<u>1,235,789,399</u>	<u>981,056,513</u>
Less: Provision for debt impairment	(877,904,528)	(697,525,134)
Add: Unallocated deposits	220,252	(814,627)
Add: Electricity	(13,611)	(11,709)
Transferred to current portion of non-current receivables	(969,112)	(1,007,964)
Transferred to other receivables from exchange transactions	(55,787,178)	(43,951,458)
	<u>301,335,222</u>	<u>237,745,621</u>
Less: Provision for debt impairment		
Provision for debt impairment	(877,904,528)	(697,525,133)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
7. Consumer receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(697,525,133)	(512,612,559)
Contributions to allowance	(249,942,808)	(184,912,574)
Debt impairment written off against allowance	69,563,413	-
	(877,904,528)	(697,525,133)

Consumer debtors pledged as security

None of the debtors were pledged as security for any financial liability.

Credit quality of consumer receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer debtors are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at an rate of 1% higher than the prime rate for the period.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 260,484,455 (2012: R 149,584,963) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	59,404,460	42,167,367
2 months past due	50,404,191	31,655,748
3 months and over past due	150,675,804	75,761,848

Consumer debtors impaired

As of 30 June 2013, consumer debtors of R 877,904,528 (2012: R 697,525,133) were impaired and provided for.

The ageing of these accounts is as follows:

2 months	549,494	-
Over 3 months	877,355,034	697,525,133

Comparative information has been restated as allowed GRAP 104.

During the current financial year, the entity started billing for refuse separately. Previously refuse was billed as part of sewerage. Therefore no comparative figures are available for refuse.

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the Consumer receivables from exchange transactions

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	105,949	54,869
Bank balances	53,197,828	48,424,477
Short term deposits	204,062,484	130,497,505
	<u>257,366,261</u>	<u>178,976,851</u>

An unlimited surety is provided by provincial government, National Treasury and the Development Bank of South Africa. The total overdraft facility available to the Mangaung Metropolitan Municipality is R 54,000,000.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available.

Credit rating

F1+	<u>257,260,312</u>	<u>178,921,982</u>
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Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	30	11,457,126	11,764,522
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The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.

The entity had the following bank accounts

Account number and description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA - Primary account - 470 000 465	46,586,845	42,086,668	25,572,621	48,690,127	44,408,057	28,426,476
ABSA - Fresh produce market - 470 001 348	3,833,927	2,418,766	2,697,541	3,833,927	2,418,766	2,697,541
ABSA - Direct deposits banktel - 470 001 380	-	-	-	673,774	1,597,654	1,601,971
Total	<u>50,420,772</u>	<u>44,505,434</u>	<u>28,270,162</u>	<u>53,197,828</u>	<u>48,424,477</u>	<u>32,725,988</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013		Restated 2012	
	R		R	
9. Investment property				
	2013		2012	
	Valuation	Carrying value	Valuation	Carrying value
Investment property	2,364,689,240	- 2,364,689,240	2,363,202,627	- 2,363,202,627

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustment	Total
Investment property	2,363,202,627	1,486,613	2,364,689,240

Reconciliation of investment property - 2012

	Opening balance	Additions	Disposals	Total
Investment property	2,049,787,992	313,465,127	(50,492)	2,363,202,627

Pledged as security

None of the properties were pledged as security for any financial liability.

Due to the nature of entity properties and the set up of the expenditure accounts relating to properties, it was impractical to disclose the expenditure incurred relating to the Investment Property.

Details of valuation

The investment properties were revalued with reference to the market values of the properties and the information at the deeds office.

The entity's investment properties were revalued at 30 June 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

There are no restrictions upon the realisation of the Investment properties.

10. Property, plant and equipment

	2013		2012	
	Cost / Valuation	Accumulated depreciation	Cost / Valuation	Accumulated depreciation
Land	694,662,744	-	694,662,744	-
Buildings	1,122,425,575	(8,727,442)	1,113,698,133	(974,341,298)
Other assets	245,393,020	(67,699,499)	177,693,521	(54,535,571)
Community assets	946,814,479	(447,101,613)	499,712,866	(402,877,033)
Infrastructure	5,954,606,840	(1,310,968,292)	4,643,638,548	(1,117,103,633)
Total	8,963,902,658	(1,834,496,846)	7,129,405,812	(1,574,516,237)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Work in progress Additions	Transfers	Revaluations	Depreciation	Depreciation on sale	Net Book Value
Land	631,952,685	-	(5,615,403)	-	-	68,325,462	-	-	694,662,744
Other assets	168,457,101	23,070,255	(2,961)	-	-	-	(13,831,691)	817	177,693,521
Buildings	974,341,298	41,582,429	-	77,521,208	(43,186,411)	71,627,221	(8,187,612)	-	1,113,698,133
Community assets	498,930,414	16,481,120	(715,165)	35,073,015	(5,831,938)	-	(44,274,091)	49,511	499,712,866
Infrastructure	4,375,072,138	7,353,840	-	555,715,923	(101,168,983)	-	(193,334,370)	-	4,643,638,548
	6,648,753,636	88,487,644	(6,333,529)	668,310,146	(150,187,332)	139,952,683	(259,627,764)	50,328	7,129,405,812

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Work in progress Additions	Transfers	Revaluations	Depreciation	Depreciation on sale	Net Book Value
Land	622,583,386	-	(3,000)	-	-	9,372,299	-	-	631,952,685
Buildings	852,395,679	310,956,149	-	107,508,374	(348,068,209)	(817,719)	52,367,024	-	974,341,298
Other assets	160,708,331	17,723,749	-	-	-	(339,871)	(9,974,979)	339,871	168,457,101
Community assets	503,965,803	19,812,334	(464,790)	20,949,273	(572,748)	-	(44,767,535)	8,077	498,930,414
Infrastructure	4,309,760,502	29,862,568	-	280,834,923	(11,787,071)	-	(233,598,784)	-	4,375,072,138
	6,449,413,701	378,354,800	(467,790)	409,292,570	(360,428,028)	8,214,709	(235,974,274)	347,948	6,648,753,636

Assets subject to finance lease (Net carrying amount)

Office Equipment - Copiers	7,799,474	2,347,822
Cellular Data Services	-	56,345
Cellular Phones	-	176,666
	7,799,474	2,580,833

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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10. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was 30 June 2013. The entity's Property, Plant and Equipment were revalued at 30 June 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The value of properties was determined based on the market values and the information obtained from the deed's office.

The valuation was performed after the following factors were taken into account:

- the useful lives and;
- the condition of the building.

There are no restriction on the on distribution of the revaluation surplus.

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	445,889,016	20,894,370	482,395	467,265,781
Additions/capital expenditure	451,697,657	28,189,183	1,126,720	481,013,560
Correction as per the prior year registers	(37,825,153)	(90,353)	(482,395)	(38,397,901)
	859,761,520	48,993,200	1,126,720	909,881,440

Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	168,512,023	450,000	-	168,962,023
Additions/capital expenditure	277,376,993	20,444,371	482,395	298,303,759
	445,889,016	20,894,371	482,395	467,265,782

Refer to Appendix B for more details.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

11. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, purchased	11,397,776	(2,500,983)	8,896,793	9,732,947	(2,181,897)	7,551,050

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, purchased	7,551,050	1,664,776	(319,033)	8,896,793

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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11. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Disposals	Amortisation	Amortisation on disposals	Total
Computer software, purchased	7,515,797	363,327	(14,923)	(328,074)	14,923	7,551,050

Pledged as security

No intangible asset was pledged as security for any financial liability.

12. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	290,395,237	-	290,395,237	247,117,109	-	247,117,109

Reconciliation of heritage assets 2013

	Opening balance	Additions	Additions to Work in Progress	Revaluation increase/(decr ease)	Total
Heritage assets	247,117,109	3,892,105	10,601,508	28,784,515	290,395,237

Reconciliation of heritage assets 2012

	Opening balance	Revaluation increase/(decr ease)	Total
Heritage assets	243,277,962	3,839,147	247,117,109

Pledged as security

None of the assets were pledged as security for any financial liability.

Revaluations

Methods and assumptions used in determining fair value

The fair value of these assets were determined by an independent valuator as at 30 June 2013.

There are no heritage assets used for more than one purpose.

The fair value of heritage assets were determined after considering the following factors. The condition of the asset, the useful life and the location of the asset.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

				2013	Restated
				R	2012
					R
13. Investments					
Name of entity	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100 %	100 %	100	100
				100	100

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

A company, Centlec (SOC) Limited, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

14. Centlec Receivables

At amortised cost

Centlec Advances	122,642,380	136,089,716
Centlec Shareholders Loan	2,356,112,160	2,125,066,706
	2,478,754,540	2,261,156,422

Centlec (SOC) Limited Advances

The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during the past eight years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 9%.

Centlec (SOC) Limited Shareholders Loan

From 30 June 2010, the shareholders loan contract has been amended to determine interest as the lower of 15% of Centlec (SOC) Limited prior year's revenue or the interest rate used as on 30 June 2010 (i.e. 8.17%), adjusted for CPI as per the Public Finance Sector. The applicable rate for the previous year was 15% of Centlec (SOC) Limited prior year's revenue and in the current year 10.94% was applied on the outstanding loan balance. The loan is repayable from 2015 over a period of 21 years.

Non-current assets	2,465,987,668	2,247,709,086
Current assets	12,766,872	13,447,336
	2,478,754,540	2,261,156,422

15. Non-current assets held for sale

Carrying amount of assets held for sale previously classified under property, plant and equipment:

Assets and liabilities

Non-current assets held for sale

Land	7,560,000	-
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Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
16. Other financial liabilities		
At amortised cost		
DBSA Bloemfontein - Sewer 8001/104	3,310,354	4,423,907
DBSA Bloemfontein - Water 8001/104	3,023,256	4,040,498
DBSA - FS1034/02	47,098,464	42,761,225
DBSA - FS1034/01	125,653,575	10,861,564
Total other financial liabilities	179,085,649	62,087,194
<p>These loans are from The Development Bank of South Africa and repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 March 2026 and the loans bear interest between 6% and 14%.</p> <p>The entity did not default on any of the other financial liabilities, whether it be on the capital or the interest portions, and none of the terms attached to the other financial liabilities were renegotiated.</p>		
Non-current liabilities		
At amortised cost	169,537,182	57,685,520
Current liabilities		
At amortised cost	9,548,467	4,401,674
17. Finance lease liability		
Minimum lease payments due		
- within one year	4,322,863	2,845,995
- in second to fifth year inclusive	3,484,633	3,198,342
	7,807,496	6,044,337
Less: Future finance charges	(651,602)	(576,437)
Present value of minimum lease payments	7,155,894	5,467,900
Present value of minimum lease payments due		
- within one year	3,854,724	2,477,556
- in second to fifth year inclusive	3,301,170	2,990,344
	7,155,894	5,467,900
Non-current finance lease liabilities	4,678,339	2,990,344
Current portion of finance lease liabilities	2,477,556	2,477,556
	7,155,895	5,467,900

The entity leases various equipment and 3-G cards under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are renewed automatically upon expiry, unless otherwise instructed by the entity.

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 entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
18. Payables		
Accrued leave pay	51,421,680	52,936,389
Deferred Lease Expenditure	4,601,000	6,081,421
Other payables	1,566,577	1,566,577
Other payables - Grants	29,042,017	49,649,399
Payments received in advance	159,104,071	99,423,194
Retentions	56,248,193	34,584,226
Salaries Payable	11,324,442	-
Staff bonuses - 13 th cheque accrual	18,100,298	17,623,306
Pending claims - Unfair dismissals	6,608,171	6,608,171
Trade payables	314,627,181	309,202,618
	<u>652,643,630</u>	<u>577,675,301</u>

Included in Payments Received in Advance for the current financial year is an amount of R10,150,443 (2012: R17,960,582) for unallocated deposits.

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 60 days (2012: 60 days).

The terms were not renegotiated before the financial statements were authorised for issue.

Due to system limitations all payments received in advance are allocated to payables from exchange transactions.

19. Payables from non-exchange transactions

Deposits	458,123	447,326
Other payables	3,232,066	2,741,477
	<u>3,690,189</u>	<u>3,188,803</u>

20. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Consumer Receivables	-	301,335,222	301,335,222
Non-current Receivables	16,782	9,944,784	9,961,566
Other receivables from exchange transactions	-	60,294,070	60,294,070
Centlec receivables	-	2,478,754,540	2,478,754,540
Cash and cash equivalents	-	257,366,261	257,366,261
	<u>16,782</u>	<u>3,107,694,877</u>	<u>3,107,711,659</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Financial liabilities		
	At fair value	At amortised cost
		Total
Payables from exchange transactions	-	652,643,630
Consumer deposits	27,676,875	-
Centlec Payables	-	969,044,344
Borrowings	-	179,085,649
Payables from non-exchange transactions	-	3,690,189
Finance lease liabilities	-	7,155,894
	27,676,875	1,811,619,706
		1,839,296,581

2012

Financial assets

	At fair value	At amortised cost	Total
Consumer Receivables	-	237,745,621	237,745,621
Non-current Receivables	14,048	11,599,631	11,613,679
Other receivables from exchange transactions	-	26,399,691	26,399,691
Centlec receivables	-	2,261,156,422	2,261,156,422
Cash and cash equivalents	-	178,976,851	178,976,851
	14,048	2,715,878,216	2,715,892,264

Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	577,675,301	577,675,301
Consumer deposits	26,901,926	-	26,901,926
Centlec payables	-	971,435,509	971,435,509
Borrowings	-	62,087,194	62,087,194
Payables from non-exchange transactions	-	3,188,803	3,188,803
Finance lease liabilities	-	5,467,900	5,467,900
	26,901,926	1,619,854,707	1,646,756,633

Reclassification

2013

Combined instruments

Some items have been reclassified as required by GRAP 104.

Due to the redundancy of the available-for-sale category from the application of GRAP 104, the OVK Limited shares investment was reclassified to designated at Fair Value. Directive 3 was applied and in accordance thereof the cumulative balance of any gains previously recognised outside of surplus shall be adjusted against accumulated surplus and comparative amounts restated. Please refer to notes 28 & 37 for impact of reclassification.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
21. Consumer deposits		
Water	27,676,875	26,901,926
Guarantees in lieu of consumer deposits amounted to R 1,749,800 (2012: R 2,356,728).		
22. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Provincial Administration Grant Stadiums	6,638,800	6,638,800
DBSA - Capacity building programme grant	234,104	234,104
DWAF - Water conservation Grant	455,016	-
Financial management grant	-	472,777
Local government and housing grant - Infrastructure Graslands area	3,965,043	3,965,043
Motheo - Contribution environmental health grant	9,813,076	9,813,076
Department of Water affairs - ACIP	6,000,000	-
Municipal accreditation project funding - Housing grant	6,454,779	6,507,821
Municipal infrastructure grant	-	282,469
Municipal systems improvement grant	-	831,151
Provincial grant - Upgrading roads in Batho	81,216	5,688,069
Provincial grant - CCTV	-	1,858,068
Provincial grant - Du Plessis Muller intersection	-	554,640
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Batho car wash	60,000	150,000
Provincial grant - Hlasela project - Iphahamilseng centre	3,703	3,703
Provincial grant - Hlasela project - Re Ba I Kemetseng Bomme	-	100,000
Provincial grant - Planning and surveying	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	135,964	135,964
Provincial grant - Upgrade housing in Batho	1,749,275	1,749,275
Public transport infrastructure and systems fund grant	23,661,544	56,632,691
Expanded Public Works Progressive Incentive Grant	4,061,307	-
Urban renewal grant	280,553	280,553
Urban settlement development grant	129,450,242	115,715,078
	198,037,766	216,606,426

The amounts will be recognised as revenue when conditions have been met.

23. VAT payable

VAT payable	70,239,821	64,635,836
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VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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24. Defined benefit plan obligation

Defined benefit plan

The defined benefit liability as disclosed below are represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post-employment medical benefits:

Medical aid contributions for retired employees and pensioners who were in the service of the Council on or before 1 October 1981 are subsidised by the Municipality.

Pension benefits:

Pension gratuities are payable to retired employees based on certain criteria to be met as defined in the Entity Conditions of Service policy.

Long service award benefits:

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the unfunded defined benefit obligation	<u>452,964,000</u>	<u>344,111,000</u>
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These liabilities are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these liabilities.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

		2013 R	Restated 2012 R	
24. Defined benefit plan obligation (continued)				
Changes in the present value of the defined benefit obligation are as follows				
Opening balance		344,111,000	442,311,000	
Interest cost		30,793,000	40,399,000	
Current service cost		18,544,000	18,821,000	
Benefits paid (Expected)		(14,824,000)	(14,062,000)	
Actuarial (Gain)/Loss		74,340,000	(143,358,000)	
		452,964,000	344,111,000	
2011	Pension Fund	Medical Aid	Long Service Award	Total
Defined Benefit obligation as at 30 June 2010	2,693,000	348,226,000	43,222,000	394,141,000
Interest costs	236,000	34,821,000	2,948,000	38,005,000
Current service costs	-	21,278,000	4,230,000	25,508,000
Benefits paid (expected)	(478,000)	(5,995,000)	(3,902,000)	(10,375,000)
Actuarial (Gains)/Losses	4,263,000	(14,372,000)	5,141,000	(4,968,000)
Defined benefit obligation as at 30 June 2011	<u>6,714,000</u>	<u>383,958,000</u>	<u>51,639,000</u>	<u>442,311,000</u>
2012	Pension Fund	Medical Aid	Long Service Award	Total
Defined Benefit obligation as at 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest costs	555,000	35,100,000	4,744,000	40,399,000
Current service costs	61,000	14,242,000	4,518,000	18,821,000
Benefits paid (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (Gains)/Losses	(1,769,000)	(146,180,000)	4,591,000	(143,358,000)
Defined Benefit obligation as at 30 June 2012	<u>5,194,000</u>	<u>280,551,000</u>	<u>58,366,000</u>	<u>344,111,000</u>
2013	Pension Fund	Medical Aid	Long Service Award	Total
Defined Benefit obligation as at 30 June 2012	5,194,000	280,551,000	58,366,000	344,111,000
Interest costs	407,000	25,797,000	4,589,000	30,793,000
Current service costs	47,000	12,922,000	5,575,000	18,544,000
Benefits paid (expected)	(452,000)	(6,912,000)	(7,460,000)	(14,824,000)
Actuarial (Gains)/Losses	797,000	60,044,000	13,499,000	74,340,000
Defined Benefit obligation as at 30 June 2013	<u>5,993,000</u>	<u>372,402,000</u>	<u>74,569,000</u>	<u>452,964,000</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
24. Defined benefit plan obligation (continued)		
Key assumptions used		
Assumptions used on the last valuation - 30 June 2013:		
Discount rates used - healthcare	9.20 %	9.10 %
Discount rates used - gratuity	8.10 %	8.55 %
Expected increase in healthcare costs	8.10 %	7.85 %
Expected increase in salaries	8.10 %	7.50 %
Expected increases in pension	6.10 %	5.70 %
Inflation rate	6.10 %	5.50 %
Medical cost trend rates	7.00 %	7.00 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age	63 years	63 years

Assumed healthcare cost trends have a significant effect on the amounts recognised in surplus for the year. The value of the liability could also be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted. Other assumptions were held constant.

