



Mangaung Metropolitan Municipality  
Annual Financial Statements  
for the year ended 30 June, 2014

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
<b>Executive Mayor</b>	T M Manyoni
<b>Deputy Executive Mayor</b>	C L M Rampai
<b>Speaker</b>	M A Siyonzana
<b>Chief Whip</b>	Z E Mangcotywa
<b>Mayoral Committee Members</b>	L A Masoetsa M J Matsoelane M A Moeng X D Pongolo N G Mokotjo S A Monnakgori K N Rabela D M Sekakanyo M M Tsomela
<b>Grading of the local authority</b>	Metropolitan
<b>Accounting Officer</b>	S Mazibuko
<b>Chief Financial Officer (CFO)</b>	M E Mohlahlo
<b>Registered office and business address</b>	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank
<b>Auditors</b>	The Auditor-General of South Africa
<b>Enabling legislation</b>	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 2 of 2013)

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Council and the Provincial Legislature:

<b>Index</b>	<b>Page</b>
Abbreviations	3
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 43
Notes to the Annual Financial Statements	44 - 108
Appendixes to the annual financial statements:	
Appendix A: Schedule of External loans - Unaudited	108
Appendix B: Analysis of Property, Plant and Equipment - Audited	109 - 114
Appendix C: Segmental analysis of Property, Plant and Equipment - Unaudited	115
Appendix D: Segmental Statement of Financial Performance - Unaudited	116
Appendix E(1): Actual versus Budget (Revenue and Expenditure) - Audited	117
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) - Audited	118
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act - Unaudited	119
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification) - Unaudited	120 - 121
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited	122
Appendix G(3): Budgeted Financial Performance (revenue and expenditure) - Unaudited	123 - 124
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding - Unaudited	125 - 126
Appendix G(5): Budgeted Cash Flows - Unaudited	127
Appendix H: Councillors' arrear consumer accounts - Audited	128

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Abbreviations

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### 1. Abbreviations used within the financial statements

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
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 Standard
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
VAR	Variance
BAL	Balance
ACT	Actual

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the 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 annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2015 and in the light of this review and the current financial position, she is satisfied that the entity has or 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 annual financial statements. The annual financial statements have been examined by the entity's external auditors.

The annual financial statements set out on pages 6 to 108, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2014:

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**Member**  
**Mazibuko S**  
**Accounting Officer**

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2014.

### 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 annual financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 875,861,659 (2013: surplus R 364,483,650).

### 2. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,257,262,484 and that the entity's total liabilities exceed its assets by R 11,126,985,912.

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

The 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 10 of 2014).

### 3. Subsequent events

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R 104,522,917.

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off.

The accounting officer is not aware of any additional matters or circumstances arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

None.

### 5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (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:	S Mazibuko
Nationality:	South African

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	14	175,113,814	129,166,795
Current portion of Centlec Receivables	12	275,182,415	12,766,872
Other receivables from exchange transactions	13	28,668,257	51,484,299
Consumer receivables from exchange transactions	15	381,541,779	301,335,223
Consumer receivables from non-exchange transactions	16	347,938,313	114,032,235
Cash and cash equivalents	17	132,390,525	257,366,261
		<b>1,340,835,103</b>	<b>866,151,685</b>
<b>Non-Current Assets</b>			
Investment property	4	2,267,368,863	2,222,377,240
Property, plant and equipment	5	8,115,927,831	7,476,828,732
Intangible assets	6	10,500,013	9,170,500
Heritage assets	7	321,656,342	329,270,803
Investments in controlled entities	8	100	100
Non-current receivables	10	201,993	511,122
Centlec Receivables	12	2,452,122,567	2,465,987,668
		<b>13,167,777,709</b>	<b>12,504,146,165</b>
Non-current assets held for sale and assets of disposal groups	18	7,560,000	7,560,000
<b>Total Assets</b>		<b>14,516,172,812</b>	<b>13,377,857,850</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Centlec Payables	9	895,938,230	956,074,556
Current portion of finance lease obligation	22	87,292,880	2,477,556
Current portion of borrowings	24	8,586,358	9,548,466
Current portion of provisions	25	124,418,952	121,053,518
Payables from exchange transactions	28	628,791,175	463,684,488
Payables from non-exchange transactions	27	148,162,111	165,305,816
Consumer deposits	29	28,529,176	27,676,875
Unspent conditional grants and receipts	23	122,489,296	193,237,711
VAT payable	30	43,142,725	74,215,665
		<b>2,087,350,903</b>	<b>2,013,274,651</b>
<b>Non-Current Liabilities</b>			
Defined benefit obligation	11	557,216,000	452,964,000
Finance lease obligation	22	55,917,906	4,678,339
Borrowings	24	183,277,108	169,537,183
Provisions	25	322,451,697	313,109,917
Freshco Liability	26	182,973,286	178,377,360
		<b>1,301,835,997</b>	<b>1,118,666,799</b>
<b>Total Liabilities</b>		<b>3,389,186,900</b>	<b>3,131,941,450</b>
<b>Net Assets</b>		<b>11,126,985,912</b>	<b>10,245,916,400</b>
Reserves			
Revaluation reserve	19	783,579,162	790,800,654
Self-Insurance reserve	20	77,209,573	77,484,513
COID reserve	21	8,934,693	11,457,126
Accumulated Surplus		10,257,262,484	9,366,174,107
<b>Total Net Assets</b>		<b>11,126,985,912</b>	<b>10,245,916,400</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	34	935,491,481	718,169,818
Rental of facilities and equipment	35	20,415,882	17,707,283
Interest received	36	420,889,744	370,144,085
Income from agency services	37	100,666,986	106,046,017
Licences and permits		433,435	431,226
Other income	39	55,236,462	102,828,475
<b>Total revenue from exchange transactions</b>		<b>1,533,133,990</b>	<b>1,315,326,904</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	969,482,446	514,177,402
<b>Transfer revenue</b>			
Government grants & subsidies	38	1,722,782,784	1,296,186,619
Fines		77,361,862	3,828,695
<b>Total revenue from non-exchange transactions</b>		<b>2,769,627,092</b>	<b>1,814,192,716</b>
<b>Total revenue</b>	32	<b>4,302,761,082</b>	<b>3,129,519,620</b>
<b>Expenditure</b>			
Employee related costs	41	(1,029,344,532)	(920,307,503)
Remuneration of councillors	42	(47,106,731)	(43,610,235)
Depreciation and amortisation	43	(292,481,839)	(258,468,908)
Bad debts and provision for bad debts	44	(569,684,182)	(312,535,096)
Finance costs	49	(145,596,732)	(124,115,692)
Repairs and maintenance		(203,199,665)	(124,179,726)
Bulk purchases	45	(382,809,314)	(336,562,227)
Contracted services	46	(182,965,346)	(169,697,308)
Grants and subsidies paid	47	(100,271,760)	(38,954,845)
General Expenses	40	(431,935,145)	(304,554,982)
<b>Total expenditure</b>		<b>(3,385,395,246)</b>	<b>(2,632,986,522)</b>
<b>Operating surplus</b>		<b>917,365,836</b>	<b>496,533,098</b>
Loss on disposal of assets		(27,476,746)	(35,657,705)
Gain on fair value adjustments on assets		41,322,260	(23,418,387)
Fair value adjustments	48	(56,770,967)	(74,337,266)
Gain on disposal of non-current assets		1,421,276	1,363,910
		<b>(41,504,177)</b>	<b>(132,049,448)</b>
<b>Surplus for the year</b>		<b>875,861,659</b>	<b>364,483,650</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self-Insurance reserve	COID reserve	Total reserves	Accumulated Surplus	Total net assets
Opening balance as previously reported	501,277,217	77,595,746	11,764,522	590,637,485	8,803,634,566	9,394,272,051
Adjustments						
Prior year adjustments*	57,247,850	-	-	57,247,850	182,531,131	239,778,981
<b>Balance at 01 July 2012 as restated*</b>	<b>558,525,067</b>	<b>77,595,746</b>	<b>11,764,522</b>	<b>647,885,335</b>	<b>8,986,165,697</b>	<b>9,634,051,032</b>
Changes in net assets						
Surplus for the year	-	-	-	-	364,483,650	364,483,650
Realisation of Revaluation reserve	(15,106,131)	-	-	(15,106,131)	15,106,131	-
Revaluation of Assets	247,381,718	-	-	247,381,718	-	247,381,718
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	232,275,587	(111,233)	(307,396)	231,856,958	380,008,410	611,865,368
Opening balance as previously reported	659,401,939	77,484,513	11,457,126	748,343,578	9,230,427,061	9,978,770,639
Adjustments						
Prior year adjustments*	131,398,715	-	-	131,398,715	135,747,047	267,145,762
<b>Balance at 01 July 2013 as restated*</b>	<b>790,800,654</b>	<b>77,484,513</b>	<b>11,457,126</b>	<b>879,742,293</b>	<b>9,366,174,108</b>	<b>10,245,916,401</b>
Changes in net assets						
Surplus for the year	-	-	-	-	875,861,659	875,861,659
Revaluation of Assets	5,207,852	-	-	5,207,852	-	5,207,852
Insurance claims processed	-	(274,940)	(5,515,379)	(5,790,319)	5,790,319	-
Contributions Received	-	-	2,992,946	2,992,946	(2,992,946)	-
Realisation of Revaluation Reserve	(12,429,344)	-	-	(12,429,344)	12,429,344	-
Total changes	(7,221,492)	(274,940)	(2,522,433)	(10,018,865)	891,088,376	881,069,511
<b>Balance at 30 June 2014</b>	<b>783,579,162</b>	<b>77,209,573</b>	<b>8,934,693</b>	<b>869,723,428</b>	<b>10,257,262,484</b>	<b>11,126,985,912</b>
Note(s)	19	20	21			

\* Refer to Note 54 for items restated due to prior period errors

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		1,191,366,826	957,874,439
Grants		1,551,762,609	1,240,303,575
Interest income		149,147,828	126,850,288
		<u>2,892,277,263</u>	<u>2,325,028,302</u>
<b>Payments</b>			
Employee costs		(1,028,976,263)	(929,404,738)
Suppliers		(1,076,728,573)	(509,097,243)
Finance costs		(116,260,720)	(114,355,857)
		<u>(2,221,965,556)</u>	<u>(1,552,857,838)</u>
<b>Net cash flows from operating activities</b>	50	<b><u>670,311,707</u></b>	<b><u>772,170,464</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(940,880,026)	(900,441,187)
Purchase of investment property		(1,199,363)	-
Purchase of intangible assets		(1,653,581)	(1,938,536)
Purchase of heritage assets		-	(14,493,614)
Movement in Other Non-current Receivables		309,129	11,102,557
Finance income		271,741,917	243,293,798
Net movement in Centlec (SOC) Limited receivables		(248,550,442)	(217,598,118)
		<u>(920,232,366)</u>	<u>(880,075,100)</u>
<b>Net cash flows from investing activities</b>		<b><u>(920,232,366)</u></b>	<b><u>(880,075,100)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		12,777,817	116,998,455
Movement in FRESHCO liability		4,595,926	76,592,482
Proceeds from consumer deposits		852,301	774,949
Finance lease payments		136,054,891	1,687,995
Finance costs		(29,336,012)	(9,759,835)
		<u>124,944,923</u>	<u>186,294,046</u>
<b>Net cash flows from financing activities</b>		<b><u>124,944,923</u></b>	<b><u>186,294,046</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(124,975,736)</u></b>	<b><u>78,389,410</u></b>
Cash and cash equivalents at the beginning of the year		257,366,261	178,976,851
<b>Cash and cash equivalents at the end of the year</b>	17	<b><u>132,390,525</u></b>	<b><u>257,366,261</u></b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	568,524,212	182,242,613	<b>750,766,825</b>	969,482,446	<b>218,715,621</b>	A1, B1
Service charges	830,311,515	51,558,955	<b>881,870,470</b>	935,491,481	<b>53,621,011</b>	A2, B2
Investment revenue	33,221,020	-	<b>33,221,020</b>	35,014,625	<b>1,793,605</b>	
Transfers recognised - operational	654,372,000	53,023,082	<b>707,395,082</b>	691,093,953	<b>(16,301,129)</b>	A3, B3
Other own revenue	954,951,632	2,894,840	<b>957,846,472</b>	865,526,349	<b>(92,320,123)</b>	A4
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3,041,380,379</b>	<b>289,719,490</b>	<b>3,331,099,869</b>	<b>3,496,608,854</b>	<b>165,508,985</b>	
<b>Expenditure by type</b>						
Employee costs	(1,074,893,747)	80,000	<b>(1,074,813,747)</b>	(1,004,394,288)	<b>70,419,459</b>	A5
Remuneration of councillors	(48,638,326)	-	<b>(48,638,326)</b>	(47,106,730)	<b>1,531,596</b>	A6
Debt impairment	(135,836,651)	-	<b>(135,836,651)</b>	(569,684,182)	<b>(433,847,531)</b>	A7
Depreciation & asset impairment	(295,106,619)	-	<b>(295,106,619)</b>	(292,481,839)	<b>2,624,780</b>	A8
Finance charges	(185,358,178)	(3,300,000)	<b>(188,658,178)</b>	(145,456,249)	<b>43,201,929</b>	A8
Materials and bulk purchases	(573,119,880)	(45,567,800)	<b>(618,687,680)</b>	(599,444,335)	<b>19,243,345</b>	A8, B4
Transfers and grants	(121,570,986)	(8,000,000)	<b>(129,570,986)</b>	(100,271,760)	<b>29,299,226</b>	A8, B5
Other expenditure	(653,471,187)	(74,756,567)	<b>(728,227,754)</b>	(650,801,216)	<b>77,426,538</b>	A8, B6
<b>Total expenditure</b>	<b>(3,087,995,574)</b>	<b>(131,544,367)</b>	<b>(3,219,539,941)</b>	<b>(3,409,640,599)</b>	<b>(190,100,658)</b>	
<b>Surplus/(Deficit)</b>	<b>(46,615,195)</b>	<b>158,175,123</b>	<b>111,559,928</b>	<b>86,968,255</b>	<b>(24,591,673)</b>	
Transfers recognised - capital	686,387,781	176,034,123	<b>862,421,904</b>	788,893,404	<b>(73,528,500)</b>	A3, B3
<b>Surplus/(Deficit) after capital transfers &amp; contribution</b>	<b>639,772,586</b>	<b>334,209,246</b>	<b>973,981,832</b>	<b>875,861,659</b>	<b>(98,120,173)</b>	
<b>Surplus/(Deficit) for the year</b>	<b>639,772,586</b>	<b>334,209,246</b>	<b>973,981,832</b>	<b>875,861,659</b>	<b>(98,120,173)</b>	
<b>Reconciliation</b>						
<b>Total Revenue Reconciliation</b>						
Add: Fair value adjustments				56,770,967		R1
Subtract: Gain on disposal of assets				(1,421,276)		R1
Gain on Fair Value Adjustments				(41,322,260)		R1
Loss on disposal of assets				2,953,400		R1
Add: Interdepartmental charges				277,994		R1
<b>Total Expenses Reconciliation</b>						
Subtract: Fair value adjustments				(56,770,967)		R1
Add: Gain on disposal of assets				1,421,276		R1
Gain on Fair Value Adjustments				41,322,260		R1
Loss on disposal of assets				(2,953,400)		R1
Subtract Interdepartmental charges				(277,994)		R1
<b>Actual Amount in the Statement of Financial Performance</b>				<b>875,861,659</b>		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	22,982,000	51,560,000	<b>74,542,000</b>	33,069,220	<b>(41,472,780)</b>	A9, B8
Call investment deposits	576,126,876	(307,168,347)	<b>268,958,529</b>	99,321,305	<b>(169,637,224)</b>	A9, B8
Consumer debtors	456,159,004	129,403,595	<b>585,562,599</b>	729,480,092	<b>143,917,493</b>	A9, B8
Other debtors	145,212,000	(35,179,765)	<b>110,032,235</b>	28,668,257	<b>(81,363,978)</b>	A9, B8
Current portion of long-term receivables	18,013,000	(5,246,000)	<b>12,767,000</b>	275,182,415	<b>262,415,415</b>	A9, B8
Inventory	3,286,741	129,371,786	<b>132,658,527</b>	175,113,814	<b>42,455,287</b>	A9, B8
	<b>1,221,779,621</b>	<b>(37,258,731)</b>	<b>1,184,520,890</b>	<b>1,340,835,103</b>	<b>156,314,213</b>	
<b>Non-Current Assets</b>						
Centlec Receivables	1,436,299,371	1,175,155,077	<b>2,611,454,448</b>	2,452,122,567	<b>(159,331,881)</b>	A9, B8
Investments	25,000	(25,000)	-	100	<b>100</b>	
Investment property	1,344,209,000	(323,728,960)	<b>1,020,480,040</b>	2,267,368,863	<b>1,246,888,823</b>	A9, B8
Long term receivables	2,486,000	(2,486,000)	-	-	-	
Property, plant and equipment	6,516,082,873	2,422,753,564	<b>8,938,836,437</b>	8,115,927,831	<b>(822,908,606)</b>	A9, B8
Heritage assets	-	-	-	321,656,342	<b>321,656,342</b>	A9
Non-current assets held for sale	-	-	-	7,560,000	<b>7,560,000</b>	A9
Intangible	13,667,000	(4,770,207)	<b>8,896,793</b>	10,500,013	<b>1,603,220</b>	A9, B8
Other non-current assets	-	307,916,803	<b>307,916,803</b>	201,993	<b>(307,714,810)</b>	A9, B8
	<b>9,312,769,244</b>	<b>3,574,815,277</b>	<b>12,887,584,521</b>	<b>13,175,337,709</b>	<b>287,753,188</b>	
<b>Total Assets</b>	<b>10,534,548,865</b>	<b>3,537,556,546</b>	<b>14,072,105,411</b>	<b>14,516,172,812</b>	<b>444,067,401</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Current portion of Centlec Payables	158,626,350	915,789,349	<b>1,074,415,699</b>	895,938,230	<b>(178,477,469)</b>	A9, B8
Borrowings	4,622,000	9,067,555	<b>13,689,555</b>	8,586,358	<b>(5,103,197)</b>	A9, B8
Consumer deposits	54,380,267	(25,703,392)	<b>28,676,875</b>	28,529,176	<b>(147,699)</b>	B8
Trade and other payables	546,252,379	192,132,507	<b>738,384,886</b>	1,029,878,187	<b>291,493,301</b>	A9, B8
Provisions	-	139,643,000	<b>139,643,000</b>	124,418,952	<b>(15,224,048)</b>	A9, B8
	<b>763,880,996</b>	<b>1,230,929,019</b>	<b>1,994,810,015</b>	<b>2,087,350,903</b>	<b>92,540,888</b>	
<b>Non-Current Liabilities</b>						
Borrowings	249,593,000	(38,449,101)	<b>211,143,899</b>	183,277,108	<b>(27,866,791)</b>	A9, B8
Provisions	658,344,000	304,697,003	<b>963,041,003</b>	1,118,558,889	<b>155,517,886</b>	A9, B8
	<b>907,937,000</b>	<b>266,247,902</b>	<b>1,174,184,902</b>	<b>1,301,835,997</b>	<b>127,651,095</b>	
<b>Total Liabilities</b>	<b>1,671,817,996</b>	<b>1,497,176,921</b>	<b>3,168,994,917</b>	<b>3,389,186,900</b>	<b>220,191,983</b>	
<b>Net Assets</b>	<b>8,862,730,869</b>	<b>2,040,379,625</b>	<b>10,903,110,494</b>	<b>11,126,985,912</b>	<b>223,875,418</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	6,144,291,869	4,010,475,047	<b>10,154,766,916</b>	10,257,262,484	<b>102,495,568</b>	A9, B8
Reserves	2,718,439,000	(1,970,095,422)	<b>748,343,578</b>	869,723,428	<b>121,379,850</b>	A9, B8
<b>Total community wealth/equity</b>	<b>8,862,730,869</b>	<b>2,040,379,625</b>	<b>10,903,110,494</b>	<b>11,126,985,912</b>	<b>223,875,418</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Ratepayers and other	2,011,311,578	21,011,386	<b>2,032,322,964</b>	1,191,366,827	<b>(840,956,137)</b>	A9, B9
Grants and subsidies	1,238,759,781	92,719,592	<b>1,331,479,373</b>	1,551,762,609	<b>220,283,236</b>	A9, B9
Interest	148,821,870	-	<b>148,821,870</b>	149,147,828	<b>325,958</b>	A9,
	<b>3,398,893,229</b>	<b>113,730,978</b>	<b>3,512,624,207</b>	<b>2,892,277,264</b>	<b>(620,346,943)</b>	
<b>Payments</b>						
Suppliers and employees	(2,655,902,962)	(151,438,134)	<b>(2,807,341,096)</b>	(2,105,704,836)	<b>701,636,260</b>	A9, B9
Finance charges	49,009,049	(3,300,000)	<b>45,709,049</b>	(116,260,720)	<b>(161,969,769)</b>	A9, B9
Transfers and Grants	(121,888,986)	(8,000,000)	<b>(129,888,986)</b>	-	<b>129,888,986</b>	A9, B9
	<b>(2,728,782,899)</b>	<b>(162,738,134)</b>	<b>(2,891,521,033)</b>	<b>(2,221,965,556)</b>	<b>669,555,477</b>	
<b>Net cash flows from operating activities</b>	<b>670,110,330</b>	<b>(49,007,156)</b>	<b>621,103,174</b>	<b>670,311,708</b>	<b>49,208,534</b>	
<b>Cash flows from investing activities</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	(899,100)	-	<b>(899,100)</b>	-	<b>899,100</b>	A9
Decrease (increase) other non-current	55,000,000	-	<b>55,000,000</b>	(248,241,313)	<b>(303,241,313)</b>	A9
Finance cost	-	-	-	271,741,916	<b>271,741,916</b>	
	<b>54,100,900</b>	-	<b>54,100,900</b>	<b>23,500,603</b>	<b>(30,600,297)</b>	
<b>Payments</b>						
Capital assets	(536,202,602)	(248,246,552)	<b>(784,449,154)</b>	(943,732,971)	<b>(159,283,817)</b>	A9, B9
<b>Net cash flows from investing activities</b>	<b>(482,101,702)</b>	<b>(248,246,552)</b>	<b>(730,348,254)</b>	<b>(920,232,368)</b>	<b>(189,884,114)</b>	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	40,393,583	4,500,000	<b>44,893,583</b>	-	<b>(44,893,583)</b>	A9, B9
Increase (decrease) in consumer depo:	6,000,000	-	<b>6,000,000</b>	852,301	<b>(5,147,699)</b>	A9
	<b>46,393,583</b>	<b>4,500,000</b>	<b>50,893,583</b>	<b>852,301</b>	<b>(50,041,282)</b>	
<b>Payments</b>						
Movement of borrowing	(35,000,000)	-	<b>(35,000,000)</b>	124,092,622	<b>159,092,622</b>	A9
<b>Net cash flows from financing activities</b>	<b>11,393,583</b>	<b>4,500,000</b>	<b>15,893,583</b>	<b>124,944,923</b>	<b>109,051,340</b>	
Net increase/(decrease) in cash held	199,402,211	(292,753,708)	<b>(93,351,497)</b>	(124,975,737)	<b>(31,624,240)</b>	A9, B9
Cash/cash equivalents at the beginning	579,192,956	(142,341,080)	<b>436,851,876</b>	257,366,261	<b>(179,485,615)</b>	A9, B9
<b>Cash and cash equivalents at the end of the year</b>	<b>778,595,167</b>	<b>(435,094,788)</b>	<b>343,500,379</b>	<b>132,390,524</b>	<b>(211,109,855)</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