Inflation sensitivities

Assumed healthcare, gratuity and long service cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(77,357,000)	(60,370,000)
Effect on the aggregate of the service cost	(4,890,000)	(3,660,000)
Effect on the aggregate of the interest cost	(7,338,000)	(5,719,000)

Amounts for the current and previous years are as follows:

	2013 R	2012 R	2011 R
Defined benefit obligation	(452,964,000)	(344,111,000)	(442,310,000)
Experience adjustments on plan liabilities	(33,625,000)	(8,418,000)	25,607,000

The entity obtained an actuarial valuation for the first time on the defined benefit obligations plans on 30 June 2009.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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25. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Reassessment	Total
Rehabilitation of landfill sites	151,658,047	9,638,374	161,296,421
Other provisions	263,714,236	9,152,778	272,867,014
	415,372,283	18,791,152	434,163,435

Reconciliation of provisions - 2012

	Opening Balance	Reassessment	Total
Rehabilitation of landfill sites	144,174,057	7,483,990	151,658,047
Rehabilitation of quarry sites	256,197,936	7,516,300	263,714,236
	400,371,993	15,000,290	415,372,283

Non-current liabilities	313,109,917	415,372,283
Current liabilities	121,053,518	-
	434,163,435	415,372,283

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2013.

Landfills consist of:	Restoration Dates
Thaba Nchu Landfill Site	2013
Botshabelo Landfill Site	2060
Northern Landfill Site	2022
Southern Landfill Site	2035

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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25. Provisions (continued)

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert for the expected rehabilitation cost in 2013.

Quarries consist of:	Restoration Dates	
Bloemfontein	Cecilia	2018
	Sunnyside	2018
Botshabelo	K-Section	2013
	F1-Section	2013
	F2.1 Section	2013
	F2.2 Section	2013
	W Section	2013
	S Section	2013
	B Section	2013
Thaba Nchu	Seroala	2013
	Thubisi	2013
	Putsane	2013
	Merino	2013
	Rhakoi	2013
	Sediba	2013
	Rooibult	2013
	Kgalala	2013

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

26. Housing development fund reserve

Opening balance	-	3,650,426
Transfers	-	(3,650,426)
	<u>-</u>	<u>-</u>

The housing development fund is represented by the following assets and liabilities

Housing rental receivables	<u>1,732,749</u>	<u>2,368,981</u>
Surplus / (deficit) over reserve fund	<u>(1,732,749)</u>	<u>(2,368,981)</u>

The housing development fund was established in terms of the Housing Act of 1997. Loans from national and provincial government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a housing development fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the housing development fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the fund. Monies standing to the credit of the fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Comparative figures have been restated.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
27. Revaluation reserve		
Opening balance	501,277,216	669,772,371
Contributions	173,230,853	148,307,708
Prior year adjustments	-	(316,802,863)
Realisation of revaluation reserve	(15,106,130)	-
	659,401,939	501,277,216
28. Mark-to-market reserve		
Financial instruments designated at fair value	-	11,513
Reclassification from available-for-sale to fair value financial instrument	-	(11,513)
	-	-
29. Self-insurance reserve		
Opening balance	77,595,746	76,090,167
Contributions	-	1,708,607
Insurance claims processed	(111,233)	(203,028)
	77,484,513	77,595,746
30. COID reserve		
Opening balance	11,764,522	10,996,660
Contributions	2,823,432	2,378,223
Insurance claims processed	(3,130,828)	(1,610,361)
	11,457,126	11,764,522
31. FRESHCO Liability		
Non-current liabilities	178,377,360	101,784,878
	178,377,360	101,784,878

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commences from 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The municipality charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 37 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
32. Centlec Payables		
Centlec (SOC) Limited - Intercompany loan	969,044,344	971,435,509
	<u>969,044,344</u>	<u>971,435,509</u>

The intercompany loan balance is the net balance payable/receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. For the current and the previous financial year the applicable interest rate was 9%.

33. Revenue

Service charges	718,169,818	621,237,648
Fines	3,828,696	2,884,999
Government grants & subsidies	1,296,186,619	1,134,016,454
Income from agency services	106,046,017	102,247,441
Rental of facilities and equipment	17,707,284	10,551,686
Interest received	370,144,085	348,467,586
Licences and permits	431,225	350,660
Other income	102,850,990	40,587,847
Property rates	514,177,402	463,255,702
	<u>3,129,542,136</u>	<u>2,723,600,023</u>

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

Service charges	718,169,818	621,237,648
Rental of facilities and equipment	17,707,284	10,551,686
Income from agency services	106,046,017	102,247,441
Licences and permits	431,225	350,660
	<u>842,354,344</u>	<u>734,387,435</u>

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

Taxation revenue

Property rates	514,177,402	463,255,702
Transfer revenue		
Government grants & subsidies	1,296,186,619	1,134,016,454
Fines	3,828,696	2,884,999
	<u>1,814,192,717</u>	<u>1,600,157,155</u>

Other

Interest received	370,144,085	348,467,586
Other income	102,850,990	40,587,847
	<u>472,995,075</u>	<u>389,055,433</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies		
Operating grants		
Equitable share	612,520,711	575,654,444
COGTA fire suppression grant	-	82,817
Provincial grant - Upgrading roads in Batho	5,606,853	20,735,298
Provincial grant - Township establishment - Caleb Motshabi	-	11,275
Provincial grant - CCTV	1,858,068	8,272,782
Financial management grant	1,960,154	1,462,623
Municipal accreditation project funding - Housing grant	53,042	549,455
Provincial grant - Re Ba Ikemetseng Bomme	100,000	-
Electricity demand side management grant	-	5,000,000
National electrification program grant	25,000,000	12,635,000
Motheo - tourism grant	-	10,750
Fuel levy grant	237,704,000	175,972,000
Provincial grant - Batho car wash	90,000	-
	<u>884,892,828</u>	<u>800,386,444</u>
Capital grants		
Provincial Administration Grant Stadiums	-	1,203,954
DBSA - Environmental Impact Assessment Grant	916,000	-
Expanded Public Works Program Incentive Grant	1,852,693	-
Department of Water Affairs Grant	9,539,984	-
Municipal infrastructure grant	-	62,689,011
Municipal systems improvement grant	831,151	-
Public transport infrastructure and systems fund grant	11,338,239	19,530,528
Motheo - Contribution environmental health grant	-	867,225
Local government and housing grant - White city hostels	-	42,308
Urban settlement development grant	386,261,084	248,037,732
Provincial grant - Du Plessis Muller intersection	554,640	-
Motheo District Municipality - Upgrading of Roads	-	1,259,252
	<u>411,293,791</u>	<u>333,630,010</u>
	<u>1,296,186,619</u>	<u>1,134,016,454</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to community members.		
Current year receipts	612,520,711	575,654,444
Conditions met - transferred to revenue	<u>(612,520,711)</u>	<u>(575,654,444)</u>
	<u>-</u>	<u>-</u>
Electricity demand side management grant		
Current-year receipts	-	5,000,000
Transferred to Centlec (SOC) Limited Creditors	<u>-</u>	<u>(5,000,000)</u>
	<u>-</u>	<u>-</u>

To implement the Electricity Demand Side Management (EDSM) programme by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and municipal buildings in order to mitigate the risk of load shedding and supply interruptions.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Financial management grant		
Balance unspent at beginning of year	472,777	12,623
Current-year receipts	1,500,000	1,922,777
Conditions met - transferred to revenue	(1,960,154)	(1,462,623)
Surrendered to National Treasury	(12,623)	-
	<u>-</u>	<u>472,777</u>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	6,507,821	3,422,276
Current-year receipts	-	3,635,000
Conditions met - transferred to revenue	(53,042)	(549,455)
	<u>6,454,779</u>	<u>6,507,821</u>

Conditions still to be met - remain liabilities (see note 22).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

Municipal systems improvement grant

Balance unspent at beginning of year	831,151	-
Current-year receipts	-	831,151
Conditions met - transferred to revenue	(831,151)	-
	<u>-</u>	<u>831,151</u>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act, and related Legislation, policies and the local government turnaround strategy.

Provincial Administration Grant Stadiums

Balance unspent at beginning of year	6,638,800	7,842,754
Conditions met - transferred to revenue	-	(1,203,954)
	<u>6,638,800</u>	<u>6,638,800</u>

Conditions still to be met - remain liabilities (see note 22).

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Provincial grant - Planning and surveying		
Balance unspent at beginning of year	<u>493,144</u>	<u>493,144</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.		
Motheo - Contribution environment health grant		
Balance unspent at beginning of year	9,813,076	10,680,301
Conditions met - transferred to revenue	-	(867,225)
	<u>9,813,076</u>	<u>9,813,076</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of the grant is to assist municipalities with the rendering of environmental health services.		
Municipal infrastructure grant		
Balance unspent at beginning of year	282,469	62,931,480
Current-year receipts	-	40,000
Conditions met - transferred to revenue	-	(62,689,011)
Surrendered to National Treasury	(282,469)	-
	<u>-</u>	<u>282,469</u>
In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.		
The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.		
Public transport infrastructure and systems fund grant		
Balance unspent at beginning of year	56,632,691	100,115,219
Current-year receipts	20,000,000	15,000,000
Conditions met - transferred to revenue	(11,338,239)	(19,530,528)
Withheld by National Treasury	-	(38,952,000)
Surrendered to National Treasury	(41,632,908)	-
	<u>23,661,544</u>	<u>56,632,691</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with the agreed project plans.		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Environmental impact assessment grant		
Current-year receipts	916,000	-
Conditions met - transferred to revenue	(916,000)	-
	<u>-</u>	<u>-</u>
The purpose of the grant is to assist municipalities with the rendering of environmental health services.		
Local government and housing - Grassland area		
Balance unspent at beginning of year	<u>3,965,043</u>	<u>3,965,043</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant is allocated for housing infrastructure projects for the Grassland area.		
Local government and housing - White city hostels		
Balance unspent at beginning of year	-	42,308
Conditions met - transferred to revenue	-	(42,308)
	<u>-</u>	<u>-</u>
The grant is allocated for the upgrading of the White city hostels.		
Urban renewal grant		
Balance unspent at beginning of year	<u>280,553</u>	<u>280,553</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant is allocated for the development of erven.		
DBSA - Capacity building programme grant		
Balance unspent at beginning of year	234,104	234,104
Conditions met - transferred to revenue	-	-
	<u>234,104</u>	<u>234,104</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant was allocated to the entity to assist with capacity building.		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Fuel levy grant		
Balance unspent at beginning of year	-	-
Current-year receipts	237,704,000	175,972,000
Conditions met - transferred to revenue	(237,704,000)	(175,972,000)
	<u>-</u>	<u>-</u>
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
Provincial grant - Grasslands area		
Balance unspent at beginning of year	4,500,000	4,500,000
Conditions met - transferred to revenue	-	-
	<u>4,500,000</u>	<u>4,500,000</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant is to be used for the installation of storm water drainage and regravelling of roads. Planning and surveying in respect of phase 3 of the Grasslands area.		
Provincial grant - Upgrading housing Batho		
Balance unspent at beginning of year	1,749,275	1,749,275
Conditions still to be met - remain liabilities (see note 22).		
The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.		
National electrification program grant		
Current-year receipts	25,000,000	28,000,000
Conditions met - transferred to Centlec (SOC) Limited	(25,000,000)	(12,635,000)
Conditions met - transferred to Centlec (SOC) Limited Creditors	-	(15,365,000)
	<u>-</u>	<u>-</u>
The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.		
Department of Water Affairs Grant - ACIP		
Current-year receipts	9,995,000	-
Conditions met - transferred to revenue	(9,539,984)	-
	<u>455,016</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 22).		
To develop regional bulk infrastructure for water supply to supplement water treatment work at resource development.		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Provincial grant - Batho car wash		
Balance unspent at beginning of year	150,000	150,000
Conditions met - transferred to revenue	(90,000)	-
	<u>60,000</u>	<u>150,000</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.		
COGTA - Fire suppression grant		
Balance unspent at beginning of year	-	82,817
Conditions met - transferred to revenue	-	(82,817)
	<u>-</u>	<u>-</u>
The grant was allocated to the entity to capacitate the fire and rescue division in order to deal with the 2010 World cup.		
Provincial grant - Du Plessis / Muller intersection		
Balance unspent at beginning of year	554,640	554,640
Conditions met - transferred to revenue	(554,640)	-
	<u>-</u>	<u>554,640</u>
The purpose of the grant is to assist the entity with the Du Plessis / Muller intersection infrastructure project as part of the widening of Nelson Mandela Drive.		
Comparative information has been restated due to availability of additional information.		
Provincial grant - Upgrading roads in Batho		
Balance unspent at beginning of year	5,688,069	26,423,367
Conditions met - transferred to revenue	(5,606,853)	(20,735,298)
	<u>81,216</u>	<u>5,688,069</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.		
Provincial grant - Re Ba Ikemetseng Bomme		
Balance unspent at beginning of year	100,000	100,000
Conditions met - transferred to revenue	(100,000)	-
	<u>-</u>	<u>100,000</u>
The purpose of this grant is to assist the entity with the implementation of the Re Ba Ikemetseng Bomme swing project.		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Provincial Grant - Iphahamilseng centre		
Balance unspent at beginning of year	3,703	3,703
Conditions met - transferred to revenue	-	-
	<u>3,703</u>	<u>3,703</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of this grant is to assist the entity with the implementation of the project, for swings, computer internet services and adopting the Iphahamilseng centre for vulnerable children.		
Provincial Grant - Township establishment - Caleb Motshabi		
Balance unspent at beginning of year	135,964	147,239
Conditions met - transferred to revenue	-	(11,275)
	<u>135,964</u>	<u>135,964</u>
Conditions still to be met - remain liabilities (see note 22).		
To assist the entity with the establishing of the township establishment Caleb Motshabi.		
Motheo District Municipality - Upgrading of roads grants		
Balance unspent at beginning of year	-	1,259,252
Conditions met - transferred to revenue	-	(1,259,252)
	<u>-</u>	<u>-</u>
The purpose of this grant is to assist the entity with the implementation of the upgrading of roads.		
Expanded public work programme		
Current-year receipts	5,914,000	-
Conditions met - transferred to revenue	(1,852,693)	-
	<u>4,061,307</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 22).		
The purpose of the Grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines		
Urban settlement development grant		
Balance unspent at beginning of year	115,715,078	6,505,054
Current-year receipts	404,483,562	376,995,000
Conditions met - transferred to revenue	(386,261,084)	(248,037,732)
Conditions met - transferred to Centlec (SOC) Ltd Creditors	(4,487,314)	(19,747,244)
	<u>129,450,242</u>	<u>115,715,078</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant was allocated to the entity for People's Housing Process (PHP) housing infrastructure projects in Thaba Nchu.		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
34. Government grants and subsidies (continued)		
Motheo - Tourism grant		
Balance unspent at beginning of year	-	10,750
Conditions met - transferred to revenue	-	(10,750)
	<u>-</u>	<u>-</u>
The purpose of the grant is to assist the entity with tourism in the Mangaung area.		
Provincial grant - CCTV		
Balance unspent at beginning of year	1,858,068	130,850
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	(1,858,068)	(8,272,782)
	<u>-</u>	<u>1,858,068</u>
This was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Naval Hill.		
Department of water affairs grant		
Current-year receipts	6,000,000	-
	<u>6,000,000</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 22).		
To subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer these schemes to local government.		
Changes in level of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.		
35. Income from agency services		
Centlec (SOC) Limited - Employee related costs	<u>106,046,017</u>	<u>102,247,441</u>
36. Interest received		
Interest earned		
Cash and cash equivalents	24,764,467	14,571,843
Centlec (SOC) Limited - Advances	12,248,074	13,480,815
Centlec (SOC) Limited - Shareholders loan	231,045,723	294,786,360
Interest charged on consumer receivables	100,685,019	23,333,409
Financial assets at amortised cost	1,400,802	2,295,159
	<u>370,144,085</u>	<u>348,467,586</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
37. Other income		
Administration costs recoverable	5,541	462,183
Building plan fees	3,168,844	2,740,167
Commission fresh market produce	16,077,725	14,713,977
Donations and public contributions	4,435,308	-
Entrance fees	1,206,502	1,501,525
Grave plots	2,073,300	2,295,008
Human settlement reimbursement	55,772,781	-
Insurance collection	1,700,669	1,532,868
Parking fees	734,962	737,775
Reconnection of water	452,228	446,268
Removal fees	991,050	952,663
Sale of redundant materials	4,111	2,301
Sundry income	12,779,008	6,667,457
Training costs	2,782,200	2,355,071
Unclaimed deposits and stale cheques	666,761	6,180,584
	102,850,990	40,587,847

Donations and public contributions:

During the year under review, Mangaung Metro Municipality received the Nelson Mandela statue on Navil Hill as a donation to the value of R3 892 105. Donations of various animals have been received from the general public by the Zoo amounting to R 543 203. These items are included in Property, Plant and Equipment as disclosed in Note 10.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
38. Property rates		
Rates received		
Residential and business/commercial	447,213,026	394,982,667
Government	66,964,376	68,273,035
	514,177,402	463,255,702
Valuations		
Residential	31,714,979,102	31,750,814,701
Business/commercial	8,093,269,534	7,159,246,096
Government	3,763,823,449	3,613,182,379
Municipal	3,077,508,175	2,776,400,120
	46,649,580,260	45,299,643,296

Valuations on land and buildings are performed at least every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R40,000 of the rateable value of residential property are exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes.