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

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

##### Trade receivables, loans and other receivables

The entity assesses its trade receivables and 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, the entity 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 and loans and other receivables is calculated on a portfolio basis which are based on historical loss ratios. These annual loss ratios are applied to loan balances in the portfolio. 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. The impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

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

An allowance 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 investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, 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, residual values and related depreciation charges for assets as noted in accounting policy note 1.4 Property, plant and equipment. These estimates are based on industry norms.

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.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

#### 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 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 11.

### 1.3 Investment property

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

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

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the 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.

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.



## **Accounting Policies**

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### **1.3 Investment property (continued)**

#### **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.

Although unlikely, 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 measures 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 applies 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.

#### **Derecognition:**

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

### **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 reporting 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 or fair value 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 assets, or a combination of assets 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.

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

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

## Accounting Policies

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to 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 stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

#### Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity 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.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### Depreciation and impairment:

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

Land is not depreciated, except for landfill and quarry sites, as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated 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.

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

Item	Average useful life (years)
Buildings	30-53
Other vehicles	3-55
Fire arms	5-40
Environmental facilities	15
Community / Recreational facilities	6-100
Roads and Stormwater	5-100
Finance leases - Equipment	3-5
Specialised plant and equipment	3-55
Security	8-12
Sewerage and mains	40-100
Water and sewerage network	7-100
Quarries	20-30
Landfill sites	20-69
Housing	50

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

Other assets

3-35

The residual value, the useful life and depreciation method of each asset are reviewed annually, 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.

#### **Derecognition:**

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 or disposal 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.

Property, plant and equipment 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 from exchange transactions. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### **Commitments:**

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 51. 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.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### **1.6 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

## Accounting Policies

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### 1.6 Intangible assets (continued)

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 accumulated 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.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that the asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Useful life
Computer software, other	3 - 30 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.

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

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.

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.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

## **Accounting Policies**

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### **1.7 Heritage assets (continued)**

#### **Subsequent measurement**

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. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

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.

#### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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.

#### **Derecognition**

The entity derecognises the carrying amount of heritage assets on disposal, or 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 in controlled entities**

Investments in controlled entities are carried at cost less any accumulated impairment.

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, whichever is appropriate, 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.

## Accounting Policies

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### 1.9 Financial instruments (continued)

- 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).

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 unissued 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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.9 Financial instruments (continued)

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;
- 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, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## Accounting Policies

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### 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.

#### Impairment and uncollectibility of financial assets

The entity assesses 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 entity 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, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

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

- Significant financial difficulty experienced by the borrower/debtor;



## Accounting Policies

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### 1.9 Financial instruments (continued)

- 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

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 13, 15, and 16 for the impact of the above application.

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.

## Accounting Policies

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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 :
  - derecognises 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 recognises 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 recognises 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 continues 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.

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).

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **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 Advance Receipts**

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.

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.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 27 Payables from non-exchange transactions where these receipts in advance are disclosed.

### **1.11 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.

### **1.12 Leases**

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

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 interest on the remaining balance of the liability.

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

#### **Operating leases - lessor**

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

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

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

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

## **Accounting Policies**

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### **1.12 Leases (continued)**

#### **Operating leases - lessee**

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

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

### **1.13 Inventories**

The entity recognises inventories as an asset when,

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

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.

### **1.14 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.

### **1.15 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.

## **Accounting Policies**

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### **1.15 Impairment of cash-generating assets (continued)**

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 a cash-generating intangible asset with an indefinite useful life or a cash-generating 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.

#### **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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.15 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 use 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.

#### 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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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

#### 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.

### 1.16 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.

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 tests 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 is tested for impairment before the end of the current reporting period.

## **Accounting Policies**

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### **1.16 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 approaches based on the availability of data and the nature of the impairment:

#### **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.



## **Accounting Policies**

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### **1.16 Impairment of non-cash-generating assets (continued)**

#### **Reversal of an impairment loss**

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, 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 occur when there is clear evidence that such a redesignation is appropriate.

### **1.17 Employee benefits**

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

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

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

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

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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.

# **Mangaung Metropolitan Municipality**

Annual Financial Statements for the year ended 30 June, 2014

## **Accounting Policies**

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### **1.17 Employee benefits (continued)**

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

## **Accounting Policies**

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### **1.17 Employee benefits (continued)**

#### **Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

## Accounting Policies

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### 1.17 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 all other respects, the asset is treated in the same way as plan assets. 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 entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - \* those changes were enacted before the reporting date; or
  - \* past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical 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.

## Accounting Policies

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### 1.18 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.

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.

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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;

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

- 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.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability 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, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is 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 1.15 and 1.16.

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 is 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.

### 1.19 Revenue from exchange transactions

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

An exchange transaction is one in which the 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.

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

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.

#### 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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### 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, royalties and dividends or similar distributions 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.

### 1.20 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 arises 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.

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 party without directly giving approximately equal value in exchange, or gives value to another party 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.

## **Accounting Policies**

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### **1.20 Revenue from non-exchange transactions (continued)**

#### **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.

#### **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 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.

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

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.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### 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.

#### Services in-kind

Services in-kind are not recognised.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a 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 cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 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 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.

### 1.24 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).

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).

## **Accounting Policies**

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### **1.25 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).

### **1.26 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.

### **1.27 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.

### **1.28 Offsetting**

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

### **1.29 Unauthorised expenditure**

Unauthorised expenditure means:

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

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 are made in note 59 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

### **1.30 Fruitless and wasteful expenditure**

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

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

Detailed disclosures are made in note 60 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

### **1.31 Irregular expenditure**

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of section 170;
- b) the Municipal Systems Act, and which has not been condoned in terms of that act;
- c) the Public Office-Bearers Act, 1998 (Act No.20 of 1998)
- d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

Detailed disclosures are made in note 61 to the financial statements as required by the Municipal Finance Management Act (Act No. 56 of 2003).

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.32 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.

### 1.33 Budget information

The entity is 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 the 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 nature classification. The approved budget and the financial statements are not prepared on the same classification basis. The approved budget covers the fiscal period from 01-Jul-13 to 30-Jun-14.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries or associates. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 67 to the annual financial statements.

### 1.34 Related parties

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

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.

### 1.35 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (referred to as adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (referred to as non-adjusting events after the reporting date).

The entity adjusts the amounts recognised in the financial statements to reflect adjusting events after the reporting date.

The entity does not adjust the amounts recognised in the financial statements to reflect non-adjusting events after the reporting date.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Accounting Policies

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### 1.36 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.

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 the FRESHCO arrangement in accordance with GRAP 9 - Revenue from Exchange Transactions.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following:

- Fines
- Advance receipts from customers

#### Fines

During the year, the entity changed its accounting policy with respect to the treatment of fines, in order to conform with the benchmark treatment in GRAP 23. The change will ensure that the users of the financial statements have all relevant information available to enable them to make decisions and understand the financial statements completely.

Management do not have sufficient records relating to fines revenue to enable retrospective application of the standard. For this reason the change in accounting policy is applied prospectively.

Refer to note 1.20 for the accounting policy for fines.

#### Advance receipts from customers

During the year, the entity changed its accounting policy with respect to the treatment of advance receipts as this ensures that the users of the financial statements have all relevant information available to enable them to make decisions and understand the financial statements completely.

Refer to note 1.10 for the accounting policy on advance receipts from customers. The change in accounting policy is applied retrospectively.

The effect of the change on the statement of financial position is as follows:

#### Statement of financial position

Decrease in payables from exchange transactions	-	159,104,070
Increase in payables from non-exchange transactions	-	(159,104,070)
	<u>-</u>	<u>-</u>

## Notes to the Annual Financial Statements

### 3. New standards and interpretations

#### 3.1 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	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 25: Employee benefits</li> </ul>	01 April, 2013	The most significant impact of the standard relates to actuarial gains and losses related to the Defined benefit obligation. The entity will only recognize these gains and losses in full in the year that it arises.
<ul style="list-style-type: none"> <li>GRAP 1 (as revised 2012): Presentation of Financial Statements</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 7 (as revised 2012): Investments in Associates</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 9 (as revised 2012): Revenue from Exchange Transactions</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 12 (as revised 2012): Inventories</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 13 (as revised 2012): Leases</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 16 (as revised 2012): Investment Property</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 17 (as revised 2012): Property, Plant and Equipment</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>IGRAP16: Intangible assets website costs</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)</li> </ul>	01 April, 2013	The changes to the standard do not have a material impact on the annual financial statements.

#### 3.2 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, 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 18: Segment Reporting</li> </ul>	Not yet determined	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.
<ul style="list-style-type: none"> <li>GRAP 105: Transfers of functions between entities under common control</li> </ul>	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 106: Transfers of functions between entities not under common control</li> </ul>	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

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

• GRAP 107: Mergers	01 July, 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 20: Related parties	Not yet determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration.
• GRAP32: Service Concession Arrangements: Grantor	Not yet determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. Further it is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP108: Statutory Receivables	Not yet determined	It is unlikely that the standard will have a material impact on the annual financial statements.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,267,368,863	-	2,267,368,863	2,222,377,240	-	2,222,377,240

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Fair value adjustments	Closing balance
Investment property	2,222,377,240	5,083,363	(1,414,000)	41,322,260	2,267,368,863

#### Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Closing balance
Investment property	2,245,795,627	(23,418,387)	2,222,377,240

#### Pledged as security

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

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

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 2014 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.

Due to the limitations of the financial system it was impractical to disclose the expenditure incurred relating to the Investment Property.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,027,460,743	-	1,027,460,743	1,018,610,540	-	1,018,610,540
Buildings	1,205,494,227	(38,385,497)	1,167,108,730	1,177,833,904	(7,549,976)	1,170,283,928
Infrastructure	6,573,721,033	(1,500,813,119)	5,072,907,914	5,934,011,752	(1,297,156,287)	4,636,855,465
Community	1,020,942,824	(480,235,202)	540,707,622	928,669,319	(441,376,085)	487,293,234
Other property, plant and equipment	377,339,781	(69,596,959)	307,742,822	226,911,861	(63,126,296)	163,785,565
<b>Total</b>	<b>10,204,958,608</b>	<b>(2,089,030,777)</b>	<b>8,115,927,831</b>	<b>9,286,037,376</b>	<b>(1,809,208,644)</b>	<b>7,476,828,732</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Depreciation	Depreciation on disposals	Closing balance
Land	1,018,610,540	8,850,203	-	-	-	-	1,027,460,743
Buildings	1,170,283,928	64,845,570	-	(37,185,577)	(30,835,191)	-	1,167,108,730
Infrastructure	4,636,855,465	778,744,102	(42,059,117)	(96,975,704)	(218,099,829)	14,442,997	5,072,907,914
Community	487,293,234	135,228,898	(196,518)	(42,758,175)	(38,875,386)	15,569	540,707,622
Other property, plant and equipment	163,785,565	160,906,478	(10,478,558)	-	(9,998,144)	3,527,481	307,742,822
	<b>7,476,828,732</b>	<b>1,148,575,251</b>	<b>(52,734,193)</b>	<b>(176,919,456)</b>	<b>(297,808,550)</b>	<b>17,986,047</b>	<b>8,115,927,831</b>

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	WIP Transfers to Additions/Other classes	Revaluations / Fair value adjustments	Depreciation	Depreciation - Disposals	Closing balance
Land	631,952,685	354,690,048	-	(121,000)	32,088,807	-	-	1,018,610,540
Buildings	977,149,606	95,089,272	-	34,334,797	71,260,229	(7,549,976)	-	1,170,283,928
Infrastructure	4,404,911,253	191,386,851	(61,832,930)	273,525,639	-	(197,980,207)	26,844,859	4,636,855,465
Community	479,963,309	64,889,457	(717,003)	(20,109,808)	-	(44,619,197)	7,886,476	487,293,234
Other property, plant and equipment	168,457,101	40,831,472	(36,912,286)	-	-	(14,912,329)	6,321,607	163,785,565
	<b>6,662,433,954</b>	<b>746,887,100</b>	<b>(99,462,219)</b>	<b>287,629,628</b>	<b>103,349,036</b>	<b>(265,061,709)</b>	<b>41,052,942</b>	<b>7,476,828,732</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

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

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

Motor vehicles	136,801,508	-
Office equipment	4,678,339	7,799,474
	<b>141,479,847</b>	<b>7,799,474</b>

#### Revaluations

The effective date of the revaluations was 30 June, 2013. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the 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 restrictions on the distribution of the revaluation surplus.

#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	660,668,344	28,420,298	146,721,183	835,809,825
Additions/capital expenditure	660,845,972	74,013,062	25,826,965	760,685,999
Transferred to additions/other assets	(96,975,704)	(42,758,175)	(82,478,807)	(222,212,686)
	<b>1,224,538,612</b>	<b>59,675,185</b>	<b>90,069,341</b>	<b>1,374,283,138</b>

#### Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	387,142,704	14,399,638	101,784,878	503,327,220
Additions/capital expenditure	558,727,633	34,130,468	88,122,716	680,980,817
Transferred to additions/other assets	(285,201,993)	(20,109,808)	(43,186,411)	(348,498,212)
	<b>660,668,344</b>	<b>28,420,298</b>	<b>146,721,183</b>	<b>835,809,825</b>

Refer to Appendix B for further details on the movements on PPE.

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13,325,064	(2,825,051)	10,500,013	11,671,483	(2,500,983)	9,170,500

#### Reconciliation of intangible assets - 2014

Computer software, other	Opening balance	Additions	Amortisation	Closing balance
	9,170,500	1,653,581	(324,068)	10,500,013

#### Reconciliation of intangible assets - 2013

Computer software, other	Opening balance	Additions	Amortisation	Closing balance
	7,551,050	1,938,536	(319,086)	9,170,500

#### Pledged as security

None of the intangible assets has been pledged as security for any financial liabilities.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,656,342	-	321,656,342	329,270,803	-	329,270,803

#### Reconciliation of heritage assets 2014

	Opening balance	Transfers	Revaluation increase/(decrease)	Closing balance
Heritage assets	329,270,803	(9,917,272)	2,302,811	321,656,342

#### Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers (WIP Additions)	Revaluation increase/(decrease)	Closing balance
Heritage assets	281,352,680	3,892,105	10,601,508	33,424,510	329,270,803

#### Restrictions on heritage assets

No restrictions are placed on any heritage assets.

#### Pledged as security

No heritage assets has been pledged as security for any financial liability.

#### Revaluations

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

The fair value of heritage assets were determined by an independent valuer as at 30 June 2014.

The fair value of the heritage assets were determined after considering the following conditions:

- The condition of the asset
- The useful life of the asset
- The location of the asset.

There are no restrictions on the distribution of the balance of the revaluation reserve to owners of net assets.

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

### 8. Investments in controlled entities

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100.00 %	100.00 %	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.

### 9. Centlec Payables

Centlec (SOC) Limited - Intercompany loan	(895,938,230)	(956,074,556)
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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. The applicable interest rate for the year was 8.5% (2013: 9%).

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>10. Non-current receivables</b>		
<b>Designated at fair value</b>		
2,535 Unlisted shares - OVK Limited	22,815	16,782
<b>At amortised cost</b>		
Vehicle loans	-	920,603
Study loans	-	48,509
Erven loans	9,169,917	9,261,872
Housing selling scheme loans	47,742,835	47,484,041
Cricket stadium	9,466,383	9,450,444
	66,379,135	67,165,469
Impairment - Vehicle loans	-	(900,472)
Impairment - Study loans	-	(48,506)
Impairment - Erven loans	(9,010,111)	(9,090,752)
Impairment - Housing selling scheme loans	(47,723,463)	(47,180,955)
Impairment - Cricket stadium	(9,466,383)	(9,450,444)
	<b>179,178</b>	<b>494,340</b>
<b>Total other financial assets</b>	<b>201,993</b>	<b>511,122</b>
<b>Non-current assets</b>		
Designated at fair value	22,815	16,782
At amortised cost	179,178	494,340
	<b>201,993</b>	<b>511,122</b>
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Class 1 - Unlisted shares	22,815	16,782
The shares were valued using quoted market prices.		
<b>Fair value hierarchy of financial assets at fair value</b>		
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.		
<b>Level 1</b>		
Class 1 - Unlisted shares	22,815	16,782
<b>Renegotiated terms</b>		
None of the financial assets that are fully performing have been renegotiated in the last year.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 10. Non-current receivables (continued)

#### Financial assets at amortised cost

#### Reconciliation of provision for impairment of financial assets at amortised cost

##### Impairment of vehicle loans

Opening balance	900,471	956,114
Amounts written off as uncollectible	(900,471)	-
Unused amounts reversed	-	(55,643)
	<u>-</u>	<u>900,471</u>

##### Impairment of study loans

Opening balance	48,500	48,503
Amounts written off as uncollectible	(48,500)	-
Unused amounts reversed	-	(3)
	<u>-</u>	<u>48,500</u>

##### Impairment of erven loans

Opening balance	9,090,752	9,323,863
Unused amounts reversed	(80,641)	(233,111)
	<u>9,010,111</u>	<u>9,090,752</u>

##### Impairment of housing selling scheme loans

Opening balance	47,180,954	45,179,178
Provision for impairment	542,508	2,001,776
	<u>47,723,462</u>	<u>47,180,954</u>

##### Impairment of cricket stadium

Opening balance	9,450,444	-
Provision for impairment	15,939	9,450,444
	<u>9,466,383</u>	<u>9,450,444</u>

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.