The new general valuation will be implemented on 1 July 2013.

2013

From 1 July 2012 the basic rates were adjusted as follows:

- R0.019490 on the value of rateable farm property
- R0.007796 on the value of rateable residential property
- R0.019490 on the value of rateable government property
- R0.038620 on the value of rateable business/commercial property

2012

From 1 July 2011 the basic rates were adjusted as follows:

- R0.0071520 on the value of rateable farm property
- R0.0071520 on the value of rateable residential property
- R0.0178810 on the value of rateable government property
- R0.0354320 on the value of rateable business/commercial property

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
39. Rental income		
Premises		
Premises	1,016,748	941,725
Venue hire	980,789	1,090,890
	<u>1,997,537</u>	<u>2,032,615</u>
Facilities and equipment		
Other rentals	452,008	469,311
Rental of equipment	479,332	312,853
Rental of facilities	14,778,407	7,736,907
	<u>15,709,747</u>	<u>8,519,071</u>
Premises	1,997,537	2,032,615
Garages and parking	-	-
Facilities and equipment	15,709,747	8,519,071
	<u>17,707,284</u>	<u>10,551,686</u>

No contingent rent is due for the reporting period.

Included in the Rental Income in 2012 was an amount of R90,807,675 relating to the construction costs for the Freshco Housing Development. The amount was incorrectly included in rental income based on the recommendations made by the Auditor General as it was not clear how the construction cost were to be accounted for. An accounting policy has later been developed to appropriately account for the construction costs. The rental portion of the agreement was also not straightlined, this amounted to R33,188.89.

Included in the work in progress of the prior year, was an amount of R 13,755,394 which was incorrectly capitalised. The comparative statement for 2012 has been restated.

40. Service charges

Refuse removal	59,876,719	5,240,865
Sale of water	514,366,577	447,910,378
Sewerage and sanitation charges	143,926,522	168,086,405
	<u>718,169,818</u>	<u>621,237,648</u>

41. Bad debts and provision for bad debts

Contributions to debt impairment provision	<u>303,084,652</u>	<u>222,234,114</u>
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Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
42. Bulk purchases		
Water	<u>336,562,227</u>	<u>286,273,929</u>
43. Contracted services		
Audit fees	11,655,677	14,639,616
Consultant Fees	28,979,735	26,707,746
Debt collection fees	21,116,881	3,688,935
Integrated call centre	13,719,072	14,730,670
Investigations	3,219,436	13,639,424
Meter replacements	18,247,361	-
Security services	23,158,516	17,020,408
Other contracted services	49,557,018	39,275,867
	<u>169,653,696</u>	<u>129,702,666</u>
44. Depreciation and amortisation		
Intangible assets	-	328,074
Property, plant and equipment	<u>260,636,627</u>	<u>280,366,534</u>
	<u>260,636,627</u>	<u>280,694,608</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
45. Employee related costs		
Contributions to UIF	5,256,623	4,613,195
Defined benefit plan obligation - Current service cost	18,544,000	18,821,000
Employee related costs - Salaries and wages	598,427,580	554,840,185
Housing benefits and allowances	2,957,091	3,038,755
Medical aid contributions	44,249,097	37,624,052
Other short term costs	17,110	186,315
Overtime payments	94,054,395	73,300,900
Pensions contributions	93,313,605	86,496,771
Staff bonuses - 13th cheques	476,993	(758,130)
Staff leave days accrual	11,567,252	16,511,103
Travel, car, accommodation, subsistence and other allowances	58,903,761	52,189,106
	<u>927,767,507</u>	<u>846,863,252</u>
Remuneration of Accounting Officer - 1 November 2011 to 30 June 2013		
Annual Remuneration	1,882,771	1,228,672
Car and other Allowances	287,863	178,515
Contributions to UIF, medical aid and pension fund	48,937	25,168
	<u>2,219,571</u>	<u>1,432,355</u>
Remuneration of Accounting Officer - 1 July 2011 to 30 October 2011		
Annual Remuneration	-	515,008
Car and other Allowances	-	80,000
Contributions to UIF, medical aid and pension fund	-	76,480
	<u>-</u>	<u>671,488</u>
Remuneration of Chief Finance Officer 1 November 2011 to 30 June 2013		
Annual remuneration	1,331,681	999,428
Car and other Allowances	415,585	132,115
Contributions to UIF, medical aid and pension fund	44,783	25,072
	<u>1,792,049</u>	<u>1,156,615</u>
Remuneration of Chief Finance Officer - 1 July 2011 to 31 December 2011		
Annual remuneration	-	664,508
Car and other Allowances	-	104,000
Contributions to UIF, medical aid and pension fund	-	169,724
	<u>-</u>	<u>938,232</u>
<p>In the prior year the Chief Financial Officer position was occupied by two officials from 1 November 2011 until 31 December 2011. The suspended Chief Financial Officer received his salary for two months whilst his matter was being finalised.</p>		
Remuneration of Executive Director - Human Settlement		
Annual remuneration	1,245,269	1,512,956
Car and other Allowances	216,703	107,000
Contributions to UIF, medical aid and pension fund	320,148	73,287
	<u>1,782,120</u>	<u>1,693,243</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
45. Employee related costs (continued)		
Remuneration of Executive Director - Corporate Services		
Annual remuneration	1,019,172	1,305,160
Car and other Allowances	518,315	129,000
Contributions to UIF, medical aid and pension fund	200,431	209,693
	<u>1,737,918</u>	<u>1,643,853</u>
Remuneration of Executive Director - Social Services*		
Annual remuneration	1,233,609	1,185,926
Car and other Allowances	222,247	120,000
Contributions to UIF, medical aid and pension fund	254,495	227,470
	<u>1,710,351</u>	<u>1,533,396</u>
* This directorate was previously known as Community and Social Development.		
Remuneration of Executive Director - Engineering**		
Annual remuneration	1,260,643	1,156,497
Car and other Allowances	427,893	360,000
Contributions to UIF, medical aid and pension fund	31,693	28,384
	<u>1,720,229</u>	<u>1,544,881</u>
** This directorate was previously known as Infrastructure services.		
Remuneration of Executive Director - Economic Development and Planning		
Annual remuneration	1,507,032	1,045,199
Car and other Allowances	266,304	170,000
Contributions to UIF, medical aid and pension fund	19,012	63,879
	<u>1,792,348</u>	<u>1,279,078</u>
Remuneration of Executive Director - Strategic Support & Service Delivery Regulation***		
Annual remuneration	1,272,090	1,259,680
Car and other Allowances	223,983	180,000
Contributions to UIF, medical aid and pension fund	65,802	51,212
	<u>1,561,875</u>	<u>1,490,892</u>

*** This directorate was previously known as Regional Operations.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
46. Finance costs		
Consumer deposits	-	1,056,614
Defined benefit plan obligation	30,793,000	40,399,000
Finance leases	-	636,797
Interest on Intercompany loan - Centlec (SOC) Limited	83,562,857	87,038,652
Non-current borrowings - DBSA loans	9,759,835	2,540,993
	124,115,692	131,672,056
47. Fair value adjustments		
Other financial assets		
• Actuarial (Loss)/Gain on the defined benefit obligation	(74,340,000)	143,357,000
• Fair value through profit or loss	2,734	2,180
	(74,337,266)	143,359,180

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
48. General expenses		
Advertising	3,319,408	(175,343)
Animal Costs	1,180,774	1,323,479
Bank charges	7,204,825	7,502,932
Chemicals	3,176,139	4,886,718
Cleaning	7,091,278	4,257,604
Commitment fees	140,483	1,172,329
Community development and training	3,444,512	3,887,562
Computer expenses	3,598	-
Conferences and seminars	5,273,613	3,513,167
Consumables	5,988,340	4,232,266
Electricity	71,645,544	54,646,742
Financial management grant projects	5,716,972	5,953,571
Fuel	19,909,711	17,522,083
Fuel charges	638	564,050
Hire equipment	12,622,074	6,220,053
Indigent burials	1,074,367	1,289,415
Insurance	4,035,199	4,914,521
Lease rentals on operating lease	1,582,223	9,744,355
Legal expenses	6,696,699	18,695,797
License fees	10,445,917	3,425,205
Marketing	9,041,793	18,334,716
Metro transitional arrangement	1,211,884	2,015,723
Motor vehicle expenses	19,419,229	7,284,488
Penalties and interest	285,434	3,212,851
Postage and courier	5,336,110	4,916,431
Printing and stationary	5,509,887	4,097,553
Reconnection test and removal - meters	4,990,865	5,449,980
Refreshments	782,293	931,286
Refuse	19,671,443	19,651,566
Rehabilitation of landfill and quarry sites	18,791,152	(19,869,221)
Sewerage and waste disposal	708,319	290,529
Skills development and training	2,132,353	3,163,492
Skills development levy	8,429,911	7,827,756
Software expenses	390,246	220,500
Staff welfare	478,922	454,772
Subscriptions and membership fees	11,730,960	11,607,772
Sundry expenses	25,731,032	17,514,126
Telephone costs	13,626,278	12,489,468
Title deed search fees	81,766	19,616
Tools, Plant and Equipment	500,422	340,039
Tourism development	612,347	481,092
Travel and subsistence	182,059	161,126
Uniforms and protective clothing	3,648,703	3,380,869
Vacuum services	5,405,550	23,877,943
Water	3,449,477	49,068
Water and Electricity	-	342,440
Water research	2,782,387	3,536,766
World cup expenditure	-	136,100
	335,483,136	285,495,353

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
49. Grants and subsidies paid		
Other subsidies		
Bursaries paid to employees	884,855	994,432
Central Agricultural Society	9,751	9,199
Cost of living allowance for pensioners	124,691	(15)
Electricity Demand Side Management Grant	-	5,000,000
Employees and ex-employees	(7,584,346)	(327,969)
Free electricity services	13,477,074	44,191,775
Miscellaneous grants	169,546	274,577
National Electrification Program Grant	25,000,000	12,635,000
SPCA	394,495	372,165
	32,476,066	63,149,164

Bursaries paid to employees

Bursaries are paid to employees in accordance with the approved study scheme.

Central Agricultural Society

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

Cost of living allowance for pensioners

The allowance is applicable to pensioners of the former Bloemfontein municipality who did not belong to a pension fund, which are subsidised according to an approved formula.

Employees and ex-employees

This is paid to employees who belong to a non-contributive gratuity scheme and is paid out on retirement, termination or death.

Free electricity services

The free electricity provided by Centlec (SOC) Limited and Eskom is recoverable from the equitable share grant.

Miscellaneous grants

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

National Electrification Programme Grant

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

SPCA - Society for the Prevention of Cruelty to Animals

The subsidy is paid annually to the society to assist them in performing their tasks.

50. Remuneration of councillors

Executive Mayor	1,116,829	1,031,719
Deputy Executive Mayor	881,421	816,941
Mayoral Committee Members	6,930,987	7,086,299
Chief Whip	827,548	784,021
Speaker	864,217	835,957
Part time Councillors	32,989,233	30,762,702
	43,610,235	41,317,639

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
50. Remuneration of councillors (continued)		
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.		
Executive Mayor		
Allowance	693,167	650,135
Cellphone	39,828	17,952
Medical aid	17,280	17,280
Pension fund	99,516	93,235
Travel allowance	267,038	253,117
	<u>1,116,829</u>	<u>1,031,719</u>
Deputy Executive Mayor		
Allowance	551,476	551,080
Cellphone	19,872	-
Housing allowance	-	38,246
Medical aid	17,280	17,280
Pension fund	79,162	7,841
Travel allowance	213,631	202,494
	<u>881,421</u>	<u>816,941</u>
Mayoral Committee Members		
Allowance	4,299,356	4,494,814
Cellphone	175,961	179,807
Housing allowance	80,246	80,246
Medical aid	87,513	82,128
Pension fund	574,417	574,516
Travel allowance	1,713,494	1,674,788
	<u>6,930,987</u>	<u>7,086,299</u>
Chief Whip		
Allowance	524,509	515,885
Cellphone	19,872	18,769
Housing allowance	6,561	-
Pension fund	76,327	59,530
Travel allowance	200,279	189,837
	<u>827,548</u>	<u>784,021</u>
Speaker		
Allowance	593,404	526,091
Cellphone	1,656	19,802
Housing allowance	38,246	-
Medical aid	17,280	17,280
Pension fund	-	70,290
Travel allowance	213,631	202,494
	<u>864,217</u>	<u>835,957</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
50. Remuneration of councillors (continued)		
Councillors		
Allowance	22,226,721	20,676,329
Cellphone	887,799	864,352
Housing allowance	24,000	24,000
Medical aid	209,887	195,781
Pension fund	2,201,525	1,976,147
Travel allowance	7,439,301	7,026,093
	<u>32,989,233</u>	<u>30,762,702</u>
51. Net cash flows from operating activities		
Surplus	399,765,522	425,511,061
Adjustments for:		
Depreciation and amortisation	260,636,627	235,974,274
Loss on sale of assets	668,445	-
(Profit) / loss on disposal of property, plant and equipment	(1,363,910)	(695,465)
Gain on Fair value adjustment of investment property	(1,486,613)	-
Prior period adjustments	11,502,713	(20,863,769)
Movement in Provisions	18,791,152	340,959,376
Defined Benefit Obligation	108,853,000	(98,199,000)
Consumer Deposits	774,949	(562,140)
Inventories	(34,250,564)	(85,575,013)
Consumer Receivables	(70,494,051)	(157,596,095)
Other receivables	(33,894,379)	6,727,069
Payables	73,078,550	152,975,538
VAT Receivable / Payable	5,603,985	(30,537,314)
Unspent conditional grants and receipts	(18,568,660)	(16,393,298)
	<u>719,616,766</u>	<u>751,725,224</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
52. Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for		
• Infrastructure	475,429,707	217,635,407
• Other commitments	119,598,042	12,647,613
	595,027,749	230,283,020
The capital expenditure will be financed from		
• Non-current borrowings	179,085,649	62,087,194
• Unspent capital conditional grants and receipts	198,037,766	168,195,826
• Own resources	217,904,334	-
	595,027,749	230,283,020

Comparative information has been restated due to the exclusion of the "approved but not yet contracted for" in the table above.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	852,402	3,160,783
- in second to fifth year inclusive	915,108	1,767,509
	1,767,510	4,928,292

Operating leases payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of 3 to 5 years. No sublease contracts exists and no contingent rent is payable for the reporting period. The lease agreements have escalations of 8% to 10% per year. There are no renewal and/or purchase options. There was no contingent rent during the year.

Some comparative information have been restated due to the compilation of a new lease register.

Operating leases - as lessor (revenue)

Minimum lease payments due

- within one year	3,306,825	3,006,568
- in second to fifth year inclusive	10,201,593	11,797,729
- later than five years	34,754,364	37,962,809
	48,262,782	52,767,106

Comparative information has been restated due to reconstruction of the lease register.

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 13,849,680 (2012: R 12,484,061) has been recognised in the Statement of financial performance during the year. There are no renewal or purchase options. There was no contingent rent during the year.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
53. Guarantees and contingent liabilities		
Guarantees	3,887,399	3,870,811
Contingent liabilities		
The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows amounts:		
Probable legal costs to be incurred for various matters being handled by various attorneys	2,023,275	1,635,009
Labour cases and employee related matters	2,810,423	2,716,594
Claims by individuals due to damage of property in various incidents	80,000	885,000
Claims by individuals due to injuries in various incidents	-	618,032
Claims from suppliers - contractual disputes	9,527,257	400,218
Mangaung Metropolitan Municipality has a claim for the the consumption of all public lighting in the Mangaung Metro Area from Centlec (SOC) Limited	28,263,455	12,699,110
Mangaung Metropolitan Municipality has a claim for the electricity consumption of all Mangaung owned properties from Centlec (SOC) Limited	14,668,501	2,151,216
	57,372,911	21,105,179

Contingencies arising from pending litigation on wage curve agreement:

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable / payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable / payable prior to the outcome of the pending litigation.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
54. Related parties		
Relationships		
Controlled entities		Refer to note 13
A company, Centlec (SOC) Limited, of which Mangaung Metro Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.		
Related party balances		
Loan accounts - Owing (to) by related parties		
Centlec (SOC) Limited - Shareholders loan	2,356,112,160	2,125,066,706
Centlec (SOC) Limited - Advances	122,642,380	136,089,716
Centlec (SOC) Limited - Intercompany loan balance	(969,044,334)	(971,435,509)
Related party transactions		
Interest received from related parties		
Interest on loans - Centlec (SOC) Ltd	(12,248,074)	(13,480,815)
Centlec (SOC) Ltd - Shareholders loan	(231,045,723)	(294,786,360)
Interest paid to related parties		
Centlec (SOC) Ltd - Intercompany loan	83,562,857	87,038,652
Expenses paid for (received from) related parties		
Centlec (SOC) Ltd - Electricity charges	(27,690,867)	(124,605,197)
Centlec (SOC) Ltd - Employee related cost	(106,046,017)	(102,247,441)
Centlec (SOC) Ltd - Fuel	-	279,796
Centlec (SOC) Ltd - Inventory	-	44,387
Centlec (SOC) Ltd - Insurance	-	1,558,241
Centlec (SOC) Ltd - Insurance costs	128	(1,717)
Centlec (SOC) Ltd - Maintenance on street lights	-	(52,892)
Centlec (SOC) Ltd - Payments on behalf of Centlec	32,924	21,109,128
Centlec (SOC) Ltd - Telephone expenses	1,310,487	728,839
Centlec (SOC) Ltd - Vat Payments	-	34,805,901

Water and rates are treated as interdepartmental charges between the entity and the controlled entity. These transaction are not recorded in the records of Centlec (SOC) Limited.

Comparative figures have been restated due to the fact that the employee cost amount was incorrectly calculated on a incorrect basis in the prior year and amounts was updated to reflect the accounting records.

The prior year disclosures regarding related parties have been restated due to additional transactions identified in the current year which were not previously identified and disclosed. Of these disclosures, the material changes related to elcectricity and VAT.

Key management and Councillors

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 45, for key management and note 50 for Councillors.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
55. Change in estimate		
Community assets		
2013 - The change in accounting estimates is due to a revaluation of the Remaining Useful Life of certain assets as the municipality expects to use the asset longer than previously estimated.		
The decrease in depreciation for 2013 is R588,594.		
The future impact of the change in estimates will amount to future depreciation of R588,594.		
Other assets		
2013 - The change in accounting estimates is due to a revaluation of the Remaining Useful Life of certain assets as the municipality expects to use the asset longer than previously estimated.		
The decrease in depreciation for 2013 is R45,864.		
The future impact of the change in estimates will amount to future depreciation of R45,864.		
Infrastructure		
2013 - The change in accounting estimates is due to a revaluation of the Remaining Useful Life of certain assets as the municipality expects to use the asset longer than previously estimated.		
The decrease in depreciation for 2013 is R8,717,228.		
The future impact of the change in estimates will amount to future depreciation of R8,717,228.		
56. Prior period errors		
In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:		
56.1. Prior period error - Centlec Shareholders Loan		
The Centlec shareholders loan was not accounted for correctly due to unavailable information at the date of completion of the annual financial statements in the prior year. There were final audited Centlec revenue figures and updated CPI rates received in respect of the prior year that affects the interest and deferred interest calculations. The impact is as follows:		
1. Interest was incorrectly calculated, the amount was corrected.		
Deffered interest on Centlec shareholders loan incorrectly recognized.		
Statement of financial position		
Increase in shareholders loan	-	235,655
Increase Deferred Interest account on shareholders loan	-	109,206,679
Statement of Financial Performance		
Increase in Interest on Shareholders loan - Centlec (SOC) Limited	-	(109,442,334)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.2. Prior period error - Inter-Company Loan Interest not accounted for		
There was interest accounted for on the Centlec Inter-Company loan accounts at 10% and it should have been accounted for at 9% interest which was the prime rate on 1 July 2011 and then on the average loan balance during the year.		
Statement of financial position		
Decrease in intercompany loan	-	9,384,181
Statement of Financial Performance		
Decrease in finance costs - Interest on Intercompany loan - Centlec (SOC) Limited	-	(9,384,181)
56.3. Prior period error - Management fees accounted for incorrectly		
There was management fees accounted for on the Centlec Inter-Company loan accounts incorrectly as the amounts invoiced were incorrectly calculated.		
Statement of financial position		
Increase in VAT Output account	-	(14,314,642)
Decrease in Intercompany loan	-	7,234,189
Statement of Financial Performance		
Decrease in Income from Agency Services	-	7,080,453
56.4. Prior period errors - Correction of Defined Benefit Obligation		
A revised actuarial report was obtained from the actuaries to correct the year-end defined benefit obligation balance by applying amended expected retirement ages.		
The correction of the error results in adjustments as follows:		
Statement of financial position		
Decrease in defined benefit obligation	-	153,326,000
Statement of Financial Performance		
Increase in actuarial gain	-	(153,326,000)
56.5. Prior period errors - FRESHCO Housing Development		
Included in the Rental Income in 2012 was an amount of R90,807,675 relating to the construction costs for the Freshco Housing Development. The rental portion of the agreement was also not straightlined, this amounted to R33,188.89.		
Included in the work in progress of the prior year, was an amount of R 13,755,394 which was incorrectly capitalised. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in liability	-	(101,784,878)
Decrease in Property, plant and equipment - Work in Progress	-	(2,778,191)
Decrease in Payables (Deferred lease income)	-	33,189
Decrease in Opening Accumulated Surplus or Deficit	-	13,722,205
Statement of financial performance		
Decrease in Rental Income	-	90,807,675

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.6. Prior period errors - Operating lease income		
A project was undertaken to recompile the operating lease income register during the current financial year. Therefore adjustments needed to be made to the prior period figures. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Deferred lease expenditure	-	(4,747,154)
Statement of Financial Performance		
Decrease in Operating lease income	-	4,747,154
56.7. Prior period errors - City of Ghent Unspent grant		
The unspent grant received was erroneously reclassified to income. The grant however needs to remain conditional based on the conditions as prescribed by the City of Ghent. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in accumulated surplus	-	643,993
Increase in payables from non-exchange (other payables)	-	(643,993)
56.8. Prior period errors - Adjustments to VAT due to SARS audit		
Adjustments were made to the VAT control accounts as a result of an audit that was performed by SARS resulting in penalties and reversal of deductions. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Accumulated Surplus	-	2,882,448
Increase in VAT Payable	-	(2,882,448)
56.9. Prior period errors - Correction of Centlec Urban Settlement Development Grant Due for the 2011/2012 financial year		
Due to a reconciliation performed between the entity and Centlec (SOC) Limited for grants, discrepancies was identified. Therefore the following adjustments were made to correct the Urban Settlement Development Grant. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Trade and other Payables - Other payables - Grants	-	20,252,756
Decrease in Unspent conditional grants - Urban Settlement Development grant	-	14,747,244
Statement of Financial Performance		
Decrease in Government Grants and subsidies paid	-	(35,000,000)
56.10. Prior period errors - Correction of Centlec Equitable share due for the 2011/2012 financial year		
Due to a reconciliation performed between the entity and Centlec (SOC) Limited for grants, discrepancies was identified. Therefore the following adjustments were made to correct the Equitable share grant. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Trade and other Payables - Other Payables - Grants	-	31,448,444

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
Statement of Financial Performance		
Increase in Government Grants and Subsidies	-	(31,448,444)
56.11. Prior period errors - Intangible assets - Servitudes acquired		
Additional servitudes was identified during the year and therefore was recognised in the financial statements. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Intangible assets	-	32,000
Increase in Opening Accumulated Surplus	-	(14,000)
Statement of Financial Performance		
Decrease in Tools, plant and equipment	-	(18,000)
56.12. Prior period errors - Correction of community assets		
Zoo animals and fire arms was classified incorrectly against heritage assets in the prior year. This has been reclassified to property, plant and equipment in the current year. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in heritage assets	-	(5,500,716)
Increase in property, plant and equipment - Community assets	-	3,607,461
Decrease in Opening Accumulated Surplus	-	1,893,255
56.13. Prior period errors - Correction of property, plant and equipment - buildings		
Clinics and libraries was incorrectly recognised as property of the entity in the prior year. This was corrected in the current year. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Property, plant and equipment	-	(6,338,151)
Decrease in Opening Accumulated Surplus	-	6,483,464
Statement of Financial Performance		
Decrease in Depreciation and Amortisation	-	(145,313)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.14. Prior period errors - Correction of existing FRESHCO buildings		
The Brandwag flats (FRESHCO) was originally valued at the incorrect amount. A recalculation was done during the year based on the Depreciated Replacement Cost method. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Property, Plant and Equipment - Buildings	-	(15,193,186)
Decrease in Opening Accumulated Surplus or Deficit	-	15,321,069
Statement of Financial Performance		
Decrease in depreciation	-	(127,883)
56.15. Prior period errors - Property, plant and equipment buildings was incorrectly valued		
Buildings was originally valued at the incorrect amount. A recalculation was done during the year based on the Depreciated Replacement Cost method. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in property, plant and equipment - buildings	-	144,751,782
Increase in property, plant and equipment - land	-	50,973,213
Increase in accumulated surplus / deficit	-	(200,155,224)
Statement of Financial Performance		
Increase in Depreciation	-	4,430,229
56.16. Prior period errors - Correction of investment properties		
Reclassification of the following was done on investment properties:		
- Residential stock was reclassified to property, plant and equipment.		
- Sportclubs and creches was reclassified to property, plant and equipment.		
- Certain land was reclassified to investment property.		
The items was valued at Depreciated Replacement when taken into account. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Investment properties	-	1,450,586,827
Increase in property, plant and equipment - buildings	-	54,347,015
Decrease in Property, plant and equipment - Land	-	(380,357,210)
Increase in Investment Properties held for sale	-	50,492
Increase in Opening Accumulated Surplus or Deficit	-	(1,145,965,526)
Statement of financial performance		
Increase in depreciation	-	1,841,736
Decrease in Gain on fair value adjustments on assets	-	19,496,666

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.17. Prior period errors - Correction of buildings not previously taken into account		
Land and buildings not previously recognised, was taken into account. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in property, plant and equipment - buildings	-	38,190,459
Increase in property, plant and equipment - land	-	174,747,659
Increase in Opening Accumulated Surplus or Deficit	-	(214,029,274)
Statement of Financial Performance		
Increase in depreciation	-	1,091,154
56.18. Prior period errors - Revaluation Reserve		
The revaluation reserve was not realised to the surplus/(deficit) in the prior years. The value was prepared based on the Depreciated Replacement Cost method. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in property, plant and equipment - Buildings	-	79,578,220
Increase in property, plant and equipment - Land	-	97,591,858
Decrease in Revaluation Reserve	-	490,936,904
Increase in Opening Accumulated Surplus or Deficit	-	(668,106,983)
56.19. Prior period errors - Derecognition of land transferred		
Land was derecognised during the financial year, as this land does not belong to the entity or only ownerships still needs to be transferred. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in property, plant and equipment - land	-	(202,064,342)
Decrease in Opening Accumulated Surplus or Deficit	-	202,064,342
56.20. Prior period errors - Properties written off or removed		
Land was derecognised during the financial year, as they could not be identified or was duplicated in prior year. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in property, plant and equipment - land	-	(11,533,952)
Decrease in Opening Accumulated Surplus or Deficit	-	11,533,952
56.21. Prior period errors - Deferred lease income		
Due to journals incorrectly processed, deferred lease income was overstated. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Payables - deferred income	-	8,084,199
Decrease in Opening Accumulated Surplus or Deficit	-	14,883,249

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
Statement of Financial Performance		
Decrease in General expenditure	-	(22,967,448)
56.22. Prior period errors - Water payables		
In the prior year year journals were posted which incorrectly created a decrease in water payables of R 6 372 303. This balance was corrected by reclassifying it to sundry debtors. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Payables from exchange transactions - Trade Payables	-	(6,372,303)
Increase in VAT Payable	-	(1,900,065)
Increase in Debtors	-	6,550,728
Statement of Financial Performance		
Increase in Bulk purchases	-	1,721,640
56.23. Prior period errors - Infrastructure		
The asset register was recompiled during the year and this lead to adjustments on Infrastructure. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Infrastructure Cost	-	(844,411,320)
Decrease in Infrastructure Accumulated Depreciation	-	63,109,548
Decrease in Opening Accumulated Surplus	-	803,580,409
Statement of Financial Performance		
Decrease in Depreciation - Infrastructure	-	(22,476,379)
Increase in Repairs and maintenance	-	197,742
56.24. Prior period errors - Infrastructure WIP		
The WIP Register on Infrastructure was reassessed and found to be incorrect. The WIP was recalculated. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Infrastructure Assets Cost - WIP	-	(37,825,153)
Statement of Financial Performance		
Increase in Repairs and maintenance	-	37,825,153
56.25. Prior period errors - Community assets		
The asset register was recompiled during the year and this lead to adjustments on community assets. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Community Assets Cost	-	403,164,200
Increase in Community Assets Accumulated Depreciation	-	(280,189,662)
Increase in Provision for Rehabilitation	-	(329,099,139)
Decrease in Opening Accumulated Surplus	-	159,167,458

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
Statement of Financial Performance		
Increase in Repairs and maintenance	-	46,957,143
56.26. Prior period errors - Community assets WIP		
The WIP Register on Community assets was reassessed and found to be incorrect. This was recalculated. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Community Assets Cost - WIP	-	(90,353)
Statement of Financial Performance		
Increase in Repairs and maintenance	-	90,353
56.27. Prior period errors - Other assets		
The asset register was recompiled during the year and this lead to adjustments on Other Assets. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Other Assets Cost	-	30,978
Decrease in Other Assets Accumulated Depreciation	-	682,882
Increase in Opening Accumulated Surplus	-	(823,100)
Statement of Financial Performance		
Increase in Depreciation - Other Assets	-	283,590
Decrease in Repairs and maintenance	-	(174,350)
56.28. Prior period errors - Other assets WIP		
The WIP Register on Other asset was reassessed and found to be incorrect. This was recalculated. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Other Assets Cost - WIP	-	(482,395)
Statement of Financial Performance		
Increase in Repairs and maintenance	-	482,395
56.29. Prior period errors - Lourier Park Rental stock		
Rental stock - Lourier Park previously classified as Investment Property. Now classified as Property, plant and equipment. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Investment Property	-	(2,753,000)
Increase in Property, plant and equipment - Buildings	-	4,079,011
Increase in Property, plant and equipment - Land	-	563,998
Increase in Revaluation reserve	-	(1,804,407)
Increase in Opening Accumulated Surplus or Deficit	-	(153,313)
Statement of Financial Performance		
Increase in Depreciation	-	67,711

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.30. Prior period errors - Revaluation reserve incorrectly calculated		
Adjustment of the Revaluation reserve according to the net method. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in property, plant and equipment - Buildings	-	102,987,573
Decrease in property, plant and equipment - Buildings Accumulated depreciation	-	42,898,710
Increase in Revaluation reserve	-	(145,886,283)
56.31. Prior period errors - Rental stock classification		
Four rental properties was transferred from inventory to Property, plant and equipment. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in revaluation reserve	-	(25,044)
Decrease in inventory	-	(8,219)
Increase in property, plant and equipment - buildings	-	18,953
Increase in property, plant and equipment - land	-	46,295
Increase in Opening Accumulated Surplus	-	(32,301)
Statement of Financial Performance		
Increase in Depreciation	-	316
56.32. Prior period errors - Centlec substations		
Centlec substations transferred from inventory to property, plant and equipment. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in revaluation reserve	-	(2,207,565)
Increase in property, plant and equipment - land	-	13,064,033
Decrease in inventory	-	(225)
Increase in Opening Accumulated Surplus	-	(10,856,243)
56.33. Prior period errors - Land derecognised		
Properties subdivided or ownership transferred was removed from asset register. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Opening Accumulated Surplus	-	2,125,875
Decrease in revaluation reserve	-	432,278
Decrease in property, plant and equipment - land	-	(2,558,153)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.34. Prior period errors - Adjustment to Net realisable value of inventory		
Inventory was adjusted to net realisable value as per approved tariffs per council. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Opening Accumulated Surplus	-	(54,897,126)
Increase in inventory	-	54,897,126
56.35. Prior period errors - Adjustment of high valuations		
Adjustment of properties with high values in accordance with supplementary valuation roll. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Decrease in Opening Accumulated Surplus	-	388,630,000
Decrease in Investment property	-	(388,630,000)
56.36. Prior period errors - Airport node development transferred to inventory		
Airport node development was transferred to inventory. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Opening Accumulated Surplus	-	(7,999,599)
Decrease in revaluation reserve	-	4,697,259
Decrease in Property, plant and equipment - Land	-	(27,797,660)
Increase in inventory	-	31,720,000
Decrease in Investment property	-	(620,000)
56.37. Prior period errors - Capitalisation of investment property		
Capitalisation of investment property Mangaung 16559 and Magnolia number 5. The comparative statement for 2012 has been restated. The effect of the restatement is summarised below:		
Statement of financial position		
Increase in Opening Accumulated Surplus	-	(860,000)
Increase in investment property	-	860,000
56.38. Prior period errors - Capital expenditure not capitalised		
Capitalisation of amount provided for as retention during the 2011/12 financial year not capitalised or recorded on the fixed asset registers.		
Statement of financial position		
Increase in Opening Accumulated Surplus	-	(10,933,334)
Increase in infrastructure assets	-	10,910,826
Increase in community assets	-	22,508

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
56. Prior period errors (continued)		
56.39. Prior period errors - Deferred interest on Cricket stadium		
In the prior period, deferred interest was incorrectly recorded as a payable for the cricket stadium.		
Statement of financial position		
Increase in Opening Accumulated Surplus	-	(6,974,177)
Decrease in payables from exchange transactions	-	7,311,614
Statement of Financial Performance		
Increase in Interest received	-	(337,437)
56.40. Prior period errors - Revaluation of Heritage Assets		
The increase in the value of the City Hall was recalculated to reflect actual growth of the property over a six year period.		
Statement of financial position		
Increase in Heritage Assets	-	163,729,419
Increase in Revaluation Reserve	-	(163,729,419)
56.41. Prior period errors - Reclassification of investment property		
Re-classification of Investment property - Tempe, Hoffman Square, South Park Cemetery, Memoriam Cemetery and Southern Landfill - as Property, plant and Equipment - Land.		
Statement of financial position		
Decrease in Accumulated Surplus	-	10,404,623
Increase in Property Plant and Equipment - Land	-	40,450,000
Decrease in Investment Property	-	(40,450,000)
Increase in Revaluation Reserve	-	(10,404,623)
56.42. Prior period errors - Landfill and quarries provision		
The landfill sites and quarries amounts were restated following the revised valuation report. Thus the impact on the Financial statements is as follows:		
Statement of financial position		
Increase in Provision for landfill and quarries	-	(41,553,322)
Decrease in Opening Accumulated surplus	-	26,553,033
Decrease in provision for landfill	-	15,000,289
57. Reclassification of comparative figures		
Certain comparative figures have been reclassified.		
The effects of the reclassifications are as follows:		
57.1 Reclassification of impairments:		
Correction of impairments of vehicle and erven loans:		

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
57. Reclassification of comparative figures (continued)		
Statement of financial position		
Increase in impairment of vehicle loans	-	(16,868)
Decrease in impairment of erven loans	-	16,868
57.2 Centlec Receivables and Payables:		
The loans receivable from Centlec is reclassified and is disclosed separately within note 14. Please refer to reclassification below:		
Statement of financial position		
Increase in current portion of Centlec receivables	-	13,447,336
Decrease in current portion of Non-current receivables	-	(13,447,336)
Decrease in Non-current receivables	-	(2,138,266,752)
Increase in Non-current portion of Centlec receivables	-	2,138,266,752
Decrease in Payables from exchange transactions	-	988,053,879
Increase in current portion of Centlec Payables	-	(988,053,879)
57.3 Expenditure:		
The following items was reclassified under expenditure as the items more closely reflect their purpose for better classification:		
Statement of Financial Performance		
Increase in sundry expenses	-	11,204,931
Decrease in water expense	-	(11,204,931)
Increase in deferred lease expenditure	-	12,489,468
Decrease in telephone and fax	-	(12,489,468)
Decrease in general expenditure (sundry expenses)	-	(78,415)
Increase in repairs and maintenance	-	78,415
57.4 Grants and subsidies:		
Reclassification between Grants and subsidies paid for better classification:		
Statement of Financial Performance		
Increase in National Electrification Program Grant	-	7,635,000
Increase in Electricity Demand Side Management Grant	-	5,000,000
Decrease in Free electricity services	-	(12,635,000)
57.5 Reclassification of property, plant and equipment:		
Reclassification between Infrastructure assets and Community assets. Please refer to reclassification below:		
Statement of Financial Performance		
Decrease in infrastructure assets	-	(15,594,041)
Increase in community assets	-	15,594,041
57.6 Landfill sites:		
A portion of the provision for landfill income have been reallocated to general expenditure. Please refer to reclassification below:		
Statement of financial position		
Decrease in other income	-	7,280,544
Decrease in general expenditure	-	(7,280,544)

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

2013	Restated
R	2012
	R

58. Risk management

Financial risk management

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:

- credit risk
- liquidity risk; and
- market risk (including interest rate risk and price risk).