##### Cricket stadium

The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and are repayable on an annual basis over 27 years ending 1 July 2022.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 11. Defined benefit obligations

#### 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 retirement medical aid plan

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 entity.

#### 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

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 defined benefit obligation-wholly unfunded

557,216,000

452,964,000

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 11. Defined benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	452,964,000	344,111,000
Interest costs	40,759,000	30,793,000
Current service cost	25,107,000	18,544,000
Benefits paid / (expected)	(18,391,000)	(14,824,000)
Actuarial (gain) / loss	56,777,000	74,340,000
	<b>557,216,000</b>	<b>452,964,000</b>

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)
	<b>6,714,000</b>	<b>383,958,000</b>	<b>51,639,000</b>	<b>442,311,000</b>

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 cost	555,000	35,100,000	4,744,000	40,399,000
Current service cost	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)
	<b>5,194,000</b>	<b>280,551,000</b>	<b>58,366,000</b>	<b>344,111,000</b>

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 cost	407,000	25,797,000	4,589,000	30,793,000
Current service cost	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
	<b>5,993,000</b>	<b>372,402,000</b>	<b>74,569,000</b>	<b>452,964,000</b>

2014	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	74,569,000	452,964,000
Interest cost	453,000	34,729,000	5,577,000	40,759,000
Current service cost	43,000	17,517,000	7,547,000	25,107,000
Benefits paid (expected)	(381,000)	(7,566,000)	(10,444,000)	(18,391,000)
Actuarial (gains)/losses	(943,000)	54,590,000	3,130,000	56,777,000
	<b>5,165,000</b>	<b>471,672,000</b>	<b>80,379,000</b>	<b>557,216,000</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rates used - healthcare	9.60 %	9.20 %
Discount rates used - gratuity	8.55 %	7.85 %
Expected increase in healthcare costs	9.00 %	8.10 %
Medical cost trend rates	7.00 %	7.00 %
Expected increase in salaries	9.00 %	8.10 %
Expected pension increases	7.00 %	6.10 %
Inflation rate	7.00 %	6.10 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 11. Defined benefit obligations (continued)

#### Inflation sensitivities

Assumed healthcare 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:

	1 % point increas	1 % point decreas
Effect on defined benefit obligation	(57,214,000)	(393,521,000)
Effect on the aggregate of the service cost	(28,542,000)	(17,517,000)
Effect on the aggregate of the interest cost	(55,903,000)	(38,227,000)

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	(557,216,000)	(452,964,000)	(344,111,000)	(442,310,000)
Experience adjustments on plan liabilities	(16,647,000)	(33,624,000)	(8,418,000)	25,607,000

### 12. Centlec Receivables

#### At amortised cost

Centlec (SOC) Limited Advances	109,875,508	122,642,380
Centlec (SOC) Limited Shareholders Loan	2,617,429,474	2,356,112,160
	<b>2,727,304,982</b>	<b>2,478,754,540</b>

#### 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 8.5% (2013: 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 11.80% (2013: 10.94%) was applied on the outstanding loan balance. The loan is repayable from 2015 over a period of 21 years.

Non-current portion	2,452,122,567	2,465,987,668
Current portion	275,182,415	12,766,872
	<b>2,727,304,982</b>	<b>2,478,754,540</b>

### 13. Other receivables from exchange transactions

Deferred lease	(109,552)	-
Interest on investments	425,416	633,037
Staff leave days receivable	420,690	819,532
Sundry debtors	109,259,565	90,292,128
Sundry debtors - Impairment	(81,327,862)	(40,260,398)
	<b>28,668,257</b>	<b>51,484,299</b>

#### 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 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.

#### Other receivables past due but not impaired:

Other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R 7,137,027 (2013: R 5,818,897) were past due but not impaired.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 13. Other receivables from exchange transactions (continued)

1 month past due	1,430,715	982,148
2 months past due	785,143	840,800
3 months past due	4,921,169	3,995,949
	<u>7,137,027</u>	<u>5,818,897</u>

#### Trade and other receivables impaired:

As of 30 June 2014, other receivables of R 81,327,862 (2013: R 40,260,398) were impaired and provided for.

The amount of the provision was R (81,327,862) as of 30 June 2014 (2013: (R 40,260,398)).

The ageing of these other receivables are as follows:

2 months	-	13,562
Over 3 months	81,327,862	40,246,836
	<u>81,327,862</u>	<u>40,260,398</u>

#### Reconciliation of provision for impairment of other receivables:

Opening balance	40,260,398	36,937,970
Impairment for the year	73,758,455	3,328,617
Amounts written off as uncollectible	(32,690,991)	(6,189)
	<u>81,327,862</u>	<u>40,260,398</u>

Sundry receivables consist out of debtors raised from other income recognised (refer to note 39).

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

### 14. Inventories

Consumable stores	6,372,611	4,744,071
Maintenance materials	220,396	1,745,589
Unsold Properties Held for Resale	165,641,657	120,210,657
Fuel (Diesel, Petrol)	1,189,407	1,146,007
Water in reservoirs	1,319,289	986,694
Water in pipes	370,454	333,777
	<u>175,113,814</u>	<u>129,166,795</u>

#### Inventory recognised as an expense

Inventory expenses	6,645,911	5,552,831
Inventory written off	668,198	(37,450)
	<u>7,314,109</u>	<u>5,515,381</u>

No inventory was pledged as security for any financial liability.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013	
<b>15. Consumer receivables from exchange transactions</b>			
Water	263,159,951	231,426,817	
Sewerage	78,864,424	54,486,480	
Refuse	38,103,112	14,051,733	
Housing debtors	1,194,040	1,149,941	
Unallocated deposits	220,252	220,252	
	<b>381,541,779</b>	<b>301,335,223</b>	
<b>Nett balance reconciliation</b>			
<b>2014</b>	<b>Gross balance</b>	<b>Impairment</b>	<b>Nett balance</b>
Water	1,046,777,385	(783,617,434)	263,159,951
Sewerage	237,384,326	(158,519,902)	78,864,424
Refuse	101,036,663	(62,933,551)	38,103,112
Housing rental	5,029,281	(3,835,241)	1,194,040
Unallocated deposits	220,252	-	220,252
	<b>1,390,447,907</b>	<b>(1,008,906,128)</b>	<b>381,541,779</b>
<b>Nett balance reconciliation</b>			
<b>2013</b>	<b>Gross balance</b>	<b>Impairment</b>	<b>Nett balance</b>
Water	914,996,379	(683,568,562)	231,427,817
Sewerage	212,899,293	(158,412,813)	54,486,480
Refuse	26,588,014	(12,536,282)	14,051,732
Housing rental	24,536,812	(23,386,871)	1,149,941
Unallocated deposits	220,252	-	220,252
	<b>1,179,240,750</b>	<b>(877,904,528)</b>	<b>301,336,222</b>
<b>Ageing of Receivables from exchange transactions</b>			
<b>Water</b>			
Current (0 - 30 Days)	115,054,219	67,316,464	
31-60 Days	46,081,329	47,592,255	
61-90 Days	37,099,403	41,090,338	
91+ Days	827,231,667	744,836,571	
Meter reading estimate	21,310,767	14,159,751	
	<b>1,046,777,385</b>	<b>914,995,379</b>	
<b>Sewerage</b>			
Current (0 - 30 Days)	31,163,474	14,099,848	
31-60 Days	10,801,230	7,675,062	
61-90 Days	9,675,179	6,275,852	
91+ Days	185,744,443	184,848,531	
	<b>237,384,326</b>	<b>212,899,293</b>	
<b>Refuse</b>			
Current (0 - 30 Days)	18,273,244	5,172,153	
31-60 Days	7,442,723	2,846,379	
61-90 Days	7,094,731	2,429,250	
91+ Days	68,225,965	16,140,232	
	<b>101,036,663</b>	<b>26,588,014</b>	
<b>Housing rental</b>			
Current (0 - 30 Days)	453,794	315,270	
31-60 Days	227,946	308,616	
61-90 Days	216,666	303,882	
91+ Days	4,130,875	23,609,044	
	<b>5,029,281</b>	<b>24,536,812</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>15. Consumer receivables from exchange transactions (continued)</b>		
<b>Summary by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 Days)	108,712,660	56,140,292
31-60 Days	43,806,131	45,766,699
61-90 Days	40,593,363	37,660,252
91+ Days	932,844,435	840,780,594
Min: Impairment	(940,832,193)	(800,866,545)
	<b>185,124,396</b>	<b>179,481,292</b>
<b>Business / Commercial</b>		
Current (0 - 30 Days)	30,509,453	21,029,033
31-60 Days	8,780,761	8,908,667
61-90 Days	5,119,378	9,354,633
91+ Days	85,707,645	78,741,673
Min: Impairment	(68,073,935)	(77,037,983)
	<b>62,043,302</b>	<b>40,996,023</b>
<b>Government</b>		
Current (0 - 30 Days)	25,722,616	9,734,410
31-60 Days	11,966,337	3,746,946
61-90 Days	8,373,238	3,084,437
91+ Days	66,780,871	49,912,111
	<b>112,843,062</b>	<b>66,477,904</b>

### Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions 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 nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables 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 a rate of 1% higher than the prime rate for the period.

### Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 268,876,722 (2013: R 260,484,455) were past due but not impaired.

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

1 month past due	67,248,540	59,404,460
2 months past due	64,545,076	50,404,191
3 months past due	137,083,106	150,675,804

### Consumer receivables from exchange transactions impaired

As of 30 June 2014, consumer receivables from exchange transactions of R 1,008,906,128 (2013: R 877,904,528) were impaired and provided for.

The ageing of these loans is as follows:

2 months	-	549,494
Over 2 months	1,008,906,128	877,355,034

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

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>15. Consumer receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of consumer receivables from exchange transactions</b>		
Opening balance	(877,904,528)	(697,525,133)
Provision for impairment	(199,901,873)	(249,942,808)
Amounts written off as uncollectible	68,900,273	69,563,413
	<b>(1,008,906,128)</b>	<b>(877,904,528)</b>
<b>16. Consumer receivables from non-exchange transactions</b>		
Rates	347,938,313	114,032,235
<b>Rates</b>		
Rates - Gross balance	724,871,609	436,569,652
Rates - Impairment	(376,933,296)	(322,537,417)
	<b>347,938,313</b>	<b>114,032,235</b>
<b>Rates Ageing</b>		
Current (0 - 30 days)	127,677,910	37,382,051
31 - 60 days	46,322,075	16,938,188
61 - 90 days	44,133,183	13,818,663
91+ days	506,738,441	368,430,750
	<b>724,871,609</b>	<b>436,569,652</b>
<b>Summary by Customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 days)	44,322,257	17,359,485
31 - 60 days	14,811,507	7,729,446
61 - 90 days	13,662,739	6,408,897
91+ days	239,224,076	234,028,700
Subtotal	312,020,579	265,526,528
Less: Impairment	(234,862,394)	(226,337,816)
	<b>77,158,185</b>	<b>39,188,712</b>
<b>Business / Commercial</b>		
Current (0 - 30 days)	46,162,647	17,035,529
31 - 60 days	14,729,248	8,104,771
61 - 90 days	13,794,338	6,425,205
91+ days	161,275,910	115,591,637
Subtotal	235,962,143	147,157,142
Less: Impairment	(142,070,902)	(96,199,601)
	<b>93,891,241</b>	<b>50,957,541</b>
<b>Government</b>		
Current (0 - 30 days)	37,193,006	2,987,037
31 - 60 days	16,781,320	1,103,971
61 - 90 days	16,676,106	984,561
91+ days	106,238,455	18,810,413
	<b>176,888,887</b>	<b>23,885,982</b>

### Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables 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 consumer 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

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 16. Consumer receivables from non-exchange transactions (continued)

#### Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 272,775,769 (2013: R 76,650,184) were past due but not impaired.

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

1 month past due	49,979,769	16,938,188
2 months past due	46,323,102	13,802,958
3 months past due	176,432,898	45,909,038

#### Consumer receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 376,933,296 (2013: R 322,537,417) were impaired and provided for.

The amount of the provision was R 376,933,296 as of 30 June 2014 (2013: R 322,537,417).

The ageing of these loans is as follows:

2 months	-	15,705
Over 2 months	376,933,296	322,521,712

#### Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	322,537,417	272,433,076
Provision for impairment	300,509,868	56,224,889
Amounts written off as uncollectible	(246,113,989)	(6,120,548)
	<u>376,933,296</u>	<u>322,537,417</u>

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.

### 17. Cash and cash equivalents

Cash and cash equivalents consists of:

Cash on hand	115,849	105,949
Bank balances	32,953,371	53,197,828
Short-term deposits	99,321,305	204,062,484
	<u>132,390,525</u>	<u>257,366,261</u>

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa. The total overdraft facility available to the Mangaung Metropolitan Municipality is R 50,000,000 (2013: 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) or historical information about counterparty default rates:

<b>Credit rating</b>		
F1+	<u>132,274,676</u>	<u>257,260,312</u>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 17. Cash and cash equivalents (continued)

#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve 21 8,934,693 11,457,126  
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 below bank accounts are held with ABSA.

Account # & description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Primary - 470000465	27,491,702	46,586,845	42,086,668	30,910,107	48,690,127	44,408,051
Fresh Produce - 470001348	2,043,264	3,833,927	2,418,766	2,043,264	3,833,927	2,418,766
Direct deposits - 470001380	-	-	-	-	673,774	1,597,651
	<b>29,534,966</b>	<b>50,420,772</b>	<b>44,505,434</b>	<b>32,953,371</b>	<b>53,197,828</b>	<b>48,424,477</b>

#### Summary of Short-term deposits held

Short-term deposits held with ABSA	20,638,384	21,637,604
Short-term deposits held with FNB	7,933,807	106,822,989
Short-term deposits held with Nedbank	32,808,933	26,954,840
Short-term deposits held with Standard Bank	37,940,181	48,647,051
	<b>99,321,305</b>	<b>204,062,484</b>

### 18. Non-current assets held for sale and assets of disposal groups

#### Non-current assets held for sale

Land	7,560,000	7,560,000
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### 19. Revaluation reserve

Opening balance	790,800,654	558,525,067
Change during the year	2,302,810	247,381,718
Realisation of revaluation reserve	(9,524,302)	(15,106,131)
	<b>783,579,162</b>	<b>790,800,654</b>

There are no restrictions on the distribution of the revaluation surplus.  
Comparative information has been restated due to correction of errors.

### 20. Self-Insurance Reserve

Opening balance	77,484,513	77,595,747
Insurance claims processed	(274,940)	(111,234)
	<b>77,209,573</b>	<b>77,484,513</b>

### 21. COID Reserve

Opening balance	11,457,126	11,764,522
Contributions	2,992,946	2,823,432
Insurance claims processed	(5,515,379)	(3,130,828)
	<b>8,934,693</b>	<b>11,457,126</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>22. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	66,194,344	4,322,863
- in second to fifth year inclusive	94,769,481	3,484,633
	<u>160,963,825</u>	<u>7,807,496</u>
less: future finance charges	(17,753,039)	(651,602)
<b>Present value of minimum lease payments</b>	<b><u>143,210,786</u></b>	<b><u>7,155,894</u></b>
<b>Present value of minimum lease payments due</b>		
- within one year	55,094,291	3,854,724
- in second to fifth year inclusive	88,116,495	3,301,170
	<u>143,210,786</u>	<u>7,155,894</u>
Non-current liabilities	55,917,906	4,678,339
Current liabilities	87,292,880	2,477,556
	<b><u>143,210,786</u></b>	<b><u>7,155,895</u></b>

The entity leases various equipment and vehicles 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.

### 23. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial grant - Upgrade housing in Batho	182,175	1,749,275
Provincial grant - Hlasela project - Batho car wash	-	60,000
Provincial Administration Grant Stadiums	219,006	6,638,800
DBSA - Capacity building programme grant	-	234,104
Municipal accreditation project funding - Housing grant	3,628,261	14,263
DWAF - Water conservation Grant	-	455,016
Local government and housing grant - Infrastructure Graslands area	3,965,043	3,965,043
Motheo - Contribution environmental health grant	9,346,371	9,813,076
Department of Water affairs - ACIP	-	6,000,000
Provincial grant - Upgrading roads in Batho	76,740	81,216
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Iphahamseng centre	3,703	3,703
Provincial grant - Planning and surveying	493,144	493,144
Provincial grant - Township establishment - Caleb Motshabi	-	135,964
Expanded Public Works Progressive Incentive Grant	138,463	4,061,307
Urban renewal grant	-	280,553
Urban settlement development grant	70,726,573	129,450,242
Public transport infrastructure and systems fund grant	597,471	23,661,544
City of Ghent	1,453,936	1,640,461
Sustainable Human Settlement Grant	27,158,410	-
	<b><u>122,489,296</u></b>	<b><u>193,237,711</u></b>

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

Refer to note 38 for further details of grant movements.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>24. Borrowings</b>		
<b>At amortised cost</b>		
DBSA Bloemfontein - Sewer 8001/104	2,088,549	3,310,354
DBSA Bloemfontein - Water 8001/104	1,895,438	3,023,256
DBSA - FS1034/01	142,975,727	125,653,575
DBSA - FS1034/02	44,903,752	47,098,464
<b>Total other financial liabilities</b>	<b>191,863,466</b>	<b>179,085,649</b>

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%.

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.

<b>Non-current liabilities</b>		
At amortised cost	183,277,108	169,537,183
<b>Current liabilities</b>		
At amortised cost	8,586,358	9,548,466

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 25. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	161,296,421	110,413	161,406,834
Rehabilitation of quarry sites	272,867,014	12,596,801	285,463,815
	<b>434,163,435</b>	<b>12,707,214</b>	<b>446,870,649</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	151,658,047	9,638,374	161,296,421
Rehabilitation of quarry sites	263,714,236	9,152,778	272,867,014
	<b>415,372,283</b>	<b>18,791,152</b>	<b>434,163,435</b>

Non-current liabilities	322,451,697	313,109,917
Current liabilities	124,418,952	121,053,518
	<b>446,870,649</b>	<b>434,163,435</b>

#### 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 2014.

Landfill sites consists of:	Restoration date
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.

#### 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 2014.

Quarries consists of:	Restoration date
Bloemfontein	Cecelia 2018
	Sunnyside 2018
Botshabelo	K-Section 2014
	F1-Section 2014
	F2.1-Section 2014
	F2.2-Section 2014
	W-Section 2014
	S-Section 2014
	B-Section 2014
Thaba Nchu	Seroala 2014
	Thubisi 2014
	Putsane 2014
	Merino 2014
	Rhakoi 2014
	Sediba 2014
	Rooibult 2014
	Kgalala 2014

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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

	2014	2013
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### 26. Freshco Liability

Non-current liability	182,973,286	178,377,360
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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 entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 35 – 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.

### 27. Payables from non-exchange transactions

Deposits	499,837	458,123
Other payables	1,591,605	1,591,605
Payments received in advance	146,070,669	163,256,088
	<b>148,162,111</b>	<b>165,305,816</b>

Included in Payments Received in Advance for the current financial year is an amount of R 10,024,998 (2013: R 10,150,443) for unallocated deposits.

### 28. Payables from exchange transactions

Trade payables	424,766,647	285,357,108
Accrued leave pay	63,157,317	51,421,680
Accrued bonus	21,064,971	18,100,298
Retentions	70,735,089	56,248,193
Pending claims - Unfair dismissals	6,608,171	6,608,171
Other payables - Grants	36,324,765	28,532,327
Other payables	1,597,347	1,566,577
Deferred Lease Expenditure	4,533,217	4,525,692
Salaries Payable	3,651	11,324,442
	<b>628,791,175</b>	<b>463,684,488</b>

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 (2013: 60 days).

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

### 29. Consumer deposits

Water	28,529,176	27,676,875
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Guarantees in lieu of consumer deposits amounted to R1,781,533 (2013: R 1,749,800)

### 30. VAT payable

VAT payable	43,142,725	74,215,665
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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.