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
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58. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The entity's exposure to liquidity risk is a result of the funds available to cover future commitments. The entity manages liquidity risk through ongoing review of commitments.

The entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

Impairment losses - all of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity'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.

	Less than 1 year	Between 1 and 2 years
At 30 June 2013		
Other financial liabilities	978,592,811	169,537,182
Finance lease liability	2,477,556	4,678,339
Trade and other payables	652,643,630	-
At 30 June 2012		
Other financial liabilities	975,837,183	57,685,520
Finance lease liability	2,477,556	2,990,344
Trade and other payables	577,675,301	-

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013	Restated
	R	2012
		R

58. Risk management (continued)

Credit risk

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

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

Receivables are presented net of an allowance for impairment.

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

Financial instrument	2013	2012
Cash and cash equivalents	257,366,261	178,976,851
Other loans	2,478,754,540	2,261,156,422
Other receivables from exchange transactions	60,294,070	26,399,691
Financial instruments designated at Fair Value	16,782	14,048
Consumer debtors	301,335,222	237,745,621

These balances represent the maximum exposure to credit risk.

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 53 for additional details.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013	Restated
	R	2012
		R

58. Risk management (continued)

Market rate risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

Foreign Currency Risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below:

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

- Call, notice and fixed deposits
- Development Bank of South Africa loan

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to make as far as possible use of fixed rate instruments. During 2013 and 2012, the entity's borrowings at variable rate were denominated in the Rand.

Fair values

The fair value of financial assets with standard terms and conditions and traded in an active market is determined with reference to quoted market bid prices and ask prices respectively.

Financial instrument	Cost price		Fair value	
	2013	2012	2013	2012
Financial instruments at fair value - OVK Limited	2,535	2,535	16,782	14,048

59. Financial sustainability

The 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.

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue (Act 5 of 2012).

The entity has an intercompany loan from Centlec (SOC) Limited, as shown under note 32 with an amount of R 956,074,557 (2012: R 984,405,296). The current ratio is calculated at 0.77:1 (2012: 0.73:1), when excluding the loan, as the entity has full control over Centlec, municipal entity.

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R						
60. Events after the reporting date								
Write-off of Debt:								
Prescribed Consumer Debt:								
<p>On 4 July 2013 the Council resolved that all prescribed debt for households, non profit organizations, churches and small businesses (service charges and taxes) older than five years be written off from the debtors book. This amounted to R170,290,641.21 and the Provision for Bad Debt will be utilised for the write off of this debt. This debt is included in the Impairment Provision at 30 June 2013 as disclosed in note 5,6 and 7.</p>								
Lease Agreement Audit:								
<p>After conducting a Lease Agreement Audit a number of deficiencies were noted with regards to the lease contracts where municipal properties are leased out to third parties. The main deficiencies noted were as follows:</p> <ul style="list-style-type: none"> - Expired Contracts - No contracts in place - Maintenance issues of the lease properties - Overall deficiencies relating to the existing contracts <p>The Council resolved that the entity is to embark on a re-negotiation process with regards to all leased municipal properties.</p> <p>In addition the following write off was approved by Council for lease debt older than 3 years:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Lease debt for Commercial Properties</td> <td style="width: 20%; text-align: right;">R535,535.94</td> <td style="width: 20%;"></td> </tr> <tr> <td>Lease debt for Sports Clubs</td> <td style="text-align: right;">R642.00</td> <td></td> </tr> </table> <p>This debt is included in the Impairment Provision at 30 June 2013 as disclosed in note 5.</p>			Lease debt for Commercial Properties	R535,535.94		Lease debt for Sports Clubs	R642.00	
Lease debt for Commercial Properties	R535,535.94							
Lease debt for Sports Clubs	R642.00							
61. Unauthorised expenditure								
Opening balance	374,968,378	466,793,278						
Unauthorised expenditure - current year	19,535,661	307,256,486						
Approved by Council or condoned	-	(399,081,386)						
	394,504,039	374,968,378						
Details of unauthorised expenditure:								
Incidents regarding 2010/2011								
	Diciplinary steps taken / criminal proceedings							
Fresh produce market	None	417,912						
Miscellaneous services	None	29,774,764						
Water - Operating	None	23,353,983						
Water - Capital	None	14,165,233						
	-	67,711,892						
Incidents regarding 2011/2012								
	Diciplinary steps taken / criminal proceedings							
Overspending by the finance directorate	None	35,020,886						
Overspending by Infrastructural services	None	29,551,033						
Overspending by Regional operations	None	159,247,863						
Overspending by Miscellaneous services	None	44,318,396						
Overspending by Corporate services	None	37,317,682						
Overspending by Fresh produce market	None	177,295						
Overspending by Water services	None	1,623,331						
	-	307,256,486						
Incidents regarding 2012/2013								
	Diciplinary steps taken / criminal proceedings							
Overspending by Infrastructural services	None	19,535,661						
	-	-						

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
61. Unauthorised expenditure (continued)		
Refer to Appendix E(1) and E(2) for more details.		
62. Fruitless and wasteful expenditure		
Opening balance	27,000,205	34,880,254
Net Fruitless and wasteful expenditure awaiting condonation	1,176,388	183,514
Fruitless and wasteful expenditure for 2012/2013	1,176,388	3,541,325
Amounts written off by Council or condoned	-	(3,357,811)
	28,176,593	35,063,768
Fruitless and wasteful expenditure prior to 2013 written off or condoned by Council	-	(8,063,563)
	28,176,593	27,000,205

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
62. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure incidents 2009/10		
Penalties and interest paid on the late submission of VAT return.	-	5,099,888
Details of fruitless and wasteful expenditure incidents 2010/11		
Penalties and interest paid on the late submission of a VAT return.	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	-	171,147
	<u>-</u>	<u>7,900,281</u>
Details of fruitless and wasteful expenditure incidents 2011/12		
Penalties and interest paid on the late submission of a VAT return.	-	113,832
Penalties and interest paid on the late submission VAT return of prior years.	-	13,816,522
Interest paid on overdue accounts	-	31,163
Interest paid on overdue accounts - Telkom	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor in 2011/12 financial year	378,254	-
	<u>378,254</u>	<u>14,000,037</u>
Details of fruitless and wasteful expenditure incidents 2012/13		
Interest paid to Ruwacon (Pty) Ltd due to late payment	42,879	-
Interest paid to Eskom due to late payment	41,415	-
Interest paid to FDC due to late payment	804	-
Interest paid to Rossouws Attorneys due to late payment	390	-
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	57	-
No Show penalty for 7 Councillors at 29/01/2013 accomodation Protea Hotal OR Tambo Protea	12,247	-
Interest paid to UMFA/FS Business Trust due to late payment	165	-
Interest and penalties paid to SARS due to late submission of a VAT return	147,204	-
Interest paid to Bloemwater due to late payment	4,851	-
Interest paid to Merchant West (Pty) Ltd due to late payment	60,820	-
Interest paid to Telkom SA limited due to late payment	100,031	-
Interest paid to Lawyers due to late payment	11,506	-
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor in 2012/13 financial year	375,765	-
	<u>798,134</u>	<u>-</u>

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
63. Irregular expenditure		
Opening balance	255,032,009	207,212,944
Irregular expenditure - current year	10,239,733	57,254,523
Amounts written off by Council or condoned	-	(9,435,458)
	265,271,742	255,032,009
Analysis of expenditure awaiting condonation per age classification		
Current year	10,239,733	57,254,523
Prior years	255,032,009	197,777,486
	265,271,742	255,032,009
Details of irregular expenditure – current year		
Expenditure items identified where the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	10,239,733
Details of irregular expenditure condoned		
None		-
64. Additional disclosure in terms of the Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription fee	9,800,000	10,273,749
Amount paid - current year	(9,800,000)	(10,273,749)
	-	-
Contributions to organised local government consists of annual subscriptions paid to SALGA.		
Audit fees		
Opening balance	635,210	365,812
Amount paid - current year	(11,550,093)	(14,273,804)
Amount paid - previous years	(635,210)	(365,812)
Current year regularity audit fees	11,655,677	14,909,014
	105,584	635,210
PAYE, UIF and SDL		
Opening balance	1,037,234	1,639,948
Payable for the current year	139,815,958	122,156,149
Amount paid - current year	(138,483,443)	(122,758,863)
	2,369,749	1,037,234
Pension and medical aid deductions		
Current year payroll deductions	228,186,164	216,275,659
Amount paid - current year	(228,186,164)	(216,275,659)
	-	-

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R	
Bulk water losses			
Material bulk water losses during the year under review were as follows and are not recoverable.			
The main reason for incurring water losses relates to burst water pipes, leaks and unmetered water sites.			
	Kilo liter	Cost per kilo liter	Total loss in Rand
Unaccounted water - 2013	29,686,927	3.94	116,966,492
Unaccounted water - 2012	31,851,224	3.50	111,479,285
VAT			
Opening Balance	64,635,836		96,925,542
VAT Payable	29,566,728		38,755,152
VAT paid	-		(18,723,226)
VAT claimed not received	(23,962,743)		(52,321,632)
VAT payable	70,239,821		64,635,836

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:		
30 June 2013		Outstanding more than 90 days R
Toba AL		-
Teko ED		44,156
Olivier GJ		5,484
Nothnagel J		-
Lekgela LE		57,078
Maphakisa LE		10,316
Titi-Odile LM		7,016
July LR		-
Matsoetlane MJ		10,066
Tsomela MM		-
Moilwa ME		200
Nkoe MJ		43,023
Lephoi MJ		122
Mononyane MB		34,645
Mpeqeka MS		32,522
Hlujane MD		206
Siyonzana MA		-
Ndamane SS		3,573
Manyoni TM		-
Jacobs TA		8
Lala TS		432
Mpakathe TS		-
Naile TJ		-
Ward VM		13,502
Mangcotywa ZE		96
		262,445
30 June 2012		Outstanding more than 90 days R
Britz JF		-
Dyosiba S		-
Fujana MD		199
Horn W		-
Jacobs TA		119
Janse van Vuuren DE		-
July LR		224
Lazenby JAA		-
Lekgela LE		51,444
Lephoi MJ		137
Mangcotywa ZE		180
Manyoni TM		-
Masoetsa LA		164
Moilwa ME		263
Mononyane MB		32,943
Mpakathe TS		-
Mpheqeka MS		30,819
Ndamane SS		3,323
Nkoe MJ		32,675

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	Restated 2012 R
Northnagel J		-
Powell JD		-
Rampai CLM		-
Titi-Odili LM		6,640
Tsomela MM		-
Van der Merwe RA		-
Viviers BJ		-
Ward VW		13,335
		172,465

Refer to Appendix H for detail information.

Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council.

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.

For the financial year there were instances where goods and services were procured and deviated from the normal supply management policy.

The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Deviations	2013	Number of deviations
Emergency	899,535	8
Sole supplier	12,922,652	293
Urgent	42,010,153	82
	55,832,340	383
Deviations	2012	Number of deviations
Emergency	51,297,258	41
Sole supplier	1,458,706	102
Urgent	16,714,060	11
	69,470,024	154

Mangaung Metropolitan Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013	Restated
	R	2012
		R

65. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

66. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

67. Non-compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his/her delegate.

Supply chain management regulations 36(1)

Goods and services with a transaction value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his/her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Municipal Finance Management Act section 2(1)(f)

Contracts were awarded without justification to bidders who did not score the highest points.

Municipal Finance Management Act section 116(2)(b)

The performance of all contractors were not monitored on a monthly basis.

Municipal Finance Management Act section 116(3)(a)

Contracts were amended or extended without tabling the reasons to the council and/or notifying the public.

**Mangaung Metropolitan Municipality
Appendix A**

**Unaudited
Schedule of external loans as at 30 June 2013**

Loan Number	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand	Rand	Rand	
Development Bank of South Africa								
DBSA @ 12.62%	103433/01	31 March 2026	42,761,225	9,714,538	5,377,299	47,098,464	10,098,000	-
DBSA @ 6.75%	103433/02	31 March 2026	10,861,564	122,692,931	7,900,919	125,653,576	80,439,672	-
DBSA Bloemfontein @ 10%	8001/104	31 December 2015	8,464,406	-	2,130,796	6,333,610	10,454,264	-
			62,087,195	132,407,469	15,409,014	179,085,650	100,991,936	-
Total external loans								
Development Bank of South Africa			62,087,195	132,407,469	15,409,014	179,085,650	100,991,936	-
			62,087,195	132,407,469	15,409,014	179,085,650	100,991,936	-

Mangaung Metropolitan Municipality
Appendix B

Audited
Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2013
Cost **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Write-offs	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings												
Land	631,952,685	-	(5,615,403)	-	-	68,325,462	694,662,744	-	-	-	-	694,662,744
Buildings	872,556,420	41,582,429	-	-	-	71,627,221	985,766,070	-	(8,187,612)	-	(8,187,612)	977,578,458
Work in Progress	101,784,878	-	-	77,521,208	(43,186,411)	-	136,119,675	-	-	-	-	136,119,675
	1,606,293,983	41,582,429	(5,615,403)	77,521,208	(43,186,411)	139,952,683	1,816,548,489	-	(8,187,612)	-	(8,187,612)	1,808,360,877
Infrastructure												
Bridges	52,492,790	-	-	-	-	-	52,492,790	(3,915,002)	(818,087)	-	(4,733,089)	47,759,701
Intersections	45,584,823	-	-	-	-	-	45,584,823	(25,324,902)	(5,061,514)	-	(30,386,416)	15,198,407
Road Furniture	28,135,128	-	-	-	-	-	28,135,128	(13,795,266)	(1,021,775)	-	(14,817,041)	13,318,087
Street lights	10,474,432	-	-	-	-	-	10,474,432	(2,277,050)	(455,098)	-	(2,732,148)	7,742,284
Sanitation	266,043,129	-	-	-	-	-	266,043,129	(58,528,239)	(11,532,372)	-	(70,060,611)	195,982,518
Side walks	173,172,011	-	-	-	-	-	173,172,011	(50,932,944)	(10,179,617)	-	(61,112,561)	112,059,450
Water	460,692,746	-	-	-	-	-	460,692,746	(114,538,436)	(22,616,161)	-	(137,154,597)	323,538,149
Rail road siding	23,337,859	-	-	-	-	-	23,337,859	(4,696,481)	(938,653)	-	(5,635,134)	17,702,725
Roads	2,179,291,847	-	-	-	-	-	2,179,291,847	(647,327,763)	(100,208,302)	-	(747,536,065)	1,431,755,782
Stormwater	3,004,338	-	-	-	-	-	3,004,338	(631,668)	(114,585)	-	(746,253)	2,258,085
Water meters	57,766,284	7,353,840	-	-	-	-	65,120,124	(11,896,104)	(3,926,812)	-	(15,822,916)	49,297,208
Water and sanitation	1,773,205,696	-	-	-	-	-	1,773,205,696	(183,239,778)	(36,461,394)	-	(219,701,172)	1,553,504,524
Work in Progress	418,974,690	-	-	555,715,293	(101,168,983)	-	873,521,000	-	-	-	-	873,521,000
	5,492,175,773	7,353,840	-	555,715,293	(101,168,983)	-	5,954,075,923	(1,117,103,633)	(193,334,370)	-	(1,310,438,003)	4,643,637,920
Community Assets												
Parks	46,736,428	-	-	-	-	-	46,736,428	(8,697,010)	(1,799,318)	-	(10,496,328)	36,240,100
Fresh produce market	53,350,749	1,051,900	-	-	-	-	54,402,649	(20,659,424)	(3,857,300)	-	(24,516,724)	29,885,925
Landfill sites	22,347,526	6,460,674	(31,356)	-	-	-	28,776,844	(6,753,486)	(1,020,081)	22,075	(7,751,492)	21,025,352
Landfill sites	143,963,590	-	-	-	-	-	143,963,590	(69,928,025)	(4,567,021)	-	(74,495,046)	69,468,544
Quarry sites	258,085,200	-	-	-	-	-	258,085,200	(210,261,638)	(12,349,192)	-	(222,610,830)	35,474,370
Sport Grounds	55,578,711	-	-	-	-	-	55,578,711	(11,171,387)	(2,163,863)	-	(13,335,250)	42,243,461
Swimming pools	27,751,343	-	-	-	-	-	27,751,343	(7,975,430)	(1,654,339)	-	(9,629,769)	18,121,574
Stadiums	126,328,376	-	-	-	-	-	126,328,376	(31,974,856)	(6,422,623)	-	(38,397,479)	87,930,897
CCTV	51,766,886	2,984,880	-	-	-	-	54,751,766	(12,455,340)	(5,145,529)	-	(17,600,869)	37,150,897
Zoo	47,240,586	-	-	-	-	-	47,240,586	(9,104,806)	(2,059,715)	-	(11,164,521)	36,076,065
Zoo animals	3,769,761	543,203	(683,810)	-	-	-	3,629,154	(162,300)	(176,721)	27,436	(311,585)	3,317,569
Cemeteries	40,297,307	5,440,463	-	-	-	-	45,737,770	(13,179,391)	(2,913,985)	-	(16,093,376)	29,644,394
Hawker stalls	722,134	-	-	-	-	-	722,134	(72,213)	(24,055)	-	(96,268)	625,866
Environmental facilities	1,926,911	-	-	-	-	-	1,926,911	(481,728)	(120,349)	-	(602,077)	1,324,834
Work in Progress	20,826,525	-	-	35,073,015	(5,831,938)	-	50,067,602	-	-	-	-	50,067,602
	900,692,033	16,481,120	(715,166)	35,073,015	(5,831,938)	-	945,699,064	(402,877,034)	(44,274,091)	49,511	(447,101,614)	498,597,450

Audited
Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2013
Cost **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Write-offs	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Buildings	242,295,485	-	-	-	-	28,784,515	271,080,000	-	-	-	-	271,080,000
Nature Reserve	4,821,624	3,892,105	-	-	-	-	8,713,729	-	-	-	-	8,713,729
Work in Progress	-	-	-	10,601,508	-	-	10,601,508	-	-	-	-	10,601,508
	247,117,109	3,892,105	-	10,601,508	-	28,784,515	290,395,237	-	-	-	-	290,395,237
Other assets												
Firearms	797,752	-	(2,961)	-	-	-	794,791	(148,243)	(35,712)	817	(183,138)	611,653
Motor Vehicles	176,894,586	1,291,512	-	-	-	-	178,186,098	(40,663,258)	(5,352,698)	-	(46,015,956)	132,170,142
Tools, Plant and equipment	5,381,313	6,573,805	-	-	-	-	11,955,118	(1,905,199)	(622,039)	-	(2,527,238)	9,427,880
Furniture and Office Equipment	26,505,540	8,925,250	-	-	-	-	35,430,790	(4,231,589)	(2,967,654)	-	(7,199,243)	28,231,547
Capitalised leased assets	13,413,482	6,279,688	-	-	-	-	19,693,170	(7,587,283)	(4,853,588)	-	(12,440,871)	7,252,299
	222,992,673	23,070,255	(2,961)	-	-	-	246,059,967	(54,535,572)	(13,831,691)	817	(68,366,446)	177,693,521

Audited
Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2013
Cost **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Write-offs	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment												
Land and buildings	1,606,293,983	41,582,429	(5,615,403)	77,521,208	(43,186,411)	139,952,683	1,816,548,489	-	(8,187,612)	-	(8,187,612)	1,808,360,877
Infrastructure	5,492,175,773	7,353,840	-	555,715,293	(101,168,983)	-	5,954,075,923	(1,117,103,633)	(193,334,370)	-	(1,310,438,003)	4,643,637,920
Community Assets	900,692,033	16,481,120	(715,166)	35,073,015	(5,831,938)	-	945,699,064	(402,877,034)	(44,274,091)	49,511	(447,101,614)	498,597,450
Heritage assets	247,117,109	3,892,105	-	10,601,508	-	28,784,515	290,395,237	-	-	-	-	290,395,237
Other assets	222,992,673	23,070,255	(2,961)	-	-	-	246,059,967	(54,535,572)	(13,831,691)	817	(68,366,446)	177,693,521
	8,469,271,571	92,379,749	(6,333,530)	678,911,024	(150,187,332)	168,737,198	9,252,778,680	(1,574,516,239)	(259,627,764)	50,328	(1,834,093,675)	7,418,685,005
Intangible assets												
Computers - software & programming	9,700,947	1,664,829	-	-	-	-	11,365,776	(2,181,897)	(319,033)	-	(2,500,930)	8,864,846
Servitudes	32,000	-	-	-	-	-	32,000	-	-	-	-	32,000
	9,732,947	1,664,829	-	-	-	-	11,397,776	(2,181,897)	(319,033)	-	(2,500,930)	8,896,846
Investment properties												
Investment property	2,363,202,627	1,486,613	-	-	-	-	2,364,689,240	-	-	-	-	2,364,689,240
	2,363,202,627	1,486,613	-	-	-	-	2,364,689,240	-	-	-	-	2,364,689,240
Total												
Land and buildings	1,606,293,983	41,582,429	(5,615,403)	77,521,208	(43,186,411)	139,952,683	1,816,548,489	-	(8,187,612)	-	(8,187,612)	1,808,360,877
Infrastructure	5,492,175,773	7,353,840	-	555,715,293	(101,168,983)	-	5,954,075,923	(1,117,103,633)	(193,334,370)	-	(1,310,438,003)	4,643,637,920
Community Assets	900,692,033	16,481,120	(715,166)	35,073,015	(5,831,938)	-	945,699,064	(402,877,034)	(44,274,091)	49,511	(447,101,614)	498,597,450
Heritage assets	247,117,109	3,892,105	-	10,601,508	-	28,784,515	290,395,237	-	-	-	-	290,395,237
Other assets	222,992,673	23,070,255	(2,961)	-	-	-	246,059,967	(54,535,572)	(13,831,691)	817	(68,366,446)	177,693,521
Intangible assets	9,732,947	1,664,829	-	-	-	-	11,397,776	(2,181,897)	(319,033)	-	(2,500,930)	8,896,846
Investment properties	2,363,202,627	1,486,613	-	-	-	-	2,364,689,240	-	-	-	-	2,364,689,240
	10,842,207,145	95,531,191	(6,333,530)	678,911,024	(150,187,332)	168,737,198	11,628,865,696	(1,576,698,136)	(259,946,797)	50,328	(1,836,594,605)	9,792,271,091

Mangaung Metropolitan Municipality

Appendix B

June 2013

Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings												
Land	622,583,386	-	(3,000)	-	-	9,372,299	631,952,685	-	-	-	-	631,952,685
Buildings	562,417,990	310,956,149	-	-	-	(817,719)	872,556,420	(52,367,024)	52,367,024	-	-	872,556,420
Work in Progress	342,344,713	-	-	107,508,374	(348,068,209)	-	101,784,878	-	-	-	-	101,784,878
	1,527,346,089	310,956,149	(3,000)	107,508,374	(348,068,209)	8,554,580	1,606,293,983	(52,367,024)	52,367,024	-	-	1,606,293,983
Infrastructure												
Bridges	52,492,790	-	-	-	-	-	52,492,790	(3,096,915)	(818,087)	-	(3,915,002)	48,577,788
Intersections	45,584,823	-	-	-	-	-	45,584,823	(20,259,921)	(5,064,980)	-	(25,324,901)	20,259,922
Road furniture	28,135,128	-	-	-	-	-	28,135,128	(10,902,052)	(2,893,215)	-	(13,795,267)	14,339,861
Street lights	10,474,432	-	-	-	-	-	10,474,432	(1,821,640)	(455,410)	-	(2,277,050)	8,197,382
Sanitation	266,043,129	-	-	-	-	-	266,043,129	(46,762,467)	(11,765,772)	-	(58,528,239)	207,514,890
Side Wakes	173,172,011	-	-	-	-	-	173,172,011	(40,746,356)	(10,186,589)	-	(50,932,945)	122,239,066
Rail road siding	23,337,859	-	-	-	-	-	23,337,859	(3,757,185)	(939,296)	-	(4,696,481)	18,641,378
Roads	2,161,111,971	18,179,876	-	-	-	-	2,179,291,847	(509,246,631)	(138,081,132)	-	(647,327,763)	1,531,964,084
Water	460,692,746	-	-	-	-	-	460,692,746	(91,629,126)	(22,909,310)	-	(114,538,436)	346,154,310
Stormwater	3,004,338	-	-	-	-	-	3,004,338	(505,334)	(126,334)	-	(631,668)	2,372,670
Water meters	46,083,591	11,682,692	-	-	-	-	57,766,283	(8,532,036)	(3,364,068)	-	(11,896,104)	45,870,179
Water and sanitation	1,773,205,696	-	-	-	-	-	1,773,205,696	(146,245,186)	(36,994,591)	-	(183,239,777)	1,589,965,919
Work in Progress	149,926,837	-	-	280,834,923	(11,787,071)	-	418,974,689	-	-	-	-	418,974,689
	5,193,265,351	29,862,568	-	280,834,923	(11,787,071)	-	5,492,175,771	(883,504,849)	(233,598,784)	-	(1,117,103,633)	4,375,072,138
Community assets												
Parks	46,736,428	-	-	-	-	-	46,736,428	(6,873,232)	(1,823,778)	-	(8,697,010)	38,039,418
Cemetries	40,297,307	-	-	-	-	-	40,297,307	(10,166,999)	(3,012,392)	-	(13,179,391)	27,117,916
Fresh produce market	53,350,749	-	-	-	-	-	53,350,749	(16,330,778)	(4,328,646)	-	(20,659,424)	32,691,325
Landfill sites	22,347,526	-	-	-	-	-	22,347,526	(5,757,257)	(996,229)	-	(6,753,486)	15,594,040
Landfill sites	143,963,586	-	-	-	-	-	143,963,586	(65,361,003)	(4,567,021)	-	(69,928,024)	74,035,562
Quarry sites	258,085,200	-	-	-	-	-	258,085,200	(197,912,445)	(12,349,192)	-	(210,261,637)	47,823,563
Sport grounds	55,578,711	-	-	-	-	-	55,578,711	(8,937,109)	(2,234,277)	-	(11,171,386)	44,407,325
Swimming pools	22,302,437	5,448,907	-	-	-	-	27,751,344	(6,261,557)	(1,713,873)	-	(7,975,430)	19,775,914
Stadiums	126,328,376	-	-	-	-	-	126,328,376	(25,522,677)	(6,452,178)	-	(31,974,855)	94,353,521
CCTV	38,718,208	13,048,678	-	-	-	-	51,766,886	(7,541,397)	(4,913,943)	-	(12,455,340)	39,311,546
Other	-	-	-	-	-	-	-	-	-	-	-	-
Zoo	47,240,586	-	-	-	-	-	47,240,586	(7,043,680)	(2,061,125)	-	(9,104,805)	38,135,781
Zoo animals	3,819,798	414,753	(464,790)	-	-	-	3,769,761	-	(170,378)	8,077	(162,301)	3,607,460
Hawker stalls	722,134	-	-	-	-	-	722,134	(48,142)	(24,071)	-	(72,213)	649,921
Environmental facilities	1,926,911	-	-	-	-	-	1,926,911	(361,296)	(120,432)	-	(481,728)	1,445,183
Work in Progress	450,000	-	-	20,949,273	(572,748)	-	20,826,525	-	-	-	-	20,826,525
	861,867,957	18,912,338	(464,790)	20,949,273	(572,748)	-	900,692,030	(358,117,572)	(44,767,535)	8,077	(402,877,030)	497,815,000

Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Buildings	238,456,337	-	-	-	-	3,839,147	242,295,484	-	-	-	-	242,295,484
Nature Reserve	4,821,624	-	-	-	-	-	4,821,624	-	-	-	-	4,821,624
	243,277,961	-	-	-	-	3,839,147	247,117,108	-	-	-	-	247,117,108
Other assets												
Firearms	795,352	2,400	-	-	-	-	797,752	(111,604)	(36,638)	-	(148,242)	649,510
Motor vehicles	176,894,586	-	-	-	-	-	176,894,586	(35,279,308)	(5,383,950)	-	(40,663,258)	136,231,328
Tools, plant and equipment	4,239,293	1,142,020	-	-	-	-	5,381,313	(1,504,756)	(400,443)	-	(1,905,199)	3,476,114
Furniture and office equipment	14,741,780	11,763,759	-	-	-	-	26,505,539	(2,509,377)	(1,722,212)	-	(4,231,589)	22,273,950
Capitalised leased assets	8,937,783	4,815,570	-	-	(339,871)	-	13,413,482	(5,495,418)	(2,431,736)	339,871	(7,587,283)	5,826,199
	205,608,794	17,723,749	-	-	(339,871)	-	222,992,672	(44,900,463)	(9,974,979)	339,871	(54,535,571)	168,457,101

Analysis of Infrastructure Property, Plant and Equipment as at 30 June 2012

Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	WIP Transfer In	WIP Transfer Out	Revaluations	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment												
Land and buildings	1,527,346,089	310,956,149	(3,000)	107,508,374	(348,068,209)	8,554,580	1,606,293,983	(52,367,024)	52,367,024	-	-	1,606,293,983
Infrastructure	5,193,265,351	29,862,568	-	280,834,923	(11,787,071)	-	5,492,175,771	(883,504,849)	(233,598,784)	-	(1,117,103,633)	4,375,072,138
Community assets	861,867,957	18,912,338	(464,790)	20,949,273	(572,748)	-	900,692,030	(358,117,572)	(44,767,535)	8,077	(402,877,030)	497,815,000
Heritage assets	243,277,961	-	-	-	-	3,839,147	247,117,108	-	-	-	-	247,117,108
Other assets	205,608,794	17,723,749	-	-	(339,871)	-	222,992,672	(44,900,463)	(9,974,979)	339,871	(54,535,571)	168,457,101
	8,031,366,152	377,454,804	(467,790)	409,292,570	(360,767,899)	12,393,727	8,469,271,564	(1,338,889,908)	(235,974,274)	347,948	(1,574,516,234)	6,894,755,330
Intangible assets												
Computers - software & programming	9,352,543	363,327	(14,923)	-	-	-	9,700,947	(1,868,746)	(328,074)	14,923	(2,181,897)	7,519,050
Servitudes	14,000	18,000	-	-	-	-	32,000	-	-	-	-	32,000
	9,366,543	381,327	(14,923)	-	-	-	9,732,947	(1,868,746)	(328,074)	14,923	(2,181,897)	7,551,050
Investment properties												
Investment property	2,049,787,992	313,465,127	(50,492)	-	-	-	2,363,202,627	-	-	-	-	2,363,202,627
	2,049,787,992	313,465,127	(50,492)	-	-	-	2,363,202,627	-	-	-	-	2,363,202,627
Total												
Land and buildings	1,527,346,089	310,956,149	(3,000)	107,508,374	(348,068,209)	8,554,580	1,606,293,983	(52,367,024)	52,367,024	-	-	1,606,293,983
Infrastructure	5,193,265,351	29,862,568	-	280,834,923	(11,787,071)	-	5,492,175,771	(883,504,849)	(233,598,784)	-	(1,117,103,633)	4,375,072,138
Community assets	861,867,957	18,912,338	(464,790)	20,949,273	(572,748)	-	900,692,030	(358,117,572)	(44,767,535)	8,077	(402,877,030)	497,815,000
Heritage assets	243,277,961	-	-	-	-	3,839,147	247,117,108	-	-	-	-	247,117,108
Other assets	205,608,794	17,723,749	-	-	(339,871)	-	222,992,672	(44,900,463)	(9,974,979)	339,871	(54,535,571)	168,457,101
Intangible assets	9,366,543	381,327	(14,923)	-	-	-	9,732,947	(1,868,746)	(328,074)	14,923	(2,181,897)	7,551,050
Investment properties	2,049,787,992	313,465,127	(50,492)	-	-	-	2,363,202,627	-	-	-	-	2,363,202,627
	10,090,520,687	691,301,258	(533,205)	409,292,570	(360,767,899)	12,393,727	10,842,207,138	(1,340,758,654)	(236,302,348)	362,871	(1,576,698,131)	9,265,509,007

**Mangaung Metropolitan Municipality
Appendix C**

**Unaudited
Segmental analysis of Property, Plant and Equipment as at 30 June 2013**

Cost

Accumulated Depreciation

	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Entity										
Office of the City Manager	10,897,095	12,467,105	1,544,826	(339,871)	24,569,155	(6,727,893)	339,871	(2,184,267)	(8,572,289)	15,996,866
Corporate Services	1,228,567,170	20,814,681	78,126,491	(14,923)	1,327,493,419	(41,384,751)	14,923	(10,691,823)	(52,335,066)	1,275,158,353
Finance	9,942,757	55,332	-	-	9,998,089	(1,755,346)	-	(655,925)	(2,411,271)	7,586,818
Community and Social Development	190,952,299	20,010,588	489,545	(942,975)	210,509,457	(32,894,715)	-	(12,553,182)	(45,447,897)	165,061,560
Economic Development and Planning	1,601,155,747	111,018,044	29,671,066	(3,000)	1,741,841,857	(4,798,154)	-	(1,718,229)	(6,780,551)	1,735,061,306
Engineering Services	3,549,188,422	126,419,067	-	-	3,675,607,489	(623,872,839)	-	(167,142,708)	(791,015,547)	2,884,591,942
Housing	224,375	364,066	-	-	588,441	(39,613)	-	(14,300)	(53,913)	534,528
Fresh Produce Market	53,984,326	23,850	-	-	54,008,176	(16,477,784)	-	(4,364,099)	(20,841,883)	33,166,293
Water	2,712,992,929	183,794,125	-	-	2,896,787,054	(343,232,862)	-	(96,077,041)	(439,309,903)	2,457,477,151
	9,357,905,120	474,966,858	109,831,928	(1,300,769)	9,941,403,137	(1,071,183,957)	354,794	(295,401,574)	(1,366,768,320)	8,574,634,817
Total	9,357,905,120	474,966,858	109,831,928	(1,300,769)	9,941,403,137	(1,071,183,957)	354,794	(295,401,574)	(1,366,768,320)	8,574,634,817

Mangaung Metropolitan Municipality
Appendix D

Unaudited
Segmental Statement of Financial Performance for the year ended
Prior Year 30 June 2012 **Current Year 30 June 2013**