### Disclosure in terms of the MFMA

Opening balance	74,215,665	75,075,114
VAT payable	22,574,692	22,289,510
VAT claimed not yet received	(53,647,632)	(23,148,959)
	<b>43,142,725</b>	<b>74,215,665</b>

Comparative information has been restated due to correction of prior period errors and omissions.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 31. Financial instruments disclosure

#### Categories of financial instruments

#### 2014

##### Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	22,815	179,178	201,993
Other receivables from exchange transactions	-	28,668,257	28,668,257
Consumer receivables from exchange transactions	-	381,541,779	381,541,779
Centlec Receivables	-	2,727,304,982	2,727,304,982
Cash and cash equivalents	-	132,274,676	132,274,676
	<b>22,815</b>	<b>3,269,968,872</b>	<b>3,269,991,687</b>

##### Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	191,863,466	191,863,466
Trade and other payables from exchange transactions	-	628,791,170	628,791,170
Payables from non-exchange transactions	-	148,162,111	148,162,111
Consumer deposits	28,529,176	-	28,529,176
Centlec Payables	-	895,938,230	895,938,230
	<b>28,529,176</b>	<b>1,864,754,977</b>	<b>1,893,284,153</b>

#### 2013

##### Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	16,782	494,340	511,122
Other receivables from exchange transactions	-	51,484,299	51,484,299
Consumer receivables from exchange transactions	-	301,335,222	301,335,222
Centlec Receivables	-	2,478,754,540	2,478,754,540
Cash and cash equivalents	-	257,260,312	257,260,312
	<b>16,782</b>	<b>3,089,328,713</b>	<b>3,089,345,495</b>

##### Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	179,085,649	179,085,649
Trade and other payables from exchange transactions	-	463,684,488	463,684,488
Payables from non-exchange transactions	-	165,305,816	165,305,816
Consumer deposits	27,676,875	-	27,676,875
Centlec payables	-	956,074,556	956,074,556
	<b>27,676,875</b>	<b>1,764,150,509</b>	<b>1,791,827,384</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>32. Revenue</b>		
Service charges	935,491,481	718,169,818
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	420,889,744	370,144,085
Income from agency services	100,666,986	106,046,017
Licences and permits	433,435	431,226
Other income	55,236,462	102,828,475
Property rates	969,482,446	514,177,402
Government grants & subsidies	1,722,782,784	1,296,186,619
Fines	77,361,862	3,828,695
	<b>4,302,761,082</b>	<b>3,129,519,620</b>
<b>Revenue arising from exchange transactions are as follows:</b>		
Service charges	935,491,481	718,169,818
Rental of facilities and equipment	20,415,882	17,707,283
Interest received	420,889,744	370,144,085
Income from agency services	100,666,986	106,046,017
Licences and permits	433,435	431,226
Other income	55,236,462	102,828,475
	<b>1,533,133,990</b>	<b>1,315,326,904</b>
<b>Revenue arising from non-exchange transactions are as follows:</b>		
<b>Taxation revenue</b>		
Property rates	969,482,446	514,177,402
<b>Transfer revenue</b>		
Government grants & subsidies	1,722,782,784	1,296,186,619
Fines	77,361,862	3,828,695
	<b>2,769,627,092</b>	<b>1,814,192,716</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>33. Property rates</b>		
<b>Rates levied</b>		
Residential and business/commercial	723,435,501	447,213,026
Government	246,046,945	66,964,376
	<b>969,482,446</b>	<b>514,177,402</b>
<b>Valuations</b>		
Residential	69,752,244,308	31,714,979,102
Commercial	20,935,681,736	8,093,269,534
Government	10,845,727,160	3,763,823,449
Municipal	4,369,644,135	3,077,508,175
	<b>105,903,297,339</b>	<b>46,649,580,260</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 70,000 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.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

### 2014:

From 1 July 2013 the basic rates were adjusted as follows:

- R0.005457 on the value of rateable farm property
- R0.005457 on the value of rateable residential property
- R0.024836 on the value of rateable government property
- R0.024836 on the value of rateable business/commercial property

### 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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>34. Service charges</b>		
Sale of water	612,264,311	514,366,577
Sewerage and sanitation charges	201,495,760	143,926,522
Refuse removal	121,731,410	59,876,719
	<b>935,491,481</b>	<b>718,169,818</b>
<b>35. Rental of facilities and equipment</b>		
Premises	2,486,498	1,997,537
Facilities and equipment	17,929,384	15,709,746
	<b>20,415,882</b>	<b>17,707,283</b>
<b>Rental of premises</b>		
Premises	1,036,990	1,016,748
Venue hire	1,449,508	980,789
	<b>2,486,498</b>	<b>1,997,537</b>
<b>Rental of facilities and equipment</b>		
Rental of facilities	16,897,422	14,778,406
Rental of equipment	555,828	479,332
Other	476,134	452,008
	<b>17,929,384</b>	<b>15,709,746</b>
No contingent rent was due for the reporting period.		
<b>36. Interest received</b>		
Cash and cash equivalents	24,590,023	24,764,467
Interest charged on consumer receivables	123,170,362	100,685,019
Financial assets at amortised cost	1,387,443	1,400,802
Centlec (SOC) Limited - Shareholders loan	261,317,314	231,045,723
Centlec (SOC) Limited - Advances	10,424,602	12,248,074
	<b>420,889,744</b>	<b>370,144,085</b>
<b>37. Income from agency services</b>		
Centlec (SOC) Limited - Employee related costs	100,666,986	106,046,017

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	605,072,000	612,520,711
Provincial grant - Upgrading roads in Batho	4,476	5,606,853
Provincial grant - CCTV	-	1,858,068
Provincial grant - Batho car wash	60,000	90,000
Provincial grant - Re Ba Ikemetseng Bomme	-	100,000
Financial management grant	1,500,000	1,960,154
Municipal accreditation project funding - Housing grant	1,386,002	53,042
Fuel levy grant	243,022,000	237,704,000
CHAN 2014 National sport and recreation grant	28,500,000	-
National electrification program grant	42,000,000	25,000,000
City of Ghent - Youth Development	490,515	-
Department of Water Affairs	12,900,000	-
Electricity demand side management grant	8,000,000	-
DBSA - Capacity building programme grant	234,104	-
Provincial grant - Township establishment - Caleb Motshabi	135,964	-
Urban renewal grant	280,553	-
Motheo - Contribution environmental health grant	466,705	-
Provincial administration Grant Stadiums	6,419,794	-
	<u>950,472,113</u>	<u>884,892,828</u>
<b>Capital grants</b>		
DBSA - Environmental Impact Assessment Grant	-	916,000
Expanded Public Works Program Incentive Grant	7,818,844	1,852,693
DWAF - Water conservation grant	7,584,395	9,539,984
Public transport infrastructure and systems fund grant	27,056,073	11,338,239
Urban settlement development grant	655,442,669	386,261,084
Provincial grant - Du Plessis Muller intersection	-	554,640
Municipal systems improvement grant	-	831,151
Provincial grant - Upgrade housing in Batho	1,567,100	-
Sustainable Human Settlement Grant	72,841,590	-
	<u>772,310,671</u>	<u>411,293,791</u>
	<u><b>1,722,782,784</b></u>	<u><b>1,296,186,619</b></u>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to community members.		
Current year receipts	605,072,000	612,520,711
Conditions met - transferred to revenue	<u>(605,072,000)</u>	<u>(612,520,711)</u>
	<u>-</u>	<u>-</u>
<b>Provincial Grant - Upgrading housing Batho</b>		
Balance unspent at beginning of year	1,749,275	1,749,275
Conditions met - transferred to revenue	<u>(1,567,100)</u>	<u>-</u>
	<u><b>182,175</b></u>	<u><b>1,749,275</b></u>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.		
<b>Provincial grant - CCTV</b>		
Balance unspent at beginning of year	-	1,858,068
Conditions met - transferred to revenue	<u>-</u>	<u>(1,858,068)</u>
	<u>-</u>	<u>-</u>

This was allocated to the entity for CCTV cameras at the Bloemfontein CBD stadium and Naval Hill.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies (continued)</b>		
<b>Provincial grant - Batho car wash</b>		
Balance unspent at beginning of year	60,000	150,000
Conditions met - transferred to revenue	(60,000)	(90,000)
	-	<b>60,000</b>
Conditions still to be met - remain liabilities (see note 23).		
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.		
<b>Provincial Administration Grant Stadiums</b>		
Balance unspent at beginning of year	6,638,800	6,638,800
Conditions met - transferred to revenue	(6,419,794)	-
	<b>219,006</b>	<b>6,638,800</b>
Conditions still to be met - remain liabilities (see note 23).		
The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.		
<b>DBSA - Capacity building programme grant</b>		
Balance unspent at beginning of year	234,104	234,104
Conditions met - transferred to revenue	(234,104)	-
	-	<b>234,104</b>
Conditions still to be met - remain liabilities (see note 23).		
The grant was allocated to the entity to assist with capacity building.		
<b>Municipal accreditation project funding - Housing grant</b>		
Balance unspent at beginning of year	14,263	67,305
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(1,386,002)	(53,042)
	<b>3,628,261</b>	<b>14,263</b>
Conditions still to be met - remain liabilities (see note 23).		
The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.		
<b>DWAF - Water conservation Grant</b>		
Balance unspent at beginning of year	455,016	-
Current-year receipts	7,129,379	9,995,000
Conditions met - transferred to revenue	(7,584,395)	(9,539,984)
	-	<b>455,016</b>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment work at resource development.		
<b>Local government and housing grant - Infrastructure Grasslands area</b>		
Balance unspent at beginning of year	3,965,043	3,965,043
Conditions still to be met - remain liabilities (see note 23).		
The grant is allocated for housing infrastructure projects for the Grassland area.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies (continued)</b>		
<b>Motheo - Contribution environmental health grant</b>		
Balance unspent at beginning of year	9,813,076	9,813,076
Conditions met - transferred to revenue	(466,705)	-
	<u>9,346,371</u>	<u>9,813,076</u>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to assist municipalities with the rendering of environmental health services.		
<b>Department of Water Affairs</b>		
Balance unspent at beginning of year	6,000,000	-
Current-year receipts	6,900,000	6,000,000
Conditions met - transferred to revenue	(12,900,000)	-
	<u>-</u>	<u>6,000,000</u>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer these schemes to local government.		
<b>Provincial grant - Upgrading roads in Batho</b>		
Balance unspent at beginning of year	81,216	5,688,069
Conditions met - transferred to revenue	(4,476)	(5,606,853)
	<u>76,740</u>	<u>81,216</u>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of this grant is to assist the entity with the implementation of the upgrading of roads in the Batho area.		
<b>Provincial grant - Grassland area</b>		
Balance unspent at beginning of year	4,500,000	4,500,000
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to assist the entity with housing infrastructure projects for the Grassland area.		
<b>Provincial grant - Hlasela project - Iphahamilseng centre</b>		
Balance unspent at beginning of year	3,703	3,703
Conditions still to be met - remain liabilities (see note 23).		
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.		
<b>Provincial grant - Planning and surveying</b>		
Balance unspent at beginning of year	493,144	493,144
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies (continued)</b>		
<b>Provincial grant - Township establishment - Caleb Motshabi</b>		
Balance unspent at beginning of year	135,964	135,964
Conditions met - transferred to revenue	(135,964)	-
	<u>-</u>	<u>135,964</u>
Conditions still to be met - remain liabilities (see note 23).		
The purpose of the grant is to assist the entity with the establishing of the township establishment Caleb Motshabi.		
<b>Expanded Public Works Progressive Incentive Grant</b>		
Balance unspent at beginning of year	4,061,307	5,914,000
Current-year receipts	3,896,000	-
Conditions met - transferred to revenue	(7,818,844)	(1,852,693)
	<u>138,463</u>	<u>4,061,307</u>
Conditions still to be met - remain liabilities (see note 23).		
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.		
<b>Urban renewal grant</b>		
Balance unspent at beginning of year	280,553	280,553
Conditions met - transferred to revenue	(280,553)	-
	<u>-</u>	<u>280,553</u>
Conditions still to be met - remain liabilities (see note 23).		
The grant is allocated for the development of erven.		
<b>Urban settlement development grant</b>		
Balance unspent at beginning of year	129,450,242	115,715,078
Current-year receipts	596,719,000	404,483,562
Conditions met - transferred to revenue	(649,743,506)	(386,261,084)
Conditions met - transferred to Centlec (SOC) Ltd Creditors	(5,699,163)	(4,487,314)
	<u>70,726,573</u>	<u>129,450,242</u>
Conditions still to be met - remain liabilities (see note 23).		
The grant was allocated to the entity for People's Housing Process (PHP) housing infrastructure projects in Thaba Nchu.		
<b>Financial management grant</b>		
Balance unspent at beginning of year	-	472,277
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,960,154)
Surrendered to National Treasury	-	(12,123)
	<u>-</u>	<u>-</u>
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies (continued)</b>		
<b>Public transport infrastructure and systems fund grant</b>		
Balance unspent at beginning of year	23,661,544	56,632,691
Current-year receipts	20,000,000	20,000,000
Conditions met - transferred to revenue	(27,056,073)	(11,338,239)
Surrendered to National Treasury	(16,008,000)	(41,632,908)
	<b>597,471</b>	<b>23,661,544</b>

Conditions still to be met - remain liabilities (see note 23).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with the agreed project plans.

### City of Ghent - Youth Development

Balance unspent at beginning of year	1,640,461	1,156,012
Current-year receipts	303,990	-
Conditions met - transferred to revenue	(490,515)	484,449
	<b>1,453,936</b>	<b>1,640,461</b>

Conditions still to be met - remain liabilities (see note 23).

The grant is given by the City of Ghent for youth development.

### Sustainable Human Settlement Grant

Current-year receipts	100,000,000	-
Conditions met - transferred to revenue	(72,841,590)	-
	<b>27,158,410</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 23).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

### Municipal systems improvement grant

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

Conditions still to be met - remain liabilities (see note 23).

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 grant - Du Plessis / Muller intersection

Balance unspent at beginning of year	-	554,640
Conditions met - transferred to revenue	-	(554,640)
	<b>-</b>	<b>-</b>

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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>38. Government grants and subsidies (continued)</b>		
<b>DBSA - Environmental impact assessment grant</b>		
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.		
<b>Fuel levy</b>		
Current-year receipts	243,022,000	237,704,000
Conditions met - transferred to revenue	(243,022,000)	(237,704,000)
	<u>-</u>	<u>-</u>
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
<b>National electrification programme</b>		
Current-year receipts	42,000,000	25,000,000
Conditions met - transferred to Centlec (SOC) Limited	(42,000,000)	(25,000,000)
	<u>-</u>	<u>-</u>
Provide explanations of conditions still to be met and other relevant information.		
<b>Provincial grant - Re Ba Ikemetseng Bomme</b>		
Balance unspent at beginning of year	-	100,000
Conditions met - transferred to revenue	-	(100,000)
	<u>-</u>	<u>-</u>
The purpose of this grant is to assist the entity with the implementation of the Re Ba Ikemetseng Bomme swing project.		
<b>Electricity Demand Side Management Grant</b>		
Current-year receipts	8,000,000	-
Conditions met - transferred to revenue	(8,000,000)	-
	<u>-</u>	<u>-</u>
The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
<b>CHAN 2014 National sport and recreation grant</b>		
Current-year receipts	28,500,000	-
Conditions met - transferred to revenue	(28,500,000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 23).		
The grant is used to assist host cities with the operational responsibilities associated with the hosting of the 2014 African Nations Championship.		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>39. Other income</b>		
Building plan fees	3,902,727	3,168,844
Donations received	6,957,193	4,435,308
Commission fresh produce market	17,895,461	16,077,725
Entrance fees	1,168,959	1,206,501
Grave plots	1,955,162	2,073,300
Human settlement reimbursement	-	55,772,781
Insurance collection	1,799,047	1,700,668
Parking fees	1,190,412	734,962
Reconnection of water	1,065,024	452,228
Removal fees	1,116,086	991,051
Sale of redundant material	3,142,296	4,110
Training	2,760,347	2,782,199
Unclaimed deposits and stale cheques	868,780	666,762
Sundry income	11,414,968	12,762,036
	<b>55,236,462</b>	<b>102,828,475</b>

### Donations 2014:

The National Heritage Council of South Africa donated R1,000,000 to the entity as a contribution towards the hosting of the Golden Shield Heritage Awards in the city on 20 September 2013.

Nine (9) land parcels in the Thaba Nchu region, to the value of R 6,080,000 were received as a donation from the Department of Rural Development and Land Reform. These properties have been included in Property, Plant and Equipment as disclosed in note 5 to the annual financial statements.