Actual Income	Actual Expenditure	Surplus /(Deficit)		Actual Income	Actual Expenditure	Surplus /(Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
Entity						
669,795,193	-	669,795,193	Rates Revenue: Property Rates	957,314,634	-	957,314,634
28,760	93,035,634	(93,006,874)	City Manager	92	153,431,475	(153,431,383)
6,034,317	279,607,609	(273,573,292)	Corporate services	5,837,016	210,060,430	(204,223,414)
32,428,829	77,154,260	(44,725,431)	Finance	104,301,407	137,656,351	(33,354,944)
7,729,211	180,187,019	(172,457,808)	Community & Social Services	12,521,706	274,560,899	(262,039,193)
8,354,760	54,937,317	(46,582,557)	Economic Development and Planning	4,761,002	53,072,518	(48,311,516)
17,279,723	12,941,708	4,338,015	Fresh Produce Market	18,746,080	16,853,010	1,893,070
377,242,053	225,636,294	151,605,759	Infrastructural Services	295,491,631	602,756,502	(307,264,871)
605,845,895	353,258,428	252,587,467	Water	582,423,051	571,643,327	10,779,724
1,024,781,840	420,757,762	604,024,078	Miscellaneous Services	1,134,944,181	624,737,829	510,206,352
(312,007)	15,518,674	(15,830,681)	Housing	13,201,337	63,215,029	(50,013,692)
9,260,960	619,923,748	(610,662,788)	Regional Operations	-	21,789,242	(21,789,242)
-	-	-	Provisions	-	-	-
2,758,469,534	2,332,958,453	425,511,081		3,129,542,137	2,729,776,612	399,765,525

Mangaung Metropolitan Municipality
Appendix E(1)

Audited
Actual versus Budget(Revenue and
Expenditure) for the year ended
30 June 2013

	Act. Bal.	Adjusted	Variance	
	Year to Date	budget		
	Rand	Year to Date	Rand	Var
		Rand		
Revenue				
Property rates	514,177,402	493,976,301	20,201,101	4.1
Service charges	718,169,818	709,494,462	8,675,356	1.2
Rental of facilities and equipment	17,707,284	22,662,669	(4,955,385)	(21.9)
Income from agency services	106,046,017	3,039,220	103,006,797	3,389.3
Fines	3,828,695	4,062,882	(234,187)	(5.8)
Licences and permits	431,225	796,632	(365,407)	(45.9)
Government grants	1,296,186,619	1,347,106,395	(50,919,776)	(3.8)
Other income	102,850,991	720,676,672	(617,825,681)	(85.7)
Interest received - investment	370,144,085	129,047,880	241,096,205	186.8
	3,129,542,136	3,430,863,113	(301,320,977)	(8.8)
Expenses				
Office of the City Manager	(153,431,475)	(184,211,932)	30,780,457	(16.7)
Corporate Services	(210,060,430)	(217,599,139)	7,538,709	(3.5)
Finance	(137,656,351)	(143,035,695)	5,379,344	(3.8)
Community and Social Development	(274,560,899)	(310,310,744)	35,749,845	(11.5)
Economic Development and Planning	(53,072,518)	(79,596,637)	26,524,119	(33.3)
Infrastructural Services	(602,756,502)	(583,220,841)	(19,535,661)	3.3
Miscellaneous Services	(551,096,028)	(612,829,073)	61,733,045	(10.1)
Housing and human settlement	(64,578,939)	(77,514,018)	12,935,079	(16.7)
Fresh Produce Market	(16,853,010)	(17,212,057)	359,047	(2.1)
Water	(571,643,327)	(585,213,658)	13,570,331	(2.3)
Regional Operations	(21,789,242)	(38,208,126)	16,418,884	(43.0)
	(2,657,498,721)	(2,848,951,920)	191,453,199	(6.7)
Other revenue and costs				
Gain or loss on fair value adjustments of assets	1,486,613	-	1,486,613	-
Gain or loss on exchange differences	-	-	-	-
Actuarial Gain/(Loss)	(74,337,266)	-	(74,337,266)	-
Loss on disposal of assets	(668,445)	-	(668,445)	-
Gain or loss on disposal of non-current assets	1,363,910	-	1,363,910	-
	(72,155,188)	-	(72,155,188)	-
Net surplus/ (deficit) for the year	399,888,227	581,911,193	(182,022,966)	(31.3)

Mangaung Metropolitan Municipality
Appendix E(2)

Audited
**Actual versus Budget (Aquisition of Property, Plant
and Equipment) as at 30 June 2013**

Entity	Additions	Revised Budget	Variance	Variance	Explanations
	Rand	Budget Rand	Rand	%	
Corporate services	39,755,656	55,705,859	15,950,203	29	A1
Finance	308,662	3,580,000	3,271,338	91	A2
Community & Social Services	13,655,604	35,272,710	21,617,106	61	
Economic Development and Planning	42,647,251	52,058,790	9,411,539	18	A3
Engineering services	468,996,823	624,392,229	155,395,406	25	
Human Settlement and Housing	21,151,758	32,747,277	11,595,519	35	
Fresh Produce Market	697,218	827,792	130,574	16	
	587,212,972	804,584,657	217,371,685	27	

Explanations for variances from budget:

A1 - Proqurement of an Electronic asset management not finalised at year end.

A2 - The extension of the Bayswater Laboratory building could not be completed during the financial year.

A3 - The registration of Land acquired during the year could not be finalised at year end and was therefore not be capitalised. These amounts have been disclosed as pre-paid expenses .

Mangaung Metropolitan Municipality
Appendix F
Unaudited
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Government	253,598,000	202,878,000	156,044,711	-	190,198,500	114,119,000	152,158,500	156,044,711	No	Yes	N/A
Public Transport Infra & System Grant	National Government	5,000,000	-	15,000,000	-	2,279,661	1,166,591	325,352	7,566,636	Yes	Yes	Could not rolled over since it was older than 2 years
DWAF Grant Water Conservation	National Government	-	4,262,324	5,229,576	503,100	-	5,792,664	2,116,098	1,631,222	No	Yes	N/A
Mig Grant Capacity Building	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Financial Management Grant	National Government	1,500,000	-	-	-	190,218	295,836	245,602	1,228,497	No	Yes	N/A
Municipal System Improvement Grant	National Government	-	-	-	-	-	-	-	831,151	No	Yes	N/A
Housing Accreditation Subsidy	Provincial Government	-	-	-	-	-	28,803	-	24,239	No	Yes	N/A
EPWP Grant	National Government	2,366,000	1,774,000	1,774,000	-	-	-	-	1,852,693	No	Yes	N/A
Environmental Impact Assessment Grant	National Government	916,000	-	-	-	893,522	-	-	22,478	No	Yes	N/A
Sustainable Human Settlement Support Grant	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
Department Water Affairs Grant	National Government	-	-	6,000,000	-	-	-	-	-	No	Yes	N/A
Provincial Grant Hlasela Proj -Re Ba Ikemetseng Bomme	Provincial Government	-	-	-	-	-	100,000	-	-	No	Yes	N/A
Provincial Grant CCTV For BFN CBD Stadium Navil Hill	Provincial Government	-	-	-	-	-	4,926,707	2,339,633	3,167,935	No	Yes	N/A
Provincial Grant Upgrading Roads in Batho	Provincial Government	-	-	-	-	-	2,087,547	2,533,202	986,104	No	Yes	N/A
Provincial Grant - Du Plessis /Muller Intersection	Provincial Government	-	-	-	-	-	-	-	554,640	No	Yes	N/A
Provincial Grant Hlasela Proj - Batho Car Wash	Provincial Government	-	-	-	-	-	60,000	30,000	-	No	Yes	N/A
Urban Settlement Development Grant	National Government	200,000,000	142,983,500	142,983,500	-	60,069,430	111,224,615	101,451,009	214,746,713	No	Yes	N/A
Fuel Levy	National Government	79,234,667	79,234,667	79,234,667	-	59,426,000	59,426,000	59,426,000	59,426,000	No	Yes	N/A
Ntsika Economic Summit	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A

District Aids Council	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
National Electrification Program Grant	National Government	4,500,000	20,500,000	-	-	-	-	25,000,000	-	No	Yes	N/A
Electricity Site Management Grant	National Government	-	-	-	-	-	-	-	-	No	Yes	N/A
		547,114,667	451,632,491	406,266,454	503,100	313,057,331	299,227,763	345,625,396	448,083,019			

Mangaung Metropolitan Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

	2013/2012							2012/2011							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	2,094,852,516	417,484,903	2,512,337,419	-		2,512,337,419	2,202,397,328		(309,940,091)	88 %	105 %				1,774,126,567
Executive and council	1,469,829	-	1,469,829	-		1,469,829	92		(1,469,737)	- %	- %				6,179,222
Budget and treasury office	2,065,865,067	418,684,903	2,484,549,970	-		2,484,549,970	2,196,560,220		(287,989,750)	88 %	106 %				1,761,913,028
Corporate services	27,517,620	(1,200,000)	26,317,620	-		26,317,620	5,837,016		(20,480,604)	22 %	21 %				6,034,317
Community and public safety	31,812,439	(4,720,805)	27,091,634	-		27,091,634	20,525,321		(6,566,313)	76 %	65 %				7,793,472
Community and social services	8,996,848	(3,720,805)	5,276,043	-		5,276,043	937,645		(4,338,398)	18 %	10 %				3,313,242
Sport and recreation	530,642	-	530,642	-		530,642	-		(530,642)	- %	- %				-
Public safety	7,591,480	(1,000,000)	6,591,480	-		6,591,480	5,666,113		(925,367)	86 %	75 %				4,180,007
Housing	14,375,920	-	14,375,920	-		14,375,920	13,201,337		(1,174,583)	92 %	92 %				(349,661)
Health	317,549	-	317,549	-		317,549	720,226		402,677	227 %	227 %				649,884
Economic and environmental services	21,523,112	(13,970,000)	7,553,112	-		7,553,112	11,059,247		3,506,135	146 %	51 %				11,051,599
Planning and development	5,373,060	-	5,373,060	-		5,373,060	4,761,002		(612,058)	89 %	89 %				8,354,760
Road transport	1,974,602	-	1,974,602	-		1,974,602	1,100,523		(874,079)	56 %	56 %				263
Environmental protection	14,175,450	(13,970,000)	205,450	-		205,450	5,197,722		4,992,272	2,530 %	37 %				2,696,576
Trading services	864,900,039	-	864,900,039	-		864,900,039	876,814,158		11,914,119	101 %	101 %				948,218,174
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	610,173,576	-	610,173,576	-		610,173,576	582,423,051		(27,750,525)	95 %	95 %				605,845,895
Waste water management	134,241,533	-	134,241,533	-		134,241,533	147,968,845		13,727,312	110 %	110 %				342,372,279
Waste management	120,484,930	-	120,484,930	-		120,484,930	146,422,262		25,937,332	122 %	122 %				-
Other	20,899,720	(1,918,809)	18,980,911	-		18,980,911	18,746,080		(234,831)	99 %	90 %				-
Other	20,899,720	(1,918,809)	18,980,911	-		18,980,911	18,746,080		(234,831)	99 %	90 %				17,279,723
Total Revenue - Standard	3,033,987,826	396,875,289	3,430,863,115	-		3,430,863,115	3,129,542,134		(301,320,981)	91 %	103 %				2,758,469,535

Mangaung Metropolitan Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2013

	2013/2012					2012/2011									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	1,166,499,646	83,408,339	1,249,907,985	-	-	1,249,907,985	1,125,886,086	-	(124,021,899)	90 %	97 %	-	-	-	1,256,089,951
Executive and council	236,362,702	4,227,908	240,590,610	-	-	240,590,610	153,431,475	-	(87,159,135)	64 %	65 %	-	-	-	549,406,082
Budget and treasury office	662,141,756	76,201,155	738,342,911	-	-	738,342,911	762,394,181	-	24,051,270	103 %	115 %	-	-	-	532,851,378
Corporate services	267,995,188	2,979,276	270,974,464	-	-	270,974,464	210,060,430	-	(60,914,034)	78 %	78 %	-	-	-	173,832,491
Community and public safety	306,951,961	28,291,879	335,243,840	-	-	335,243,840	281,786,340	-	(53,457,500)	84 %	92 %	-	-	-	406,597,771
Community and social services	98,899,325	13,175,869	112,075,194	-	-	112,075,194	66,849,428	-	(45,225,766)	60 %	68 %	-	-	-	249,954,786
Sport and recreation	4,438,926	(204,564)	4,234,362	-	-	4,234,362	-	-	(4,234,362)	- %	- %	-	-	-	-
Public safety	157,463,529	9,341,589	166,805,118	-	-	166,805,118	101,670,769	-	(65,134,349)	61 %	65 %	-	-	-	81,413,102
Housing	36,165,247	5,520,331	41,685,578	-	-	41,685,578	63,215,029	-	21,529,451	152 %	175 %	-	-	-	15,518,674
Health	9,984,934	458,654	10,443,588	-	-	10,443,588	50,051,114	-	39,607,526	479 %	501 %	-	-	-	59,711,209
Economic and environmental services	279,064,586	121,302,467	400,367,053	-	-	400,367,053	497,121,823	-	96,754,770	124 %	178 %	-	-	-	255,071,604
Planning and development	77,737,392	(5,527,264)	72,210,128	-	-	72,210,128	56,575,631	-	(15,634,497)	78 %	73 %	-	-	-	57,505,981
Road transport	185,093,460	127,211,025	312,304,485	-	-	312,304,485	362,767,361	-	50,462,876	116 %	196 %	-	-	-	174,068,619
Environmental protection	16,233,734	(381,294)	15,852,440	-	-	15,852,440	77,778,831	-	61,926,391	491 %	479 %	-	-	-	23,497,004
Trading services	741,943,496	103,933,810	845,877,306	-	-	845,877,306	808,077,487	-	(37,799,819)	96 %	109 %	-	-	-	393,003,402
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	518,064,977	67,148,686	585,213,663	-	-	585,213,663	571,643,327	-	(13,570,336)	98 %	110 %	-	-	-	359,004,680
Waste water management	116,245,701	34,157,153	150,402,854	-	-	150,402,854	149,669,228	-	(733,626)	100 %	129 %	-	-	-	20,343,254
Waste management	107,632,818	2,627,971	110,260,789	-	-	110,260,789	86,764,932	-	(23,495,857)	79 %	81 %	-	-	-	13,655,468
Other	14,206,498	3,349,239	17,555,737	-	-	17,555,737	16,904,875	-	(650,862)	96 %	119 %	-	-	-	-
Other	14,206,498	3,349,239	17,555,737	-	-	17,555,737	16,904,875	-	(650,862)	96 %	119 %	-	-	-	12,941,708
Total Expenditure - Standard	2,508,666,187	340,285,734	2,848,951,921	-	-	2,848,951,921	2,729,776,611	-	(119,175,310)	96 %	109 %	-	-	-	2,323,704,436
Surplus/(Deficit) for the year	525,321,639	56,589,555	581,911,194	-	-	581,911,194	399,765,523	-	(182,145,671)	69 %	76 %	-	-	-	434,765,099

Mangaung Metropolitan Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2013/2012										2012/2011				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthor ised exp enditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthor ised exp enditure	Expendi ture auth orised in terms of section 32 of MFMA	Balance to be recovere d	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - City Manager	1,650	-	1,650	-		1,650	92		(1,558)	6 %	6 %				28,760
Vote 2 - Executive Mayor	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 3 - Corporate Services	10,164,315	(1,200,000)	8,964,315	-		8,964,315	5,837,016		(3,127,299)	65 %	57 %				6,034,317
Vote 4 - Finance	961,590,564	74,320,880	1,035,911,444	-		1,035,911,444	1,061,616,041		25,704,597	102 %	110 %				701,886,585
Vote 5 - Social Services	32,546,261	(18,690,806)	13,855,455	-		13,855,455	12,521,706		(1,333,749)	90 %	38 %				7,729,211
Vote 6 - Planning	5,373,060	-	5,373,060	-		5,373,060	4,761,002		(612,058)	89 %	89 %				8,354,760
Vote 7 - Human Settlement and Housing	31,792,890	-	31,792,890	-		31,792,890	13,201,337		(18,591,553)	42 %	42 %				(349,661)
Vote 8 - Fresh Produce Market	20,560,770	(1,918,809)	18,641,961	-		18,641,961	18,746,080		104,119	101 %	91 %				17,279,723
Vote 9 - Engineering Services	256,040,408	-	256,040,408	-		256,040,408	295,491,631		39,451,223	115 %	115 %				342,372,542
Vote 10 - Water Services	610,173,576	-	610,173,576	-		610,173,576	582,423,051		(27,750,525)	95 %	95 %				605,845,895
Vote 11 - Miscellaneous Services	1,105,739,382	344,364,023	1,450,103,405	-		1,450,103,405	1,134,944,181		(315,159,224)	78 %	103 %				1,025,156,931
Vote 12 - Regional Operations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				9,260,960
Vote 13 - Strategic Projects and Service Delivery Regulation	4,950	-	4,950	-		4,950	-		(4,950)	- %	- %				-
Total Revenue by Vote	3,033,987,826	396,875,288	3,430,863,114	-		3,430,863,114	3,129,542,137		(301,320,977)	91 %	103 %				2,723,600,023
Expenditure by Vote to be appropriated															
Vote 1 - City Manager	43,787,822	1,094,170	44,881,992	-	-	44,881,992	30,344,609	-	(14,537,383)	68 %	69 %	-	-	-	-
Vote 2 - Executive Mayor	134,047,082	5,282,860	139,329,942	-	-	139,329,942	123,086,866	-	(16,243,076)	88 %	92 %	-	-	-	93,035,634
Vote 3 - Corporate Services	206,889,266	10,702,404	217,591,670	-	-	217,591,670	210,060,430	-	(7,531,240)	97 %	102 %	-	-	-	279,607,609
Vote 4 - Finance	133,283,265	9,752,430	143,035,695	-	-	143,035,695	137,656,351	-	(5,379,344)	96 %	103 %	-	-	-	77,154,260
Vote 5 - Social Services	288,852,300	21,458,443	310,310,743	-	-	310,310,743	274,560,899	-	(35,749,844)	88 %	95 %	-	-	-	180,187,019
Vote 6 - Planning	85,189,907	(5,593,270)	79,596,637	-	-	79,596,637	53,072,518	-	(26,524,119)	67 %	62 %	-	-	-	54,937,317
Vote 7 - Human Settlement and Housing	80,507,134	(2,993,116)	77,514,018	-	-	77,514,018	64,578,939	-	(12,935,079)	83 %	80 %	-	-	-	15,518,674
Vote 8 - Fresh Produce Market	13,861,476	3,350,581	17,212,057	-	-	17,212,057	16,853,010	-	(359,047)	98 %	122 %	-	-	-	12,941,708
Vote 9 - Engineering Services	429,750,356	153,470,485	583,220,841	-	-	583,220,841	602,756,502	-	19,535,661	103 %	140 %	-	-	-	210,636,004
Vote 10 - Water Services	518,064,977	67,148,681	585,213,658	-	-	585,213,658	571,643,326	-	(13,570,332)	98 %	110 %	-	-	-	359,004,680
Vote 11 - Miscellaneous Services	536,580,667	76,248,406	612,829,073	-	-	612,829,073	623,373,922	-	10,544,849	102 %	116 %	-	-	-	420,827,607
Vote 12 - Regional Operations	37,851,936	356,189	38,208,125	-	-	38,208,125	21,789,242	-	(16,418,883)	57 %	58 %	-	-	-	584,984,411
Total Expenditure by Vote	2,508,666,188	340,278,263	2,848,944,451	-	-	2,848,944,451	2,729,776,614	-	(119,167,837)	96 %	109 %	-	-	-	2,288,834,923
Surplus/(Deficit) for the year	525,321,638	56,597,025	581,918,663	-	-	581,918,663	399,765,523	-	(182,153,140)	69 %	76 %	-	-	-	434,765,100

Mangaung Metropolitan Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2013/2012							2012/2011							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	493,976,301	-	493,976,301	-		493,976,301	514,177,402		20,201,101	104 %	104 %				463,255,702
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	543,286,244	-	543,286,244	-		543,286,244	514,366,577		(28,919,667)	95 %	95 %				447,910,378
Service charges - sanitation revenue	132,361,397	-	132,361,397	-		132,361,397	143,926,522		11,565,125	109 %	109 %				168,086,405
Service charges - refuse revenue	33,846,821	-	33,846,821	-		33,846,821	59,876,719		26,029,898	177 %	177 %				5,240,865
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	24,792,950	(2,130,281)	22,662,669	-		22,662,669	17,707,284		(4,955,385)	78 %	71 %				10,551,686
Interest earned - external investments	31,717,000	-	31,717,000	-		31,717,000	268,058,264		236,341,264	845 %	845 %				322,839,018
Interest earned - outstanding debtors	23,010,000	74,320,880	97,330,880	-		97,330,880	102,085,821		4,754,941	105 %	444 %				25,628,568
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	5,062,882	(1,000,000)	4,062,882	-		4,062,882	3,828,696		(234,186)	94 %	76 %				2,884,999
Licences and permits	765,567	31,065	796,632	-		796,632	431,225		(365,407)	54 %	56 %				350,660
Agency services	3,039,220	-	3,039,220	-		3,039,220	106,046,017		103,006,797	3,489 %	3,489 %				102,247,441
Transfers recognised - operational	651,134,000	(804,755)	650,329,245	-		650,329,245	884,892,828		234,563,583	136 %	136 %				800,386,444
Other revenue	577,028,443	143,648,229	720,676,672	-		720,676,672	102,850,990		(617,825,682)	14 %	18 %				75,457,358
Gains on disposal of PPE	-	-	-	-		-	695,465		695,465	DIV/0 %	DIV/0 %				1,690,465
Actuarial gain/(loss) on defined benefit plan obligation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				143,359,180
Gain on fair value adjustments on assets	-	-	-	-		-	1,486,613		1,486,613	DIV/0 %	DIV/0 %				78,111,569
Total Revenue (excluding capital transfers and contributions)	2,520,020,825	214,065,138	2,734,085,963	-		2,734,085,963	2,720,430,423		(13,655,540)	100 %	108 %				2,648,000,738

Mangaung Metropolitan Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised exp expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	802,627,751	9,523,300	812,151,051	-	-	812,151,051	927,767,507	-	115,616,456	114 %	116 %	-	-	-	846,863,252
Remuneration of councillors	44,937,916	-	44,937,916	-	-	44,937,916	43,610,235	-	(1,327,681)	97 %	97 %	-	-	-	41,317,639
Debt impairment	104,200,798	-	104,200,798	-	-	104,200,798	303,084,652	-	198,883,854	291 %	291 %	-	-	-	222,234,114
Depreciation & asset impairment	155,029,556	135,267,859	290,297,415	-	-	290,297,415	260,636,627	-	(29,660,788)	90 %	168 %	-	-	-	280,694,608
Finance charges	47,509,986	102,055,583	149,565,569	-	-	149,565,569	124,115,692	-	(25,449,877)	83 %	261 %	-	-	-	131,672,056
Bulk purchases	329,314,971	-	329,314,971	-	-	329,314,971	336,562,227	-	7,247,256	102 %	102 %	-	-	-	292,020,181
Contracted services	171,617,160	22,140,343	193,757,503	-	7,511,455	201,268,958	169,653,696	-	(31,615,262)	84 %	99 %	-	-	-	129,702,666
Transfers and grants	140,236,371	-	140,236,371	-	-	140,236,371	32,476,066	-	(107,760,305)	23 %	23 %	-	-	-	63,149,164
Other expenditure	523,051,937	77,103,660	600,155,597	-	9,241,301	609,396,898	459,579,194	-	(149,817,704)	75 %	88 %	-	-	-	539,211,969
Actuarial gain/(loss) on defined benefit plan obligation	-	-	-	-	-	-	74,337,266	-	74,337,266	DIV/0 %	DIV/0 %	-	-	-	-
Other materials	190,139,742	(5,805,012)	184,334,730	-	(16,752,756)	167,581,974	135,530	-	(167,446,444)	- %	- %	-	-	-	-
Total Expenditure	2,508,666,188	340,285,733	2,848,951,921	-	-	2,848,951,921	2,731,958,692	-	(116,993,229)	96 %	109 %	-	-	-	2,546,865,649
Surplus/(Deficit)	11,354,637	(126,220,595)	(114,865,958)	-	-	(114,865,958)	(11,528,269)	-	103,337,689	10 %	(102)%	-	-	-	101,135,089
Transfers recognised - capital	513,967,000	182,810,150	696,777,150	-	-	696,777,150	411,293,791	-	(285,483,359)	59 %	80 %	-	-	-	333,630,010
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	525,321,637	56,589,555	581,911,192	-	-	581,911,192	399,765,522	-	(182,145,670)	69 %	76 %	-	-	-	434,765,099
Taxation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) after taxation	525,321,637	56,589,555	581,911,192	-	-	581,911,192	399,765,522	-	(182,145,670)	69 %	76 %	-	-	-	434,765,099
Attributable to minorities	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) attributable to municipality	525,321,637	56,589,555	581,911,192	-	-	581,911,192	399,765,522	-	(182,145,670)	69 %	76 %	-	-	-	434,765,099
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	525,321,637	56,589,555	581,911,192	-	-	581,911,192	399,765,522	-	(182,145,670)	69 %	76 %	-	-	-	434,765,099

Mangaung Metropolitan Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2013

	2013/2012									2012/2011					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Vote 3 - Corporate Services	7,500,000	17,572,504	25,072,504	-	(2,522,838)	22,549,666	14,082,565	-	(8,467,101)	62 %	188 %	-	-	-	7,285,223
Vote 4 - Finance	5,600,000	(2,420,000)	3,180,000	-	-	3,180,000	256,801	-	(2,923,199)	8 %	5 %	-	-	-	3,269,739
Vote 5 - Social Services	8,500,000	5,500,000	14,000,000	-	-	14,000,000	5,614,443	-	(8,385,557)	40 %	66 %	-	-	-	8,082,702
Vote 7 - Human Settlement and Housing	6,500,000	-	6,500,000	-	(500,000)	6,000,000	3,786,673	-	(2,213,327)	63 %	58 %	-	-	-	59,076
Vote 8 - Fresh Produce Market	-	-	-	-	-	-	(697,278)	-	(697,278)	DIV/0 %	DIV/0 %	-	-	-	-
Vote 9 - Engineering Services	180,809,940	2,927,200	183,737,140	-	(13,267,706)	170,469,434	66,501,210	-	(103,968,224)	39 %	37 %	-	-	-	61,242,903
Vote 10 - Water Services	112,750,859	30,805,903	143,556,762	-	1,330,764	144,887,526	92,521,683	-	(52,365,843)	64 %	82 %	-	-	-	46,989,155
Capital multi-year expenditure sub-total	321,660,799	54,385,607	376,046,406	-	(14,959,780)	361,086,626	182,066,097	-	(179,020,529)	50 %	57 %	-	-	-	126,928,798
Single-year expenditure															
Vote 3 - Corporate Services	11,500,000	19,133,355	30,633,355	-	2,522,838	33,156,193	25,673,091	-	(7,483,102)	77 %	223 %	-	-	-	13,281,258
Vote 4 - Finance	1,000,000	(600,000)	400,000	-	-	400,000	51,861	-	(348,139)	13 %	5 %	-	-	-	660,325
Vote 5 - Social Services	13,350,000	7,922,710	21,272,710	-	-	21,272,710	8,041,161	-	(13,231,549)	38 %	60 %	-	-	-	11,576,271
Vote 6 - Planning	55,186,509	(3,127,719)	52,058,790	-	-	52,058,790	42,647,251	-	(9,411,539)	82 %	77 %	-	-	-	35,159,150
Vote 7 - Human Settlement and Housing	23,500,000	2,747,277	26,247,277	-	500,000	26,747,277	17,365,085	-	(9,382,192)	65 %	74 %	-	-	-	270,913
Vote 8 - Fresh Produce Market	-	827,792	827,792	-	-	827,792	697,278	-	(130,514)	84 %	DIV/0 %	-	-	-	1,569,106
Vote 9 - Engineering Services	116,142,083	145,006,480	261,148,563	-	13,267,706	274,416,269	245,307,360	-	(29,108,909)	89 %	211 %	-	-	-	225,910,700
Vote 10 - Water Services	26,560,351	9,389,413	35,949,764	-	(1,330,764)	34,619,000	64,666,570	-	30,047,570	187 %	243 %	-	-	-	32,842,329
Capital single-year expenditure sub-total	247,238,943	181,299,308	428,538,251	-	14,959,780	443,498,031	404,449,657	-	(39,048,374)	91 %	164 %	-	-	-	324,827,183
Total Capital Expenditure - Vote	568,899,742	235,684,915	804,584,657	-	-	804,584,657	586,515,754	-	(218,068,903)	73 %	103 %	-	-	-	451,755,981

Mangaung Metropolitan Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	49,547,579	31,006,838	80,554,417	-	746,262	81,300,679	40,064,318	-	(41,236,361)	49 %	81 %	-	-	-	36,669,659
Budget and treasury office	6,600,000	(3,020,000)	3,580,000	-	-	3,580,000	308,662	-	(3,271,338)	9 %	5 %	-	-	-	-
Corporate services	42,947,579	34,026,838	76,974,417	-	746,262	77,720,679	39,755,656	-	(37,965,023)	51 %	93 %	-	-	-	33,112,528
Community and public safety	53,350,000	13,861,027	67,211,027	-	(746,262)	66,464,765	27,636,638	-	(38,828,127)	42 %	52 %	-	-	-	27,327,740
Community and social services	-	135,000	135,000	-	-	135,000	-	-	(135,000)	- %	DIV/0 %	-	-	-	13,579,481
Sport and recreation	33,350,000	18,226,027	51,576,027	-	(746,262)	50,829,765	-	-	(50,829,765)	- %	- %	-	-	-	-
Public safety	3,500,000	3,500,000	7,000,000	-	-	7,000,000	6,484,880	-	(515,120)	93 %	185 %	-	-	-	13,418,270
Housing	16,500,000	(8,000,000)	8,500,000	-	-	8,500,000	21,151,758	-	12,651,758	249 %	128 %	-	-	-	329,989
Economic and environmental services	184,345,443	105,100,017	289,445,460	-	-	289,445,460	240,213,691	-	(49,231,769)	83 %	130 %	-	-	-	184,835,737
Planning and development	55,186,509	(3,127,719)	52,058,790	-	-	52,058,790	42,647,251	-	(9,411,539)	82 %	77 %	-	-	-	26,038,225
Road transport	129,158,934	102,727,736	231,886,670	-	-	231,886,670	190,395,716	-	(41,490,954)	82 %	147 %	-	-	-	157,977,161
Environmental protection	-	5,500,000	5,500,000	-	-	5,500,000	7,170,724	-	1,670,724	130 %	DIV/0 %	-	-	-	820,351
Trading services	281,656,720	79,171,245	360,827,965	-	-	360,827,965	277,903,829	-	(82,924,136)	77 %	99 %	-	-	-	336,440,730
Water	139,311,210	40,195,316	179,506,526	-	-	179,506,526	156,490,976	-	(23,015,550)	87 %	112 %	-	-	-	79,831,484
Waste water management	129,935,510	32,393,625	162,329,135	-	-	162,329,135	111,454,627	-	(50,874,508)	69 %	86 %	-	-	-	119,553,154
Waste management	12,410,000	6,582,304	18,992,304	-	-	18,992,304	9,958,226	-	(9,034,078)	52 %	80 %	-	-	-	1,347,695
Other	-	827,792	827,792	-	-	827,792	697,278	-	(130,514)	84 %	DIV/0 %	-	-	-	-
Other	-	827,792	827,792	-	-	827,792	697,278	-	(130,514)	84 %	DIV/0 %	-	-	-	2,190,511
Total Capital Expenditure - Standard	568,899,742	229,966,919	798,866,661	-	-	798,866,661	586,515,754	-	(212,350,907)	73 %	103 %	-	-	-	587,464,377
Funded by:															
National Government	385,967,000	163,921,427	549,888,427	-		549,888,427	411,293,791		(138,594,636)	75 %	107 %				333,630,010
Provincial Government	3,000,000	6,242,708	9,242,708	-		9,242,708	-		(9,242,708)	- %	- %				-
District Municipality	-	5,500,000	5,500,000	-		5,500,000	-		(5,500,000)	- %	DIV/0 %				-
Other transfers and grants	-	1,428,000	1,428,000	-		1,428,000	-		(1,428,000)	- %	DIV/0 %				-
Transfers recognised - capital	388,967,000	177,092,135	566,059,135	-		566,059,135	411,293,791		(154,765,344)	73 %	106 %				333,630,010
Public contributions & donations	-	-	-	-		-	4,435,308		4,435,308	DIV/0 %	DIV/0 %				-
Borrowing	105,885,163	-	105,885,163	-		105,885,163	170,786,655		64,901,492	161 %	161 %				62,087,194
Internally generated funds	74,047,579	58,592,761	132,640,340	-		132,640,340	-		(132,640,340)	- %	- %				56,038,777
Total Capital Funding	568,899,742	235,684,896	804,584,638	-		804,584,638	586,515,754		(218,068,884)	73 %	103 %				451,755,981

Mangaung Metropolitan Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2013

	2013/2012					2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	3,240,726,230	195,427,090	3,436,153,320	3,436,153,320	1,715,705,333	(1,720,447,987)	50 %	53 %	1,667,171,653
Government - operating	651,134,000	(33,321,217)	617,812,783	617,812,783	884,892,828	267,080,045	143 %	136 %	800,386,444
Government - capital	513,967,000	182,810,150	696,777,150	696,777,150	411,293,791	(285,483,359)	59 %	80 %	333,630,010
Interest	52,656,100	4,023,569	56,679,669	56,679,669	24,764,467	(31,915,202)	44 %	47 %	14,571,843
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	(3,497,849,288)	(265,673,379)	(3,763,522,667)	(3,763,522,667)	(2,284,563,587)	1,478,959,080	61 %	65 %	(1,981,129,834)
Finance charges	(61,799,231)	(102,055,583)	(163,854,814)	(163,854,814)	-	163,854,814	- %	- %	-
Transfers and Grants	(140,289,371)	17,274,213	(123,015,158)	(123,015,158)	(32,476,066)	90,539,092	26 %	23 %	(63,149,164)
Net cash flow from/used operating activities	758,545,440	(1,515,157)	757,030,283	757,030,283	719,616,766	(37,413,517)	95 %	95 %	771,480,952
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	7,028,994	7,028,994	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current debtors	-	-	-	-	(216,626,469)	(216,626,469)	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Capital assets	(678,300,449)	(68,002,109)	(746,302,558)	(746,302,558)	(626,908,812)	119,393,746	84 %	92 %	(967,756,359)
Net cash flow from/used investing activities	(678,300,449)	(68,002,109)	(746,302,558)	(746,302,558)	(836,506,287)	(90,203,729)	112 %	123 %	(967,756,359)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	92,385,163	(26,471,291)	65,913,872	65,913,872	193,590,937	127,677,065	294 %	210 %	141,524,916
Increase (decrease) in consumer deposits	1,255,400	3,857,600	5,113,000	5,113,000	-	(5,113,000)	- %	- %	(562,140)
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Finance lease movements	-	-	-	-	1,687,994	1,687,994	DIV/0 %	DIV/0 %	2,613,949
Net cash flow from/used financing activities	93,640,563	(22,613,691)	71,026,872	71,026,872	195,278,931	124,252,059	275 %	209 %	143,576,725
Net increase/(decrease) in cash held	173,885,554	(92,130,957)	81,754,597	81,754,597	78,389,410	(3,365,187)	96 %	45 %	(52,698,682)
Cash/cash equivalents at the year begin:					178,976,851				231,675,533
Cash/cash equivalents at the year end:	173,885,554	(92,130,957)	81,754,597	81,754,597	257,366,261	(3,365,187)	315 %	148 %	178,976,851