### Donations 2013:

During the prior year, 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 5.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>40. General expenses</b>		
Advertising	3,884,684	3,331,287
Animal Costs	1,572,711	1,180,773
Bank charges & commission	7,785,493	7,204,825
Chemicals	4,227,104	3,176,139
Cleaning	4,560,439	7,091,277
Community development and training	984,470	3,444,512
Computer expenses	-	3,598
Conferences and seminars	9,347,108	5,273,613
Consumables	7,438,618	5,988,341
CHAN 2014 Expenditure	31,442,284	-
Electricity	50,738,005	37,456,490
Financial management grant projects	3,518,797	5,716,972
Fuel and oil	26,901,807	19,910,189
Hire	10,929,277	12,622,074
Insurance	15,065,827	4,035,201
Lease rentals on operating lease	1,901,535	3,365,216
Legal expenses	22,717,270	6,696,700
License fees	12,010,166	10,445,917
Marketing	16,962,298	9,500,684
Metro transitional arrangements	310,264	1,211,884
Motor vehicle expenses	17,217,820	19,419,389
Penalties and interest	95,594	285,434
Postage and courier	5,821,142	5,334,554
Printing and stationery	6,640,296	5,509,888
Indigent burials	987,270	1,074,367
Reconnection test and removal - meters	(467,871)	4,990,865
Refreshments	1,084,549	782,292
Refuse	26,736,867	19,671,443
Rehabilitation of landfill and quarry sites	12,707,213	18,791,152
Special Projects	26,955,084	4,759,993
Sewerage & Waste disposal	700,153	708,319
Skills development and training	8,340,289	2,132,352
Skills development levy	8,828,167	8,429,910
Software expenses	323,928	390,246
Staff welfare	145,866	478,922
Subscriptions and membership fees	10,747,362	9,948,810
Telephone and fax	12,725,259	13,626,228
Title deed search fees	11,914,858	81,766
Tools, plant and equipment	409,785	500,420
Tourism development	2,408,665	612,347
Travel and subsistence	239,364	170,761
Uniforms & protective clothing	3,637,227	3,648,702
Vacuum services	612,009	5,405,550
Water	450,947	3,449,476
Water research	3,132,558	2,782,387
Sundry expenses	37,242,587	23,913,717
	<b>431,935,145</b>	<b>304,554,982</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>41. Employee related costs</b>		
Salaries and wages	647,541,981	590,967,579
Contributions to pension funds	100,793,466	93,313,604
Contributions to medical aid	50,368,979	44,249,097
Contributions to UIF	5,664,594	5,256,621
Overtime payments	101,760,030	94,054,397
Travel, car, accommodation, subsistence and other allowances	67,538,755	58,903,759
Housing benefits and allowances	2,654,810	2,957,091
Other short term costs	-	17,110
Staff leave pay provision	24,950,245	11,567,252
Staff bonuses - 13th Cheques	2,964,672	476,993
Defined contribution plans - Current service costs	25,107,000	18,544,000
	<b>1,029,344,532</b>	<b>920,307,503</b>
<b>Remuneration of the Accounting Officer</b>		
Annual remuneration	2,022,633	1,882,771
Car and other allowances	278,505	287,863
Contributions to UIF, medical aid and pension fund	55,878	48,937
	<b>2,357,016</b>	<b>2,219,571</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual remuneration	1,373,022	1,331,681
Car and other allowances	477,032	415,585
Contributions to UIF, medical aid and pension fund	53,920	44,783
	<b>1,903,974</b>	<b>1,792,049</b>
<b>Remuneration of Executive Director - Human Settlements</b>		
Annual remuneration	1,329,769	1,245,269
Car and other allowances	207,620	216,703
Contributions to UIF, medical aid and pension fund	343,338	320,148
	<b>1,880,727</b>	<b>1,782,120</b>
<b>Remuneration of Executive Director - Corporate Services</b>		
Annual remuneration	714,786	1,019,172
Car and other allowances	583,471	518,315
Contributions to UIF, medical aid and pension fund	140,592	200,431
	<b>1,438,849</b>	<b>1,737,918</b>
The position was filled for 8 months during the 2013/14 financial year.		
<b>Remuneration of Acting Executive Director - Corporate Services</b>		
Annual remuneration	235,996	-
Car and other allowances	46,400	-
Contributions to UIF, medical aid and pension fund	58,027	-
	<b>340,423</b>	-
The position had an official acting for a period of 4 months during the 2013/14 financial year as it was vacant.		
<b>Remuneration of Executive Director - Social Services</b>		
Annual remuneration	1,311,135	1,233,609
Car and other allowances	251,373	222,247
Contributions to UIF, medical aid and pension fund	277,989	254,495
	<b>1,840,497</b>	<b>1,710,351</b>
<b>Remuneration of Executive Director - Engineering</b>		
Annual remuneration	1,365,242	1,260,643
Car and other allowances	447,633	427,893
Contributions to UIF, medical aid and pension fund	35,952	31,693
	<b>1,848,827</b>	<b>1,720,229</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>41. Employee related costs (continued)</b>		
<b>Remuneration of Executive Director - Economic Development and Planning</b>		
Annual remuneration	1,616,538	1,507,032
Car and other allowances	267,632	266,304
Contributions to UIF, medical aid and pension fund	20,223	19,012
	<b>1,904,393</b>	<b>1,792,348</b>
<b>Remuneration of Executive Director - Strategic Support &amp; Service Delivery Regulation</b>		
Annual remuneration	1,509,187	1,272,090
Car and other allowances	206,515	223,983
Contributions to UIF, medical aid and pension fund	72,856	65,802
	<b>1,788,558</b>	<b>1,561,875</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>42. Remuneration of councillors</b>		
Councillors allowance	30,051,185	28,817,992
Cellphone and other allowances	2,753,078	1,171,807
Housing allowance	142,492	142,492
Medical Aid Contributions	423,319	349,240
Councillors' pension contribution	3,165,613	3,066,566
Travel allowance	10,571,044	10,062,138
	<b>47,106,731</b>	<b>43,610,235</b>
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.		
<b>Executive Mayor</b>		
Councillor allowance	719,475	693,167
Cellphone allowance	49,020	39,828
Medical aid contributions	17,280	17,280
Pension fund contributions	104,416	99,516
Travel allowance	280,390	267,038
	<b>1,170,581</b>	<b>1,116,829</b>
<b>Deputy Executive Mayor</b>		
Councillor allowance	572,574	551,476
Cellphone allowance	49,020	19,872
Medical aid contributions	17,280	17,280
Pension fund contributions	83,082	79,162
Travel allowance	224,312	213,631
	<b>946,268</b>	<b>881,421</b>
<b>Speaker</b>		
Councillor allowance	617,411	593,404
Cellphone allowance	49,020	1,656
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	224,312	213,631
	<b>946,269</b>	<b>864,217</b>
<b>Chief Whip</b>		
Councillor allowance	550,875	524,509
Cellphone allowance	28,068	19,872
Housing allowance	-	6,561
Pension fund contributions	80,003	76,327
Travel allowance	210,293	200,279
	<b>869,239</b>	<b>827,548</b>
<b>Mayoral committee members</b>		
Councillor allowance	4,769,556	4,299,356
Cellphone allowance	250,743	175,961
Housing allowance	80,246	80,246
Medical aid contributions	109,384	87,513
Pension fund contributions	617,540	574,417
Travel allowance	1,892,633	1,713,494
	<b>7,720,102</b>	<b>6,930,987</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>Part time councillors</b>		
Councillor allowance	22,821,295	22,226,721
Cellphone allowance	2,327,207	887,799
Housing allowance	24,000	24,000
Medical aid contributions	262,095	209,887
Pension fund contributions	2,280,571	2,201,525
Travel allowance	7,739,103	7,439,301
	<b>35,454,271</b>	<b>32,989,233</b>
<b>43. Depreciation and amortisation</b>		
Intangible assets	324,068	319,033
Property, plant and equipment	292,157,771	258,149,875
	<b>292,481,839</b>	<b>258,468,908</b>
<b>44. Bad debts and provision for bad debts</b>		
Consumer and other receivables impaired and written off	569,684,182	312,535,096
<b>45. Bulk purchases</b>		
Water	382,809,314	336,562,227
<b>46. Contracted services</b>		
Audit fees	14,806,207	11,655,677
Consultant fees	11,983,773	29,741,926
Debt collection fees	19,640,754	21,116,881
Integrated call centre	10,223,123	13,719,072
IPTN Planning	26,189,538	2,400,000
Investigations	-	3,219,436
Meter replacement	18,371,567	18,247,361
Security services	28,934,346	23,158,515
Other Contractors	52,816,038	46,438,440
	<b>182,965,346</b>	<b>169,697,308</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>47. Grants and subsidies paid</b>		
Bursaries paid to employees	903,627	884,855
Central Agricultural Society	10,239	9,751
Cost of living allowance for pensioners	-	345
Demand Side Management Grant	8,000,000	-
Urban Settlement Development Grant	35,699,163	-
Free electricity services	13,082,652	12,495,853
Miscellaneous grants	161,859	169,546
National Electrification Program Grant	42,000,000	25,000,000
SPCA	414,220	394,495
	<b>100,271,760</b>	<b>38,954,845</b>

### *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.

## 48. Fair value adjustments

Actuarial gain/(loss) on defined benefit plan obligation	(56,777,000)	(74,340,000)
Other financial assets		
• Other financial assets (Designated as at FV)	6,033	2,734
	<b>(56,770,967)</b>	<b>(74,337,266)</b>

## 49. Finance costs

Interest on Intercompany loan - Centlec (SOC) Limited	75,501,720	83,562,857
Finance leases	7,698,728	-
Non-current borrowings - DBSA loans	21,637,284	9,759,835
Defined benefit obligation	40,759,000	30,793,000
	<b>145,596,732</b>	<b>124,115,692</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 50. Cash generated from operations

Surplus	875,861,659	364,483,650
<b>Adjustments for:</b>		
Depreciation and amortisation	292,481,839	258,468,908
(Gain)/Loss on sale of assets and liabilities	27,476,746	35,657,705
(Gain)/Loss on sale of non-current assets and disposal groups	(1,421,276)	(1,363,910)
(Gain)/Loss on fair value adjustments on assets	(41,322,260)	23,418,387
Movements in defined benefit obligation	104,252,000	108,853,000
Movements in provisions	12,707,214	18,791,152
Other non-cash items - Interest Income	(271,741,916)	(243,293,797)
Other non-cash item - Donation received	(6,080,000)	-
Other non-cash items - Finance cost	29,336,012	9,759,835
<b>Changes in working capital:</b>		
Inventories	(45,947,019)	(34,258,832)
Consumer receivables from exchange transactions	(80,206,556)	(63,589,602)
Consumer receivables from non-exchange transactions	(233,906,078)	(7,584,914)
Other receivables from exchange transactions	22,816,042	(15,561,582)
Payables from exchange transactions	165,106,687	361,495,910
VAT	(31,072,940)	(859,449)
Unspent conditional grants and receipts	(70,748,415)	(16,928,199)
Centlec Payables	(60,136,326)	(28,330,741)
Payables from non-exchange transactions	(17,143,706)	3,012,943
	<b>670,311,707</b>	<b>772,170,464</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 51. Commitments

#### Commitments in respect of capital expenditure

##### Approved and contracted for

• Infrastructure assets	346,390,442	486,704,881
• Other asset classes	94,760,181	54,834,286
	<u>441,150,623</u>	<u>541,539,167</u>

The commitment register was reconstructed during the current financial year to take into account the contingencies and variation orders resulting in the commitment disclosures for the 2013 financial year decreasing from R 595,027,749 to R 541,539,167. The infrastructure commitments increased from R475,429,707 to R 486,704,881.

The above changes also affected the financing of the commitments with the own resources required decreasing from R 217,904,334 to R 169,215,807. There was also a decrease in the financing from Unspent capital conditional grants and receipts amounting to R 4,800,055. Refer to Note 54 regarding the details of the changes in the Unspent capital conditional grants and receipts.

##### The capital expenditure will be financed from:

Non-current borrowings	191,863,466	179,085,649
Unspent capital conditional grants and receipts	122,489,296	193,237,711
Own resources	126,797,861	169,215,807
	<u>441,150,623</u>	<u>541,539,167</u>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	610,244	852,402
- in second to fifth year inclusive	304,863	915,108
	<u>915,107</u>	<u>1,767,510</u>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per year. There are no renewal and/or purchase options. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	4,590,559	3,306,825
- in second to fifth year inclusive	12,168,594	10,201,593
- later than five years	54,423,542	34,754,364
	<u>71,182,695</u>	<u>48,262,782</u>

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 R17,929,384 (2013: R15,709,749) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 52. Contingencies

#### Guarantees:

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	<u>3,857,056</u>	<u>3,913,655</u>
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The prior year figure has been restated due to the availability of additional information. The effect of the restatement is an increase of R 26,256 in the guarantees balance.

#### 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 are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	28,549,767	2,023,275
Labour cases and employee related matters	6,250,000	2,810,423
Claims by individuals due to property damages in various incidents	1,966,307	80,000
Claims from suppliers due to contractual disputes	41,630,753	9,527,257
Centlec (SOC) Limited - consumption of public lighting*	47,319,965	29,060,340
Centlec (SOC) Limited - consumption of Mangaung properties*	98,853,758	53,618,225
Centlec (SOC) Limited - repairs and maintenance of public lighting	52,762,976	23,250,984
	<u>277,333,526</u>	<u>120,370,504</u>

\*Mangaung Metropolitan Municipality has a claim for the the consumption of all public lighting (streetlights) as well as the electricity consumption of Mangaung Metropolitan Municipality owned properties in the Mangaung Metro area from Centlec (SOC) Limited. Furthermore, there is a claim from Centlec for the repairs and maintenance to public lighting.

The prior year figures for Centlec related contingency with regards to the public lighting and municipal electricity consumption changed after a reconciliation was performed between the entity's records and those of Centlec (SOC) Limited.

The effect of the restatement is as follows:

Increase in the Consumption of Public Lighting amounting to R 796,885  
Increase in the Consumption of Mangaung Properties amounting to R 38,949,724  
Increase in the Repairs and Maintenance of public lighting amounting to R 23,250,984

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 53. Related parties

Relationships

Controlled entities

Refer to note 8

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	2,617,429,474	2,356,112,160
Centlec (SOC) Limited - Advances	109,875,508	122,642,380
Centlec (SOC) Limited - Intercompany loan balance	(895,938,230)	(956,074,556)

##### Amounts included in Trade Receivable (Trade Payable) regarding relat

Centlec (SOC) Limited - Other Payables - Grants	(27,564,449)	(27,477,849)
Centlec (SOC) Limited - Trade Payables	(162,236,855)	(90,433,046)

##### Investment in related parties

Centlec (SOC) Limited	100	100
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#### Related party transactions

##### Interest paid to (received from) related parties

Centlec (SOC) Limited - Advances	(10,424,602)	(12,248,074)
Centlec (SOC) Limited - Shareholders loan	(261,317,314)	(231,045,723)
Centlec (SOC) Ltd - Intercompany loan	75,501,720	83,562,857
Centlec (SOC) Ltd - Electricity accounts outstanding	5,317,128	2,803,953

##### Expenses paid to / (Income received from) related parties

Centlec (SOC) Ltd - Income from agency services	(100,666,986)	(106,046,017)
Centlec (SOC) Limited - Electricity charges - streetlight consumption	20,988,000	19,800,000
Centlec (SOC) Limited - Electricity charges - municipal consumption	28,237,447	8,880,664
Centlec (SOC) Limited - Repairs and maintenance on streetlights	8,933,078	-
Centlec (SOC) Limited - Grants paid	89,201,050	30,013,531

##### (Receipts)/Payments on behalf of Centlec (SOC) Limited

Bank receipts	(2,457,311)	(27,690,867)
Insurance costs	-	128
Telephone expenses	143,520	1,310,487
Payments	-	32,924

The entity in the prior year erroneously omitted the disclosure of the following items due to the contingent liabilities raised and inadequate information being available:

##### Loan Accounts:

Decrease in Centlec (SOC) Limited - Intercompany loan balance amounting to R 12,969,778

##### Amounts included in Trade Receivable (Trade Payable) regarding related:

Increase in Centlec (SOC) Limited - Other Payables - Grants balance amounting to R 27,477,849  
Increase in Centlec (SOC) Limited - Trade Payables balance amounting to R 90,433,046

##### Investment in related parties

Increase in Centlec (SOC) Limited balance amounting to R 100

##### Interest paid to (received from) related parties

Increase in the Centlec (SOC) Ltd - Electricity accounts outstanding balance amounting to R 2,803,953

##### Expenses paid to / (Income received from) related parties

Increase in Centlec (SOC) Limited - Electricity charges - streetlight consumption balance amounting to R 19,800,000  
Increase in the Centlec (SOC) Limited - Electricity charges - municipal consumption amounting to R 8,880,664  
Increase in Centlec (SOC) Limited - Grants paid balance amounting to R 30,013,531

For the details of the prior period errors refer to Note 54



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 53. Related parties (continued)

#### 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 41, for key management and note 42 for Councillors

### 54. Prior period errors

#### 1. Prior period error - Revaluation reserve:

The accumulated surplus account was incorrectly credited instead of the revaluation reserve when assets were revalued during the prior year.

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

#### Statement of financial position

Increase in Revaluation surplus	-	(10,404,624)
Decrease in Accumulated surplus	-	10,404,624

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 54. Prior period errors (continued)

#### 2. Prior period error - VAT on management fee

During the prior year, the VAT on management fee was incorrectly levied before the invoices were paid by Centlec. The VAT on the streetlight consumption was also incorrectly accounted for when the payable was raised.

##### Statement of financial position

Increase in VAT payable	-	(8,138,808)
Decrease in Centlec Intercompany loan	-	12,969,788
Increase in Payables from exchange transactions - (Trade Payables)	-	(4,830,980)
	<u>-</u>	<u>-</u>

#### 3. Prior period error - VAT apportionment

In the current year the refund was received for the apportionment of VAT

##### Statement of financial position

Increase in VAT payable	-	(813,784)
Decrease in Accumulated Surplus	-	813,784
	<u>-</u>	<u>-</u>

#### 4. Prior period error - R51k repairs and maintenance difference

During the prior period an error occurred which led to the repairs and maintenance disclosed being overstated in the annual financial statements. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Accumulated surplus	-	51,861
<b>Statement of financial performance</b>		
Decrease in Repairs and maintenance	-	(51,861)
	<u>-</u>	<u>-</u>

#### 5. Prior period error - Retentions released

Retentions which were incorrectly included within Sundry Debtors, but should have been released in prior years, were not released.

##### Statement of financial position

Increase in Other Receivables - Sundry Receivables	-	9,635,988
Increase in Opening Accumulated Surplus	-	(9,635,988)
	<u>-</u>	<u>-</u>

#### 6. Prior period error - City of Ghent Grant

During the prior financial year, the unspent portion of the City of Ghent Grant were not disclosed under unspent grants and subsidies, under Payables from non-exchange revenue. The effect of the correction is as follows:

##### Statement of financial position

Decrease in Payables from non-exchange transactions - Other Payables	-	1,640,461
Increase in Unspent conditional grants	-	(1,640,461)
	<u>-</u>	<u>-</u>

#### 7. Prior period error - Housing accreditation grant revenue

In prior years, the conditions of the housing accreditation grant were met, but no revenue was recognised from the grant received which led to the unspent portion of the grant being misstated. These items were investigated and the revenue recognised against accumulated surplus. The effect of the restatement is as follows:

##### Statement of financial position

Increase in opening Accumulated Surplus	-	(6,440,516)
Decrease in Unspent conditional grants and receipts - Municipal accreditation	-	6,440,516
	<u>-</u>	<u>-</u>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand 2014 2013

### 54. Prior period errors (continued)

#### 8. Prior period error - Cost of living allowances and long service leave for employees

During the prior financial year, the costs relating to the cost of living allowance for pensioners and the cost of long service allowance and leave paid out to employees were incorrectly classified under Grants and subsidies paid instead of salaries and wages. These expenses are recouped from the Defined Benefit Obligation.

##### Statement of financial performance

Decrease in Grants and subsidies paid - Cost of living allowance for pensioners	-	(124,691)
Increase in Grants and subsidies paid - Employees and ex-employees	-	7,584,346
Decrease in Employee related costs - Salaries and wages	-	(7,459,655)
	<u>-</u>	<u>-</u>

#### 9. Prior period error - Cricket stadium receivable

In the prior year the cricket stadium receivable was not considered for impairment. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Non-current receivables - Cricket Stadium	-	(9,450,444)
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##### Statement of financial performance

Increase in Bad debts and provision for bad debts	-	9,450,444
	<u>-</u>	<u>-</u>

#### 10. Prior period error - Water purchases

During the prior year a receivable was incorrectly raised due to a lack of supporting documentation. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Other Receivables	-	(7,704,687)
Decrease in Accumulated surplus	-	6,758,497
Decrease in VAT payable	-	946,190
	<u>-</u>	<u>-</u>

#### 11. Prior period error - Municipal electricity consumption

During the verification process of municipal buildings' electricity consumption, it was noted that electricity expenses were not recognised by the entity. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Payables from exchange transactions - Trade Payables	-	27,836,073
Decrease in VAT payable	-	3,559,028

##### Statement of financial performance

Decrease in General expenses - Electricity	-	(31,395,101)
	<u>-</u>	<u>-</u>

#### 12. Prior period error - Correction of Free Electricity Services (FBE) with Centlec

After a reconciliation performed between Centlec (SOC) Limited and the entity, it was identified that the FBE charge between the two entities was to be reduced. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Payables from exchange transactions (Other payables- Grants)	-	981,221
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##### Statement of financial performance

Decrease in Grants and Subsidies paid - Free electricity services	-	(981,221)
	<u>-</u>	<u>-</u>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 54. Prior period errors (continued)

#### 13. Prior period error - Recognition of council dogs

In the current financial year it was noted that the council dogs were not included in the financial records of the entity. The effect of this is as follows:

##### Statement of financial position

Increase in PPE - Community assets - Cost	-	61,500
Increase in PPE - Community Assets - Accumulated Depreciation	-	(25,310)
Increase in Accumulated Surplus	-	(44,976)

##### Statement of financial performance

Increase in Depreciation	-	8,786
	-	-

#### 14. Prior period error - Servitudes capitalisation

Upon the finalisation of the Servitudes register it was noted that some of the costs relating to the registration of servitudes were not capitalised. Therefore, the cost associated with the registration of servitudes was capitalised and the effect on the financial statements is as follows:

##### Statement of financial position

Increase in Intangible Assets - Servitudes	-	273,707
Decrease in Other Receivables - Pre-paid assets	-	(273,707)

	-	-
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#### 15. Prior period error - Bridges capitalisation

In the current financial year 2013/2014. It was noted that some of the bridges were not included in the asset register. Thus, the impact of the bridges in the Annual Financial Statements is as follows:

##### Statement of financial position

Increase in PPE - Infrastructure Assets - Bridges	-	38,756,419
Increase in PPE - Infrastructure Assets - Accumulated Depreciation Bridges	-	(3,523,311)
Increase in Accumulated Surplus	-	(35,820,326)

##### Statement of financial performance

Increase in Depreciation	-	587,218
	-	-

#### 16. Prior period error - Sports Grounds

In the current year as the entity finalised the Sports Ground register it was noted that some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the financial statements is as follows:

##### Statement of financial position

Increase in PPE Community Assets - Cost Sports grounds	-	14,277,870
Decrease in PPE - Community Assets - Work in Progress	-	(14,277,870)
Increase in PPE - Community Assets - Accumulated Depreciation	-	(336,320)

##### Statement of financial performance

Increase in Depreciation	-	336,320
	-	-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 54. Prior period errors (continued)

#### 17. Prior period error - Water and Sanitation

In the current year as the entity finalised the Water and Sanitation register it was noted that the some of the completed projects were still lying under work progress that should have been capitalised in the prior year. Such projects were then included in the assets register and the effect in the financial statements is as follows:

##### Statement of financial position

Increase in PPE - Infrastructure Assets - Cost (Water and Sanitation)	-	12,558,331
Decrease in PPE - Infrastructure - Work in Progress	-	(12,558,331)
Increase in Opening Accumulated depreciation	-	(14,357)

##### Statement of financial performance

Increase in Depreciation	-	14,357
	-	-
	-	-

#### 18. Prior period error - Cemeteries additions

During the finalisation of the Cemetery register the entity received the information which indicated that there parts of cemeteries which should have been disposed off in the prior years and project that should have been capital. The effect of the financial statements is as follows:

##### Statement of financial position

Increase in Community Assets - Cost of cemeteries	-	6,426,887
Decrease in Community Assets - WIP	-	(6,426,887)
Increase in Accumulated depreciation	-	(326,775)
Decrease in Accumulated Surplus	-	88,680

##### Statement of financial performance

Increase in Depreciation	-	238,095
	-	-
	-	-

#### 19. Prior period error - Cemeteries derecognition

During the finalisation of the Cemetery register the entity received the information which indicated that there parts of cemeteries which should have been disposed off in the prior years and project that should have been capital. The effect of the financial statements is as follows:

##### Statement of financial position

Decrease in Community Assets - Cost of cemeteries	-	(20,968,485)
Decrease in Accumulated Depreciation	-	7,836,317
Decrease in Accumulated Surplus	-	14,366,194

##### Statement of financial performance

Decrease in Depreciation	-	(1,234,026)
	-	-
	-	-

#### 20. Prior period error - Roads additions

During the finalisation of the roads register the entity noted that there were completed projects which should have been disposed of in the prior and some of the completed project which should have been capitalised but were still lying under work-in-progress. The effect on the financial statements is as follows:

##### Statement of financial position

Increase in Infrastructure Assets - Cost of Roads	-	203,306,665
Decrease in Infrastructure Assets - Work in progress	-	(203,306,665)
Increase in Accumulated Depreciation	-	(10,025,473)
Decrease in Accumulated Surplus	-	5,981,212

##### Statement of financial performance

Increase in Depreciation	-	4,044,261
	-	-
	-	-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 54. Prior period errors (continued)

#### 21. Prior period error - Roads derecognition

During the finalisation of the roads register the entity noted that the were completed project which should have been disposed of in the prior and some of the completed project which should have been capitalised but still lying under work-in-progress. The effect on the financial statements is as follows:

##### Statement of financial position

Decrease in PPE - Infrastructure - Cost of Roads	-	(61,832,930)
Decrease in Accumulated Depreciation	-	26,844,859

##### Statement of financial performance

Increase in Loss on disposal of assets	-	34,988,071
	-	-
	-	-

#### 22. Prior period error - Adjustment to values of municipal properties included to supplementary valuation rolls

The valuation of fifteen properties affected by supplementary valuation rolls 5 and 6 have been adjusted. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

##### Statement of financial position

Decrease in Revaluation Reserve	-	826,828
Decrease in Accumulated Surplus	-	2,048,503
Decrease in Property, Plant and Equipment - Land	-	(2,875,331)
Decrease in Investment Property	-	(1,340,000)

##### Statement of financial performance

Decrease in gain on fair value adjustments on assets	-	1,340,000
	-	-
	-	-

#### 23. Prior period error - Properties previously not accounted for now capitalised

Four properties previously excluded from the Land register now capitalised. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follows:

##### Statement of financial position

Increase in PPE - Land	-	1,544,000
Increase in Accumulated surplus	-	(1,146,849)
Increase in Revaluation reserve	-	(397,151)

#### 24. Prior period error - Properties duplicated or incorrectly classified removed from Land Register

Nine duplicated properties were removed from the land register and four properties classified as inventory. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

##### Statement of financial position

Decrease in Property, Plant and Equipment	-	(2,277,785)
Decrease in Revaluation Reserve	-	585,896
Decrease in Accumulated Surplus	-	1,691,889

#### 25. Prior period error - Correct classification of the remaining portion of the farm Bloemfontein 654

Reclassification of the significant portions of R/Bloemfontein 654 now identified, surveyed and valued. The effect of the restatement is summarised as follow:

##### Statement of financial position

Decrease in Investment Property	-	(117,350,000)
Increase in Property, Plant and Equipment	-	341,550,000
Increase in Revaluation Reserve	-	(87,854,122)
Increase in Accumulated Surplus	-	(136,345,878)

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 54. Prior period errors (continued)

#### 26. Prior period error - Zoo Lodge not previously recognised

The Zoo Lodge were valued, taking into consideration the notarial lease and disclosed separately. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

##### Statement of financial position

Increase in Property, Plant and Equipment	-	2,526,836
Increase in Accumulated Surplus	-	(1,950,862)
Increase in Revaluation Reserve	-	(575,974)
Increase in Accumulated depreciation	-	(41,508)
<b>Statement of financial performance</b>		
Increase in depreciation	-	41,508
	-	-

#### 27. Prior period error - Correction of depreciation calculated on Brandwag Flats

Adjustment of depreciation on Brandwag flats. The comparative statement for 2013 has been restated. The effect of the restatement is summarised as follow:

##### Statement of financial position

Decrease in Revaluation Reserve	-	539,830
Decrease in PPE - Accumulated Depreciation	-	637,638
Decrease in Property, Plant and Equipment	-	(1,177,468)
	-	-

#### 28. Prior period error - Land from PPE to Inventory

Correction of land previously incorrectly included in PPE - Land and buildings (Parks)

##### Statement of financial position

Decrease in PPE - Land	-	(121,000)
Decrease in Revaluation Reserve	-	31,124
Decrease in Accumulated Surplus	-	77,248
Increase in Inventory	-	12,628
	-	-

#### 29. Prior period error - Correction of Sanco property classification

During the prior year the Sanco related property were incorrectly classified as inventory. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Inventory	-	(4,360)
Increase in PPE - Land	-	9,037
Increase in PPE - Buildings	-	28,963
Increase in Revaluation Reserve - Buildings	-	(23,521)
Increase in Revaluation Reserve - Land	-	(2,325)
Increase in revaluation - 2013 movement	-	(3,506)
Increase in Accumulated Surplus	-	(4,288)
Increase in Accumulated depreciation	-	(430)
<b>Statement of financial performance</b>		
Increase in depreciation	-	430
	-	-

#### 30. Prior period error - Payables

During the 2011/12 financial year a payable was incorrectly raised related to employee disputes. The effect of the restatement is as follows:

##### Statement of financial performance

Decrease in Payables from exchange transaction - Trade payables	-	6,798,058
Increase in Accumulated Surplus	-	(6,798,058)
	-	-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>54. Prior period errors (continued)</b>		
<b>31. Prior period error - VAT on 2012 Free Electricity Services</b>		
Correction of VAT on Free Electricity Services for 2012.		
<b>Statement of financial position</b>		
Decrease in VAT payable	-	471,530
Increase in Payables from exchange transactions - (Other payables)	-	(471,530)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>32. Prior period error - Payments in advance</b>		
Correction of journal posted in error when reconciling payments received in advance.		
<b>Statement of financial position</b>		
Increase in Payables from non-exchange transactions	-	(4,152,017)
Decrease in Opening Accumulated Surplus	-	4,152,017
	<u>-</u>	<u>4,152,017</u>
	<u>-</u>	<u>-</u>
<b>33. Prior period error - Other Assets Additions (Tools, plant and equipment)</b>		
During the physical verification exercise of movable assets the entity identified assets that should have been included in the asset register. The effect of the correction is as follows:		
<b>Statement of financial position</b>		
Increase in Property, plant & equipment - Cost of Tools, plant and equipment	-	10,383,826
Increase in Accumulated Depreciation	-	(1,221,950)
Increase in Accumulated Surplus	-	(9,895,047)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	733,171
	<u>-</u>	<u>733,171</u>
	<u>-</u>	<u>-</u>
<b>34. Prior period error - Other Assets Disposals (Tools, plant and equipment)</b>		
In the current financial period it was the entity identified assets that should have been disposed off from tools, plant and equipment.		
<b>Statement of financial position</b>		
Decrease in PPE - Cost of Other Assets	-	(10,230,521)
Decrease in PPE - Accumulated depreciation of Other Assets	-	1,615,544
Decrease in Accumulated surplus	-	9,584,303
<b>Statement of financial performance</b>		
Decrease in Depreciation	-	(969,326)
	<u>-</u>	<u>(969,326)</u>
	<u>-</u>	<u>-</u>
<b>35. Prior period error - Other Assets Additions (Furniture &amp; office equipment)</b>		
During the physical verification exercise of movable assets the entity identified assets that should have been included in the asset register.		
<b>Statement of financial position</b>		
Increase in PPE - Cost of Other Assets	-	5,655,025
Increase in PPE - Accumulated depreciation of Other Assets	-	(338,488)
Increase in Accumulated Surplus	-	(5,519,630)
<b>Statement of financial performance</b>		
Increase in depreciation	-	203,093
	<u>-</u>	<u>203,093</u>
	<u>-</u>	<u>-</u>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>54. Prior period errors (continued)</b>		
<b>36. Prior period error - Other Assets Disposals (Furniture &amp; office equipment)</b>		
In the current financial period it was the entity identified assets that should have been disposed off from tools and and equipment.		
<b>Statement of financial position</b>		
Decrease in PPE - Cost of Other Assets	-	(26,678,804)
Decrease in PPE - Accumulated depreciation of Other Assets	-	4,705,246
Decrease in Accumulated Surplus	-	24,796,706
<b>Statement of financial position</b>		
Decrease in Depreciation	-	(2,823,148)
	<u>-</u>	<u>-</u>
<b>37. Prior period error - Depreciation correction</b>		
During a recalculation performed on the asset register the depreciation for water meters were understated. The effect of the correction is as follows:		
<b>Statement of financial position</b>		
Decrease in PPE - Accumulated depreciation on Other Assets	-	2,550,222
<b>Statement of financial performance</b>		
Decrease in Depreciation	-	(2,550,222)
	<u>-</u>	<u>-</u>
<b>38. Prior period error - Duplication of Investment Property</b>		
Duplication of the Clinic in Oranjesig at a value of R 69 000.00 was corrected on the Investment Propert register		
<b>Statement of financial position</b>		
Decrease in Accumulated Surplus	-	69,000
Decrease in Investment Property	-	(69,000)
	<u>-</u>	<u>-</u>
<b>39. Prior period error - Adjustment of property valuations based on Valuation roll 4</b>		
During the prior year, the value of municipal property was not updated with the changes as contained in Supplementary roll 4. Value of land reduced and buildings increased as a result of the revaluation of small holdings and residential rental stock. The effect on the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Revaluation reserve	-	(20,783,107)
Increase in Accumulated surplus	-	(6,462,713)
Decrease in Investment property	-	(23,565,000)
Increase in PPe - Buildings	-	52,511,239
Decrease in PPE - Land	-	(25,265,419)
<b>Statement of financial performance</b>		
Increase in Gain/(loss) on fair value adjustments on assets	-	23,565,000
	<u>-</u>	<u>-</u>
<b>40. Prior period error - Valuation of Westdene sports club</b>		
The Westdene sports club and Hilton bowling club were valued in the current financial year and disclosed as prior year additions.		
<b>Statement of financial position</b>		
Increase in Revaluation reserve	-	(2,103,660)
Increase in Accumulated Surplus	-	(1,070,340)
Increase in PPE - Buildings	-	1,904,400
Increase in PPE - Land	-	1,269,600
	<u>-</u>	<u>-</u>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 54. Prior period errors (continued)

#### 41. Prior period error - Capitalisation of buildings purchased in 2012/13

Land acquired during the 2012/2013 financial year were capitalised during the 2013/2014 financial year as land only. The value of Buildings on these properties were capitalised at an average of 60% of the purchase price

##### Statement of financial position

Decrease in Other Receivables - Sundry Receivables	-	(10,354,403)
Increase in PPE - Land Cost	-	10,354,403
Increase in PPE - Buildings - Accumulated depreciation	-	(43,583)
Increase in PPE - Buildings Cost	-	239,709
Decrease in PPE - Land Cost	-	(239,709)

##### Statement of financial performance

Increase in depreciation	-	43,583
	-	-
	-	-

#### 42. Prior period error - Classification of Hoffman Square land

Hoffman square was valued during the current year and is disclosed as an addition to Heritage assets in the prior.

##### Statement of financial position

Increase in Heritage Assets	-	43,697,190
Increase in Revaluation Reserve	-	(11,239,894)
Increase in Accumulated surplus	-	(32,457,296)
	-	-
	-	-

#### 43. Prior period error - Correction of Heritage Assets

In the current year the the classification of the Navill Hill reserve was corrected from heritage assets to community assets.

##### Statement of financial position

Decrease in Heritage Assets - Cost	-	(4,821,625)
Increase in PPE - Community Assets - Cost	-	4,821,625
Increase in PPE - Community Assets Accumulated depreciation	-	(1,707,636)
Decrease in Accumulated surplus	-	1,423,030

##### Statement of financial performance

Increase in Depreciation	-	284,606
	-	-
	-	-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 55. Comparative figures

Certain comparative figures have been reclassified. The following items were reclassified within General Expenditure to more closely reflect their purpose.

The effects of the reclassification are as follows:

#### Statement of Financial Performance

Increase in General Expenses - Lease rentals on operating lease	-	1,782,150
Decrease in General Expenses - Subscriptions and membership fees	-	(1,782,150)

### 56. Risk management

#### Financial risk management

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

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 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

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 56. 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.

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

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

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.

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.

The comparative figures have been restated due to prior period errors recorded on these items.

At 30 June, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	8,586,358	183,277,108	-	-
Finance lease obligation	66,194,344	94,769,481	-	-
Trade payables from exchange transactions	628,791,175	-	-	-
Trade payables from non-exchange transactions	148,162,111	-	-	-
Centlec Payables	895,938,230	-	-	-
At 30 June, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	9,548,467	169,537,182	-	-
Finance lease obligation	2,477,556	4,678,339	-	-
Trade payables from exchange transactions	463,684,488	-	-	-
Trade payables from non-exchange transactions	165,305,816	-	-	-
Centlec Payables	956,074,556	-	-	-

#### Credit risk

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.

Credit risk consists 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.

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

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.

Receivables are presented net of an allowance for impairment.

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

Cash and cash equivalents	132,274,676	257,260,312
Centlec receivables	2,727,304,982	2,478,754,540
Consumer receivables from exchange transactions	381,541,779	301,335,223
Other receivables from exchange transactions	28,668,257	51,484,299
Financial instruments designated at fair value	22,815	16,782

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 52 for additional details.

These balances represent the maximum exposure to credit risk.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 56. Risk management (continued)

#### Market 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 interest rate risks and foreign currency risks:

#### 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.

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

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

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 2014 and 2013, 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.

Figures in Rand	Cost Price		Fair Value	
	2014	2013	2014	2013
<b>Financial Instrument</b>				
Financial instruments at fair value - OVK Limited	2,535	2,535	22,815	16,782

#### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk, it also does not hedge foreign exchange fluctuations.

### 57. Going concern

We draw attention to the fact that at 30 June 2014, the entity had accumulated surplus of R 10,257,262,484 and that the entity's total assets exceed its liabilities by R 11,126,985,912.

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

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 (Act 10 of 2014).

The entity has an intercompany loan from Centlec (SOC) Limited, as shown under note 9 with an amount of R 895,938,230 (2013: R956,074,556). The current ratio is calculated at 0.75:1 (2013: 0.77:1), when excluding the loan, as the entity has full control over Centlec, municipal entity.

### 58. Events after the reporting date

On 7 July 2014 the Council resolved that prescribed and irrecoverable consumer debts be written off from the debtors book. The provision for bad debts should be utilised for the write off of this debt. The total of the write off amounted to R104,522,916.77

In the same meeting the Council resolved that irregular expenditure amounting to R 217,824.34 be written off. Refer to note 61 for the reconciliation of irregular expenditure.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>59. Unauthorised expenditure</b>		
Opening balance	394,504,039	374,968,378
Unauthorised expenditure - current year	498,003,019	19,535,661
	<b>892,507,058</b>	<b>394,504,039</b>

Details of unauthorised expenditure:

Incidents regarding 2010/2011	Disciplinary steps taken / criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water - Operating	None	-	23,353,983
Overspending by Water - Capital	None	-	14,165,233
		-	<b>67,711,892</b>
<b>Incidents regarding 2011/2012</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure 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
		-	<b>307,256,486</b>
<b>Incidents regarding 2012/2013</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Overspending by Infrastructure services	None	-	19,535,661
<b>Incidents regarding 2013/2014</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Overspending by Infrastructure	None	129,922,837	-
Overspending by Miscellaneous Services	None	368,080,182	-
		<b>498,003,019</b>	-

Refer to Appendix E(1) and E(2) for more details.

The above relates to accounting adjustments such as provision of bad debts and depreciation.

The total over expenditure on Infrastructure amounted to R 129,922,837 of which Depreciation amounted to R163,033,702 (Budgeted amount of R 129,448,137 vs Actual amount of R 292,481,839).

The total over expenditure on Miscellaneous Services amounted to R,368,080,182 of which the Provision of Bad debts amounted to R 433,847,531 (Budgeted amount of R 41,564,190 vs Actual amount of R 475,411,721).

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>60. Fruitless and wasteful expenditure</b>		
Opening balance	28,176,593	27,000,205
Fruitless and wasteful expenditure for the current year	148,343	1,176,388
	<b>28,324,936</b>	<b>28,176,593</b>
<b>Details of fruitless and wasteful expenditure incidents 2009/10</b>		
	<b>Disciplinary steps taken/criminal proceedings</b>	
Penalties and interest paid on the late submission of VAT return.	None	5,099,888
<b>Details of fruitless and wasteful expenditure incidents 2010/11</b>		
	<b>Disciplinary steps taken /criminal proceedings</b>	
Penalties and interest paid on the late submission of a VAT return.	None	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL.	None	171,147
	-	<b>7,900,281</b>
<b>Details of fruitless and wasteful expenditure incidents 2011/12</b>		
	<b>Disciplinary steps taken /criminal proceedings</b>	
Penalties and interest paid on the late submission of a VAT return.	None	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	13,816,522
Interest paid on overdue accounts	None	31,163
Interest paid on overdue accounts - Telkom	None	38,520
Councillor T.J Makae annual salary was paid to him but he was however not	None	378,254
	-	<b>14,378,291</b>
<b>Details of fruitless and wasteful expenditure incidents 2012/13</b>		
	<b>Disciplinary steps taken /criminal proceedings</b>	
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	42,879
Interest paid to Eskom due to late payment	None	41,415
Interest paid to FDC due to late payment	None	804
Interest paid to Rossouws Attorneys due to late payment	None	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	57
No Show penalty for 7 Councillors at 29/01/2013 accommodation Protea Hotel	None	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	147,204
Interest paid to Bloemwater due to late payment	None	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	60,820
Interest paid to Telkom SA limited due to late payment	None	100,031
Interest paid to Lawyers due to late payment	None	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer	None	375,765
	-	<b>798,134</b>
<b>Details of fruitless and wasteful expenditure incidents 2013/14</b>		
	<b>Disciplinary steps taken /criminal proceedings</b>	
Interest paid to Eskom due to late payment	None	138,247
Interest paid to FDC due to late payment	None	783
Interest paid to Broll due to late payment	None	976
Interest paid to Bloemwater due to late payment	None	240
Interest paid to Lawyers due to late payment	None	769
Interest paid to Pec Marketing due to late payment	None	417
Interest paid to Dlamini and Associates due to late payment	None	525
Interest paid to Standard Bank of South Africa due to late payment	None	3,818
		-

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>60. Fruitless and wasteful expenditure (continued)</b>		
Interest paid to Wright Rose Innes INC due to late payment	None	2,360
Interest paid to Dierehospitaal due to late payment	None	208
	<u>148,343</u>	<u>-</u>
<b>61. Irregular expenditure</b>		
Opening balance	265,271,736	255,032,003
Add: Irregular Expenditure - current year	9,004,641	10,239,733
Less: Irregular expenditure - write off in respect of prior year amounts 2010/1	(34,783,082)	-
Less: Irregular expenditure - write off in respect of prior year amounts 2011/1:	(217,824)	-
	<u>239,275,471</u>	<u>265,271,736</u>
<b>Analysis of expenditure awaiting condonation/write off per age classification</b>		
Current year	9,004,641	10,239,733
Prior years	230,488,654	255,032,003
	<u>239,493,295</u>	<u>265,271,736</u>
<b>Details of irregular expenditure – current year</b>		
Expenditure items identified where the supply chain process was not followed	Disciplinary steps taken/criminal proceedings The expenditure was identified during the current financial year and still needs to be investigated.	9,004,641
<b>Details of irregular expenditure written off</b>		
Expenditure items identified during the 2010/11 financial year where the supply chain process was not followed were approved for write off by Council on 4 September 2014.		(34,783,082)
Expenditure items identified during the 2011/12 financial year where the supply chain process was not followed were approved for write off by Council on 7 July 2014.		(217,824)
		<u>(35,000,906)</u>

During the current year in the council meetings held on the 4th September 2013 and 7th July 2014 the municipal Council approved a write off of irregular expenditure totalling R 35,000,906. The following were the main findings of the detailed investigations performed:

Incorrect classification expenditure correctly incurred in terms of legislation as irregular expenditure

There was value for money relating to the expenditure incurred.

The above write off was done in terms of MFMA Circular 68 as issued by National Treasury in May 2013.

### 62. Actual operating expenditure versus budgeted operating expenditure

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

### 63. Actual capital expenditure versus budgeted capital expenditure

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



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 64. Deviation from supply chain management regulations

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

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

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

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

#### Deviations 2014

	<b>Rands</b>	<b>Number of deviations</b>
Emergency	668,227	10
Sole supplier	12,758,596	35
Impractical	31,215,579	91
Urgent	25,518,572	43
	<b>70,160,974</b>	<b>179</b>

#### Deviations 2013

	<b>Rands</b>	<b>Number of deviations</b>
Emergency	899,535	8
Sole supplier	12,922,652	293
Urgent	42,010,153	82
	<b>55,832,340</b>	<b>383</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>65. Additional disclosures in terms of the Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription fee	10,400,000	9,800,000
Amount paid - current year	(10,400,000)	(9,800,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

### Audit fees

Opening balance	365,037	557,202
Current year regularity audit fees	14,720,683	12,039,448
Amount paid - previous years	(365,037)	(557,202)
Amount paid - current year	(13,522,510)	(11,674,411)
	<b>1,198,173</b>	<b>365,037</b>

The following comparative items have been restated due to the availability of additional information:

Opening balance decreased by R 78,008  
 Regularity audit fees increased by R 383,771  
 Amounts paid previous year decreased by R 78,008  
 Amounts paid - current year increased by R 124,318

### PAYE, UIF and SDL

Opening balance	11,284,973	9,070,230
Payable for the current year	156,623,871	139,815,958
Amount paid - current year	(155,021,019)	(137,601,216)
	<b>12,887,825</b>	<b>11,284,972</b>

The following comparative items have been restated due to the availability of additional information:

Opening balance increased by R 8,032,996  
 Amount paid - current year increased by R 882,227

### Pension and medical aid deductions

Payable for the current year	233,384,188	228,186,164
Amount paid - current year	(233,384,188)	(228,186,164)
	-	-

### 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 related to burst water pipes, leaks and unmetered sites.

	Kilo Liter	Cost per kilo liter	Total loss in Rands
Unaccounted water - 2014	24,735,277	R 4.74	R 117,245,213
Unaccounted water - 2013	29,686,927	R 3.94	R 116,966,482

### Councillors' arrear consumer accounts

Refer to Appendix H for details regarding the councillors' arrear consumer accounts.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 66. Non-compliance with the MFMA

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

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

Goods and services of a transaction value between R 10,000 and R 200,000 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 delegate.

*Supply chain management regulations 36(1)*

Goods and services with a transaction value above R 200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or 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.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 67. Budget differences

#### Material differences between budget and actual amounts

##### Statement of financial performance:

A1 - Favourable variance due to the higher property values following the implementation of the new valuation roll as of 1 July 2013. A total of 7686 objections were received from the new valuation roll which might results in some of the market values as contained in the general valuation roll being adjusted in terms of the objections and appeals processes;

A2 - Favourable variance due to the following:

Water revenue - Favourable due to seasonal fluctuations in water usage

Sanitation revenue - Favourable variance mainly as a result of the implementation of the new valuation roll and appeal process

Refuse revenue - Favourable variance of due to increased collection of trade waste removal;

A3 - Unfavourable variance due to the slow implementation of projects which has been funded through conditional government grants.

A4 - Variance due to unfavourable movement in the Defined benefit obligation.

A5 - Favourable variance due to unfilled vacancies.

A6 - Variance due to debt written off during the year and movement in the impairment provisions.

A7 - Variance due to increased asset base.

A8 - Favourable variance due to less expenditure on projects.

##### Statement of financial position:

A9 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

##### Cash flow statement:

A9 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

#### Reconciliation between Total Revenue and Total Expenditure

The total revenue and total expenditure differs between the Statement of financial performance and the statement of comparison between budget and actual amounts due to the following classification differences between the two statements:

**R1** - Fair value adjustments and gains on disposal of non-current assets are classified under total revenue for budget purposes, while the financial statements classifies it as an adjustment to expenditure.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June, 2014

## Notes to the Annual Financial Statements

Figures in Rand

2014

2013

### 67. Budget differences (continued)

#### Changes from the approved budget to the final budget

##### Statement of financial performance

**B1** - Property rates increased due to higher property values following implementation of the new valuation roll as of 1 July 2013 and the outstanding finalization of the objection process thereof.

**B2** - Service charges increased due to the following:

Sale of water increases by R 32,614 million in line with the progress made with metering the previously unmetered sites.

Sanitary fees increases by R 2,497 million in line with the increase in the property rates income.

Refuse removal increases by R 16,448 million due to higher trade waste removal income.

Investment revenue increases by R 3 million due to higher projected interest income for the year.

**B3** - Grants received were adjusted in order to allow for additional grants, subsidies and donations received or to be received to be included in the budget.

**B4** - Repairs and maintenance were increased due to more repairs and maintenance planned.

**B5** - Grants and subsidies paid increased due to the Electricity Demand Side Grant payable to Centlec SOC Limited

**B6** - Contracted services increased due to the consumer revenue enhancement strategy expenditure.

- Increase in general expenditure mainly due to the following expenses:

2014 CHAN Tournament

Top 50 Consumers Revenue enhancement expenses

Insurance

##### Statement of financial position

**B8** - Changes to the statement of financial performance budget were made due to the audited financial statements as at 30 June 2014 becoming available after the finalisation of the audit. The changes therefore were done in order to align the budget statement of financial position taking into account the closing balances as per the financial statements as well as the changes made on the statement of financial performance and budgeted capital expenditure.

##### Cash flow statement

**B9** - Changes to the cash flow statement were made due to the anticipated cash position of the entity.

Appendix A - (Unaudited)

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable Date	Balance at 30 June, 2013	Received during the period	Redeemed written off during the period	Balance at 30 June, 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand			
<b>Development Bank of South Africa</b>								
DBSA @ 12.62%	103433/01	31 March 2026	47,098,464	-	2,194,711	44,903,753	-	-
DBSA @ 6.75%	103433/02	31 March 2026	125,653,576	22,257,487	4,935,335	142,975,728	-	-
DBSA @ 10%	8001/104	31 December 2015	6,333,610	-	2,349,623	3,983,987	-	-
			-	-	-	-	-	-
			<b>179,085,650</b>	<b>22,257,487</b>	<b>9,479,669</b>	<b>191,863,468</b>	-	-

## Appendix B - (Audited)

June 2014

### Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land	1,018,610,539	8,850,203	-	-	-	-	-	-	1,027,460,742	-	-	-	-	1,027,460,742
Buildings	1,041,714,229	64,845,570	-	-	-	-	-	-	1,106,559,799	(7,549,974)	-	(30,835,191)	(38,385,165)	1,068,174,634
Work in Progress	136,119,675	-	-	25,826,965	(63,012,542)	-	-	-	98,934,098	-	-	-	-	98,934,098
	<b>2,196,444,443</b>	<b>73,695,773</b>	<b>-</b>	<b>25,826,965</b>	<b>(63,012,542)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,232,954,639</b>	<b>(7,549,974)</b>	<b>-</b>	<b>(30,835,191)</b>	<b>(38,385,165)</b>	<b>2,194,569,474</b>
<b>Infrastructure</b>														
Bridges	91,249,201	-	-	-	-	-	-	-	91,249,201	(8,256,400)	-	(1,405,306)	(9,661,706)	81,587,495
Intersections	45,584,823	-	-	-	-	-	-	-	45,584,823	(30,386,416)	-	(5,066,136)	(35,452,552)	10,132,271
Road furniture	28,135,128	-	-	-	-	-	-	-	28,135,128	(14,817,041)	-	(1,022,546)	(15,839,587)	12,295,541
Street lights	10,474,432	-	-	-	-	-	-	-	10,474,432	(2,732,148)	-	(455,428)	(3,187,576)	7,286,856
Sanitation	266,043,129	-	-	-	-	-	-	-	266,043,129	(70,060,611)	-	(11,535,259)	(81,595,870)	184,447,259
Side walks	173,172,011	-	-	-	-	-	-	-	173,172,011	(61,112,561)	-	(10,187,223)	(71,299,784)	101,872,227
Water	460,692,746	-	-	-	-	-	-	-	460,692,746	(137,154,597)	-	(25,280,988)	(162,435,585)	298,257,161
Rail road sidings	23,337,859	-	-	-	-	-	-	-	23,337,859	(5,635,134)	-	(939,339)	(6,574,473)	16,763,386
Roads	2,320,765,583	96,975,704	(11,031,778)	-	-	-	-	-	2,406,709,509	(730,716,680)	2,661,238	(121,740,066)	(849,795,508)	1,556,914,001
Stormwater	3,004,338	-	-	-	-	-	-	-	3,004,338	(746,253)	-	(114,668)	(860,921)	2,143,417
Water metres	65,120,124	20,922,426	(31,027,339)	-	-	-	-	-	55,015,211	(15,822,916)	11,781,760	(3,836,049)	(7,877,205)	47,138,006
Water and Sanitation	1,785,764,027	-	-	-	-	-	-	-	1,785,764,027	(219,715,529)	-	(36,516,820)	(256,232,349)	1,529,531,678
Work in Progress	660,668,343	660,845,972	-	-	(96,975,704)	-	-	-	1,224,538,611	-	-	-	-	1,224,538,611
	<b>5,934,011,744</b>	<b>778,744,102</b>	<b>(42,059,117)</b>	<b>-</b>	<b>(96,975,704)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,573,721,025</b>	<b>1,297,156,286</b>	<b>14,442,998</b>	<b>(218,099,828)</b>	<b>1,500,813,116</b>	<b>5,072,907,909</b>
<b>Community Assets</b>														
Parks	51,556,216	15,072,581	-	-	-	-	-	-	66,628,797	(11,918,710)	-	(3,194,989)	(15,113,699)	51,515,098
Fresh produce market	54,402,649	-	-	-	-	-	-	-	54,402,649	(24,516,724)	-	(3,414,421)	(27,931,145)	26,471,504
Landfill sites	28,776,844	4,115,866	-	-	-	-	-	-	32,892,710	(7,751,492)	-	(1,193,954)	(8,945,446)	23,947,264
Landfill sites	143,963,590	-	-	-	-	-	-	-	143,963,590	(74,495,046)	-	(4,686,772)	(79,181,818)	64,781,772
Quarry sites	258,085,200	-	-	-	-	-	-	-	258,085,200	(222,610,830)	-	(5,912,395)	(228,523,225)	29,561,975
Sport Grounds	69,856,581	17,100,801	-	-	-	-	-	-	86,957,382	(13,671,570)	-	(2,635,670)	(16,307,240)	70,650,142
Swimming pools	27,751,343	19,080,620	-	-	-	-	-	-	46,831,963	(9,629,769)	-	(1,760,936)	(11,390,705)	35,441,258
Stadiums	126,328,376	-	-	-	-	-	-	-	126,328,376	(38,397,479)	-	(6,439,349)	(44,836,828)	81,491,548
CCTV	54,751,766	-	-	-	-	-	-	-	54,751,766	(17,600,869)	-	(5,307,271)	(22,908,140)	31,843,626
Zoo	47,240,586	-	-	-	-	-	-	-	47,240,586	(11,164,521)	-	(2,061,237)	(13,225,758)	34,014,828
Zoo animals	3,629,154	3,100,473	(196,518)	-	-	-	-	-	6,533,109	(311,585)	15,569	(183,656)	(479,672)	6,053,437
Cemeteries	31,196,171	2,460,889	-	-	-	-	-	-	33,657,060	(8,583,834)	-	(1,922,571)	(10,506,405)	23,150,655
Hawker stalls	722,134	-	-	-	-	-	-	-	722,134	(96,268)	-	(32,940)	(129,208)	592,926
Environmental facilities	1,926,911	-	-	-	-	-	-	-	1,926,911	(602,077)	-	(120,439)	(722,516)	1,204,395
Council Dogs	61,500	-	-	-	-	-	-	-	61,500	(25,310)	-	(8,786)	(34,096)	27,404
Work in Progress	28,420,299	74,297,668	-	-	(42,758,175)	-	-	-	59,959,792	-	-	-	-	59,959,792
	<b>928,669,320</b>	<b>135,228,898</b>	<b>(196,518)</b>	<b>-</b>	<b>(42,758,175)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,943,525</b>	<b>(441,376,084)</b>	<b>15,569</b>	<b>(38,875,386)</b>	<b>(480,235,901)</b>	<b>540,707,624</b>

## Appendix B - (Audited)

June 2014

### Analysis of property, plant and equipment as at 30 June 2014

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Buildings	314,777,190	-	-	-	-	-	-	2,302,810	317,080,000	-	-	-	-	317,080,000
Nature reserve	3,892,105	-	-	-	-	-	-	-	3,892,105	-	-	-	-	3,892,105
Work in Progress	10,601,508	-	-	-	-	(9,917,272)	-	-	684,236	-	-	-	-	684,236
	<b>329,270,803</b>	-	-	-	-	<b>(9,917,272)</b>	-	<b>2,302,810</b>	<b>321,656,341</b>	-	-	-	-	<b>321,656,341</b>
<b>Other assets</b>														
Firearms	794,791	-	-	-	-	-	-	-	794,791	(183,138)	-	(33,725)	(216,863)	577,928
Motor vehicles	178,186,098	-	(10,478,044)	-	-	-	-	-	167,708,054	(46,015,956)	3,527,327	(5,151,670)	(47,640,299)	120,067,755
Tools, plant and equipment	12,108,423	-	-	-	-	-	-	-	12,108,423	(2,133,644)	-	(1,713,263)	(3,846,907)	8,261,516
Furniture and office equipment	16,129,380	16,279,462	(514)	-	-	-	-	-	32,408,328	(2,352,684)	154	(1,824,425)	(4,176,955)	28,231,373
Capitalised leased assets	19,693,170	144,627,016	-	-	-	-	-	-	164,320,186	(12,440,871)	-	(1,275,061)	(13,715,932)	150,604,254
	<b>226,911,862</b>	<b>160,906,478</b>	<b>(10,478,558)</b>	-	-	-	-	-	<b>377,339,782</b>	<b>(63,126,293)</b>	<b>3,527,481</b>	<b>(9,998,144)</b>	<b>(69,596,956)</b>	<b>307,742,826</b>



## Appendix B - (Audited)

June 2014

### Analysis of property, plant and equipment as at 30 June 2014

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	2,196,444,443	73,695,773	-	25,826,965	(63,012,542)	-	-	-	2,232,954,639	(7,549,974)	-	(30,835,191)	(38,385,165)	2,194,569,474
Infrastructure	5,934,011,744	778,744,102	(42,059,117)	-	(96,975,704)	-	-	-	6,573,721,025	1,297,156,286	14,442,998	(218,099,828)	1,500,813,116	5,072,907,909
Community Assets	928,669,320	135,228,898	(196,518)	-	(42,758,175)	-	-	-	1,020,943,525	(441,376,084)	15,569	(38,875,386)	(480,235,901)	540,707,624
Heritage assets	329,270,803	-	-	-	-	(9,917,272)	-	2,302,810	321,656,341	-	-	-	-	321,656,341
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	226,911,862	160,906,478	(10,478,558)	-	-	-	-	-	377,339,782	(63,126,293)	3,527,481	(9,998,144)	(69,596,956)	307,742,826
	<b>9,615,308,172</b>	<b>1,148,575,251</b>	<b>(52,734,193)</b>	<b>25,826,965</b>	<b>(202,746,421)</b>	<b>(9,917,272)</b>	<b>-</b>	<b>2,302,810</b>	<b>10,526,615,312</b>	<b>1,809,208,637</b>	<b>17,986,048</b>	<b>(297,808,549)</b>	<b>2,089,031,138</b>	<b>8,437,584,174</b>
<b>Intangible assets</b>														
Computers - software & programming	11,365,776	1,653,581	-	-	-	-	-	-	13,019,357	(2,500,930)	-	(324,068)	(2,824,998)	10,194,359
Servitudes	305,707	-	-	-	-	-	-	-	305,707	-	-	-	-	305,707
	<b>11,671,483</b>	<b>1,653,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,325,064</b>	<b>(2,500,930)</b>	<b>-</b>	<b>(324,068)</b>	<b>(2,824,998)</b>	<b>10,500,066</b>
<b>Investment properties</b>														
Investment property	2,222,377,240	2,470,000	(1,414,000)	-	-	-	41,322,260	-	2,264,755,500	-	-	-	-	2,264,755,500
Work in Progress	-	2,613,363	-	-	-	-	-	-	2,613,363	-	-	-	-	2,613,363
	<b>2,222,377,240</b>	<b>5,083,363</b>	<b>(1,414,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,322,260</b>	<b>-</b>	<b>2,267,368,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,267,368,863</b>
<b>Total</b>														
Land and buildings	2,196,444,443	73,695,773	-	25,826,965	(63,012,542)	-	-	-	2,232,954,639	(7,549,974)	-	(30,835,191)	(38,385,165)	2,194,569,474
Infrastructure	5,934,011,744	778,744,102	(42,059,117)	-	(96,975,704)	-	-	-	6,573,721,025	1,297,156,286	14,442,998	(218,099,828)	1,500,813,116	5,072,907,909
Community Assets	928,669,320	135,228,898	(196,518)	-	(42,758,175)	-	-	-	1,020,943,525	(441,376,084)	15,569	(38,875,386)	(480,235,901)	540,707,624
Heritage assets	329,270,803	-	-	-	-	(9,917,272)	-	2,302,810	321,656,341	-	-	-	-	321,656,341
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	226,911,862	160,906,478	(10,478,558)	-	-	-	-	-	377,339,782	(63,126,293)	3,527,481	(9,998,144)	(69,596,956)	307,742,826
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	11,671,483	1,653,581	-	-	-	-	-	-	13,325,064	(2,500,930)	-	(324,068)	(2,824,998)	10,500,066
Investment properties	2,222,377,240	5,083,363	(1,414,000)	-	-	-	41,322,260	-	2,267,368,863	-	-	-	-	2,267,368,863
	<b>11,849,356,895</b>	<b>1,155,312,195</b>	<b>(54,148,193)</b>	<b>25,826,965</b>	<b>(202,746,421)</b>	<b>(9,917,272)</b>	<b>41,322,260</b>	<b>2,302,810</b>	<b>12,807,309,239</b>	<b>1,811,709,567</b>	<b>17,986,048</b>	<b>(298,132,617)</b>	<b>2,091,856,136</b>	<b>10,715,453,103</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land	631,952,685	354,690,047	-	-	-	(121,000)	-	32,088,807	1,018,610,539	-	-	-	-	1,018,610,539
Buildings	875,364,728	95,089,272	-	-	-	-	(366,992)	71,627,221	1,041,714,229	-	-	(7,549,974)	(7,549,974)	1,034,164,255
Work in Progress	101,784,878	-	-	77,521,208	-	(43,186,411)	-	-	136,119,675	-	-	-	-	136,119,675
	<b>1,609,102,291</b>	<b>449,779,319</b>	<b>-</b>	<b>77,521,208</b>	<b>-</b>	<b>(43,307,411)</b>	<b>(366,992)</b>	<b>103,716,028</b>	<b>2,196,444,443</b>	<b>-</b>	<b>-</b>	<b>(7,549,974)</b>	<b>(7,549,974)</b>	<b>2,188,894,469</b>
<b>Infrastructure</b>														
Bridges	91,249,209	-	-	-	-	-	-	-	91,249,209	(6,851,094)	-	(1,405,305)	(8,256,399)	82,992,810
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 lighting	10,474,432	-	-	-	-	-	-	-	10,474,432	(2,277,050)	-	(455,098)	(7,732,148)	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 sidings	23,337,859	-	-	-	-	-	-	-	23,337,859	(4,696,481)	-	(938,653)	(5,635,134)	17,702,725
Roads	2,211,123,833	171,474,679	(61,832,930)	-	-	-	-	-	2,320,765,582	(653,308,975)	26,844,859	(104,252,563)	(730,716,679)	1,590,048,903
Stormwater	3,004,338	-	-	-	-	-	-	-	3,004,338	(631,668)	-	(114,585)	(746,253)	2,258,085
Water metres	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	12,558,331	-	-	-	-	-	-	1,785,764,027	(183,239,778)	-	(36,475,751)	(219,715,529)	1,566,048,498
Work in Progress	387,142,704	-	-	-	558,727,633	(285,201,994)	-	-	660,668,343	-	-	-	-	660,668,343
	<b>5,530,932,192</b>	<b>191,386,850</b>	<b>(61,832,930)</b>	<b>-</b>	<b>558,727,633</b>	<b>(285,201,994)</b>	<b>-</b>	<b>-</b>	<b>5,934,011,751</b>	<b>1,126,020,937</b>	<b>26,844,859</b>	<b>(197,980,206)</b>	<b>1,297,156,284</b>	<b>4,636,855,467</b>
<b>Community Assets</b>														
Parks	51,558,053	-	(1,837)	-	-	-	-	-	51,556,216	(10,120,040)	648	(1,799,318)	(11,918,710)	39,637,506
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)	22,075	(1,020,081)	(7,729,417)	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
Sports grounds	55,578,711	14,277,870	-	-	-	-	-	-	69,856,581	(11,171,387)	-	(2,500,183)	(13,671,570)	56,185,011
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)	27,436	(176,721)	(284,149)	3,317,569
Cemeteries	25,755,708	5,440,463	-	-	-	-	-	-	31,196,171	(13,506,166)	7,836,317	(2,913,985)	(8,583,834)	22,612,337
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
Council Dogs	61,500	-	-	-	-	-	-	-	61,500	(16,524)	-	(8,786)	(25,310)	36,190
Work in Progress	14,399,638	-	-	-	34,130,468	(20,109,808)	-	-	28,420,298	-	-	-	-	28,420,298
	<b>884,606,672</b>	<b>30,758,990</b>	<b>(717,003)</b>	<b>-</b>	<b>34,130,468</b>	<b>(20,109,808)</b>	<b>-</b>	<b>-</b>	<b>928,669,319</b>	<b>(404,643,363)</b>	<b>7,886,476</b>	<b>(44,619,197)</b>	<b>(441,326,573)</b>	<b>487,293,235</b>

## Appendix B - (Audited)

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Buildings	281,352,680	-	-	-	-	-	-	33,424,510	314,777,190	-	-	-	-	314,777,190
Nature Reserve	-	3,892,105	-	-	-	-	-	-	3,892,105	-	-	-	-	3,892,105
Work in Progress	-	-	-	-	10,601,508	-	-	-	10,601,508	-	-	-	-	10,601,508
	<b>281,352,680</b>	<b>3,892,105</b>	<b>-</b>	<b>-</b>	<b>10,601,508</b>	<b>-</b>	<b>-</b>	<b>33,424,510</b>	<b>329,270,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329,270,803</b>
<b>Other assets</b>														
Firearms	797,752	-	(2,961)	-	-	-	-	-	794,791	(148,243)	817	(35,712)	(182,321)	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	16,957,631	(10,230,521)	-	-	-	-	-	12,108,423	(1,905,199)	1,615,544	(1,843,989)	(2,133,644)	9,974,779
Furniture and office equipment	26,505,540	16,302,644	(26,678,804)	-	-	-	-	-	16,129,380	(4,231,589)	4,705,246	(2,826,341)	(2,352,684)	13,776,696
Capitalised leased assets	13,413,482	6,279,688	-	-	-	-	-	-	19,693,170	(7,587,283)	-	(4,853,588)	(12,440,871)	7,252,299
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>222,992,673</b>	<b>40,831,475</b>	<b>(36,912,286)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,911,862</b>	<b>(54,535,572)</b>	<b>6,321,607</b>	<b>(14,912,328)</b>	<b>(63,125,476)</b>	<b>163,785,569</b>

## Appendix B - (Audited)

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers Out to Additions	WIP Transfers Out to Other Asset Classes	Fair value adjustments	Revaluations	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	1,609,102,291	449,779,319	-	<b>77,521,208</b>	-	(43,307,411)	(366,992)	<b>103,716,028</b>	<b>2,196,444,443</b>	-	-	(7,549,974)	<b>(7,549,974)</b>	2,188,894,469
Infrastructure	5,530,932,192	191,386,850	(61,832,930)	-	558,727,633	(285,201,994)	-	-	<b>5,934,011,751</b>	1,126,020,937	26,844,859	(197,980,206)	<b>1,297,156,284</b>	4,636,855,467
Community Assets	884,606,672	30,758,990	(717,003)	-	34,130,468	(20,109,808)	-	-	<b>928,669,319</b>	(404,643,363)	7,886,476	(44,619,197)	<b>(441,326,573)</b>	487,293,235
Heritage assets	281,352,680	3,892,105	-	-	10,601,508	-	-	<b>33,424,510</b>	<b>329,270,803</b>	-	-	-	-	329,270,803
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	222,992,673	40,831,475	(36,912,286)	-	-	-	-	-	<b>226,911,862</b>	(54,535,572)	6,321,607	(14,912,328)	<b>(63,125,476)</b>	163,785,569
	<b>8,528,986,508</b>	<b>716,648,739</b>	<b>(99,462,219)</b>	<b>77,521,208</b>	<b>603,459,609</b>	<b>(348,619,213)</b>	<b>(366,992)</b>	<b>137,140,538</b>	<b>9,615,308,178</b>	<b>1,585,199,872)</b>	<b>41,052,942</b>	<b>(265,061,705)</b>	<b>1,809,158,307)</b>	<b>7,806,099,543</b>
<b>Intangible assets</b>														
Computers - software & programming	9,700,947	1,664,829	-	-	-	-	-	-	<b>11,365,776</b>	(2,181,897)	-	(319,033)	<b>(2,500,930)</b>	8,864,846
Servitudes	32,000	273,707	-	-	-	-	-	-	<b>305,707</b>	-	-	-	-	305,707
	<b>9,732,947</b>	<b>1,938,536</b>	-	-	-	-	-	-	<b>11,671,483</b>	<b>(2,181,897)</b>	-	<b>(319,033)</b>	<b>(2,500,930)</b>	<b>9,170,553</b>
<b>Investment properties</b>														
Investment property	2,245,795,627	-	-	-	-	-	(23,418,387)	-	<b>2,222,377,240</b>	-	-	-	-	2,222,377,240
Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>2,245,795,627</b>	-	-	-	-	-	<b>(23,418,387)</b>	-	<b>2,222,377,240</b>	-	-	-	-	<b>2,222,377,240</b>
<b>Total</b>														
Land and buildings	1,609,102,291	449,779,319	-	<b>77,521,208</b>	-	(43,307,411)	(366,992)	<b>103,716,028</b>	<b>2,196,444,443</b>	-	-	(7,549,974)	<b>(7,549,974)</b>	2,188,894,469
Infrastructure	5,530,932,192	191,386,850	(61,832,930)	-	558,727,633	(285,201,994)	-	-	<b>5,934,011,751</b>	1,126,020,937	26,844,859	(197,980,206)	<b>1,297,156,284</b>	4,636,855,467
Community Assets	884,606,672	30,758,990	(717,003)	-	34,130,468	(20,109,808)	-	-	<b>928,669,319</b>	(404,643,363)	7,886,476	(44,619,197)	<b>(441,326,573)</b>	487,293,235
Heritage assets	281,352,680	3,892,105	-	-	10,601,508	-	-	<b>33,424,510</b>	<b>329,270,803</b>	-	-	-	-	329,270,803
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	222,992,673	40,831,475	(36,912,286)	-	-	-	-	-	<b>226,911,862</b>	(54,535,572)	6,321,607	(14,912,328)	<b>(63,125,476)</b>	163,785,569
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	9,732,947	1,938,536	-	-	-	-	-	-	<b>11,671,483</b>	(2,181,897)	-	(319,033)	<b>(2,500,930)</b>	9,170,553
Investment properties	2,245,795,627	-	-	-	-	-	(23,418,387)	-	<b>2,222,377,240</b>	-	-	-	-	2,222,377,240
	<b>0,784,515,082</b>	<b>718,587,275</b>	<b>(99,462,219)</b>	<b>77,521,208</b>	<b>603,459,609</b>	<b>(348,619,213)</b>	<b>(23,785,379)</b>	<b>137,140,538</b>	<b>1,849,356,901</b>	<b>1,587,381,769)</b>	<b>41,052,942</b>	<b>(265,380,738)</b>	<b>1,811,659,237)</b>	<b>0,037,647,336</b>

## Appendix C - (Unaudited)

June 2014

### Segmental analysis of property, plant and equipment as at 30 June 2014

**Cost/Revaluation** **Accumulated Depreciation**

	Opening Balance	Additions	Additions through business combinations	Disposals	Transfers	Other changes, movements	Closing Balance	Opening Balance	Disposals	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Municipality</b>												
Finance	236,860,975	161,446,957	-	(10,478,558)	-	-	<b>387,829,374</b>	(65,627,223)	3,527,481	(10,322,212)	<b>(72,421,954)</b>	315,407,420
Community & Social Libraries and archives	928,669,319	134,944,291	-	(196,518)	(42,758,175)	-	<b>1,020,658,917</b>	(441,376,083)	15,569	(38,875,386)	<b>(480,235,900)</b>	540,423,017
Planning and Development/Economic & Development plan	2,184,905,960	94,783,246	-	-	(37,185,580)	-	<b>2,242,503,626</b>	(7,549,974)	-	(30,835,191)	<b>(38,385,165)</b>	2,204,118,461
Infrastructural Services	4,083,127,601	757,821,676	-	(11,031,778)	-	-	<b>4,829,917,499</b>	(1,061,617,841)	2,661,238	(177,746,960)	<b>(1,236,703,563)</b>	3,593,213,936
Water/Solid Waste	1,850,884,151	20,922,426	-	(31,027,339)	(96,975,704)	-	<b>1,743,803,534</b>	(235,538,445)	11,781,760	(40,352,869)	<b>(264,109,554)</b>	1,479,693,980
	<b>9,284,448,006</b>	<b>1,169,918,596</b>	-	<b>(52,734,193)</b>	<b>(176,919,459)</b>	-	<b>0,224,712,950</b>	<b>(1,811,709,566)</b>	<b>17,986,048</b>	<b>(298,132,618)</b>	<b>(2,091,856,136)</b>	<b>8,132,856,814</b>

## Appendix D - Unaudited

June 2014

### Segmental Statement of Financial Performance for the year ended

Prior year ended 30 June 2013	Current year ended 30 June 2014
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Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
957,314,634	-	957,314,634	Property Rates	1,314,690,947	-	1,314,690,947
92	153,431,475	(153,431,383)	City Manager	2,462,255	180,657,596	(178,195,341)
5,837,016	210,060,430	(204,223,414)	Corporate services	6,612,285	192,291,085	(185,678,800)
104,301,407	137,656,351	(33,354,944)	Finance	131,075,155	153,798,399	(22,723,244)
4,761,002	53,072,518	(48,311,516)	Planning & Economic Development	6,719,791	100,311,061	(93,591,270)
12,521,706	274,560,899	(262,039,193)	Community & Social Services	94,379,105	287,522,186	(193,143,081)
13,201,337	63,215,029	(50,013,692)	Housing	5,925,944	83,708,682	(77,782,738)
295,491,631	602,756,502	(307,264,871)	Infrastructurel Services	488,932,154	816,552,264	(327,620,110)
582,423,051	571,643,327	10,779,724	Water	692,278,756	616,190,152	76,088,604
-	-	-		-	-	-
18,746,080	16,853,010	1,893,070	Fresh Produce Market	20,935,957	13,423,072	7,512,885
-	21,789,242	(21,789,242)	Regional Operations	-	52,672,239	(52,672,239)
1,134,921,664	659,997,187	474,924,477	Miscellaneous	1,538,748,733	929,772,687	608,976,046
<b>3,129,519,620</b>	<b>2,765,035,970</b>	<b>364,483,650</b>		<b>4,302,761,082</b>	<b>3,426,899,423</b>	<b>875,861,659</b>

## Appendix E(1) - (Audited)

### Actual versus Budget(Revenue and Expenditure) for the year ended 2014

	Act. Bal.	Adjusted budget	Variance	%
	Rand	Rand	Rand	Var
<b>Revenue</b>				
Property rates	969,482,446	750,766,825	218,715,621	29.1
Service charges	935,491,481	881,870,470	53,621,011	6.1
Rental of facilities and equipment	20,415,882	23,504,296	(3,088,414)	(13.1)
Interest received	420,889,744	390,493,087	30,396,657	7.8
Income from agency services	100,666,986	103,514,402	(2,847,416)	(2.8)
Licences and permits	433,435	843,296	(409,861)	(48.6)
Government grants & subsidies	1,722,782,784	1,811,838,986	(89,056,202)	(4.9)
Fines	77,361,862	7,408,202	69,953,660	944.3
Other income	55,236,462	48,667,638	6,568,824	13.5
	<b>4,302,761,082</b>	<b>4,018,907,202</b>	<b>283,853,880</b>	<b>7.1</b>
<b>Expenses</b>				
Employee related costs	(1,029,344,532)	(1,091,410,969)	62,066,437	5.7
Remuneration of councillors	(47,106,731)	(48,638,326)	1,531,595	3.1
Depreciation & Amortisation	(292,481,839)	(295,106,619)	2,624,780	0.9
Debt Impairment	(569,684,182)	(135,836,651)	(433,847,531)	(319.4)
Finance costs	(145,596,732)	(188,658,178)	43,061,446	25.9
Repairs and maintenance	(203,199,665)	(266,001,652)	62,801,987	23.6
Bulk purchases	(382,809,314)	(352,367,015)	(30,442,299)	(8.6)
Contracted Services	(182,965,346)	(206,089,600)	23,124,254	11.2
Grants and subsidies paid	(100,271,760)	(129,941,986)	29,670,226	22.8
General Expenses	(431,935,144)	(500,831,874)	68,896,730	12.6
	<b>(3,385,395,245)</b>	<b>(3,214,882,870)</b>	<b>(170,512,375)</b>	<b>5.3</b>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	(27,476,746)	-	(27,476,746)	-
Gain or loss on fair value adjustments on assets	41,322,260	-	41,322,260	-
Fair value adjustments	(56,770,967)	11,236,000	(68,006,967)	(605.3)
Gains or losses on biological assets and agricultural produce	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	1,421,276	158,721,500	(157,300,224)	(99.1)
	<b>(41,504,177)</b>	<b>169,957,500</b>	<b>(211,461,677)</b>	<b>(124.4)</b>
<b>Net surplus/ (deficit) for the year</b>	<b>875,861,660</b>	<b>973,981,832</b>	<b>(98,120,172)</b>	<b>(10.1)</b>

**Appendix E(2) - (Audited)**

June 2014

**Actual versus Budget (Acquisition of Property, Plant and Equipment ) as at 30 June 2014**

	<b>Additions</b>	<b>Adjustment Budget</b>	<b>Variance</b>	<b>Variance</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>
<b>Municipality</b>				
Finance	2,975,293	4,000,000	1,024,707	<b>26</b>
Economic Development and Planning	70,786,446	72,499,512	1,713,066	<b>2</b>
Corporate Services	54,206,573	63,914,946	9,708,373	<b>15</b>
Community & Social Services	38,186,039	48,572,061	10,386,022	<b>21</b>
Human Settlement and Housing	6,166,715	13,251,353	7,084,638	<b>53</b>
Fresh Produce Market	-	1,700,000	1,700,000	<b>100</b>
Engineering services	411,673,469	530,359,410	118,685,941	<b>22</b>
Water Services	249,009,469	289,833,179	40,823,710	<b>14</b>
Strategic Projects and Service Delivery	2,090,195	5,100,000	3,009,805	<b>59</b>
	<b>835,094,199</b>	<b>1,029,230,461</b>	<b>194,136,262</b>	<b>19</b>



**Appendix F - (Unaudited)**

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

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun
Equitable share	National	252,113,000	185,683,000	167,276,000	-	189,084,750	155,869,750	134,660,500	125,457,000
Public Transport Infrastructure & System Grant	National	5,000,000	10,000,000	5,000,000	-	2,603,624	4,125,000	16,679,921	3,647,528
DWAF Grant Water Conservation	National	-	-	5,651,385	1,477,994	1,355,282	(1,280,284)	6,551,699	957,698
MIG Grant -Infrastructural Services	National	-	-	-	-	-	-	-	-
MIG Grant Capacity Building	National	-	-	-	-	-	-	-	-
Financial Management Grant	National	1,500,000	-	-	-	229,062	1,173,944	87,123	9,871
Municipal System Improvement Grant	National	-	-	-	-	-	-	-	-
National Electrification Program Grant	National	17,000,000	-	25,000,000	-	-	17,000,000	-	25,000,000
Electricity Demand Side Management Grant	National	-	-	8,000,000	-	-	-	-	8,000,000
Urban Settlement Development Grant	National	-	387,867,350	208,851,650	-	84,790,048	167,908,825	105,324,101	291,720,533
Fuel levy	National	81,007,000	81,007,000	81,008,000	-	48,604,200	59,405,133	74,256,667	60,756,000
EPWP Grant	National	1,558,000	1,169,000	1,169,000	-	-	823,745	1,287,217	5,707,882
Sustainable Human Settlement Support Grant	National	-	25,000,000	75,000,000	-	-	370,710	12,931,429	59,539,452
Department Water Affairs Grant	National	2,300,000	2,300,000	2,300,000	-	882,621	3,815,363	2,146,592	6,055,424
CHAN 2014 National Sport and Recreation Grant	National	-	28,500,000	-	-	10,576	17,040,014	11,449,409	-
DBSA Grant Capacity Building Programme	National	-	-	-	-	-	-	234,104	-
Motheo Contr- Enviromental Health	National	-	-	-	-	-	-	-	466,705
2010 Stadia Provincial Grant	Provincial	-	-	-	-	-	-	-	6,419,794
Housing Accreditation Subsidy	Provincial	-	-	5,000,000	-	-	-	-	1,386,002
CCTV For BFN CBD Stadium Navil Hill	Provincial	-	-	-	-	-	-	3,192,004	-
Provincial Grant -Urban Renewal	Provincial	-	-	-	-	-	-	280,553	-
Upgrading Housing Batho	Provincial	-	-	-	-	-	1,013,770	480,130	73,199
Provincial Grant Upgrading Roads in Batho	Provincial	-	-	-	-	-	-	-	4,476
Provincial Grant Township Establishment Caleb Motshabi	Provincial	-	-	-	-	-	-	135,964	-
City Of Ghent	City Of Ghent	-	303,990	-	-	86,000	173,726	229,282	1,507
Provincial Grant - Batho Car Wash	Provincial	-	-	-	-	-	-	-	60,000
		360,478,000	721,830,340	584,256,035	1,477,994	327,646,163	427,439,696	369,926,695	595,263,071

**Appendix G1 - (Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June, 2014**

	2014/2013						2013/2012					
Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Restated Audited Outcome (Rand)
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	<b>2,592,767,227</b>	<b>411,299,818</b>	<b>3,004,067,045</b>	-	<b>3,004,067,045</b>	<b>2,990,845,065</b>	<b>(13,221,980)</b>	<b>100 %</b>	<b>115 %</b>			<b>2,210,025,091</b>
Executive and council	1,552,772	1,000,000	2,552,772	-	2,552,772	1,367,708	(1,185,064)	54 %	88 %			-
Budget and treasury office	2,420,980,635	410,299,818	2,831,280,453	-	2,831,280,453	2,986,508,883	155,228,430	105 %	123 %			2,196,560,978
Corporate services	170,233,820	-	170,233,820	-	170,233,820	2,968,474	(167,265,346)	2 %	2 %			13,464,113
<b>Community and public safety</b>	<b>30,238,293</b>	<b>1,840,000</b>	<b>32,078,293</b>	-	<b>32,078,293</b>	<b>93,765,675</b>	<b>61,687,382</b>	<b>292 %</b>	<b>310 %</b>			<b>18,056,554</b>
Community and social services	5,069,064	-	5,069,064	-	5,069,064	4,882,275	(186,789)	96 %	96 %			4,970,945
Sport and recreation	2,334,117	-	2,334,117	-	2,334,117	1,694,295	(639,822)	73 %	73 %			1,436,738
Public safety	8,350,496	1,840,000	10,190,496	-	10,190,496	78,570,554	68,380,058	771 %	941 %			5,563,686
Housing	14,162,254	-	14,162,254	-	14,162,254	8,614,020	(5,548,234)	61 %	61 %			6,082,353
Health	322,362	-	322,362	-	322,362	4,531	(317,831)	1 %	1 %			2,832
<b>Economic and environmental services</b>	<b>8,253,502</b>	<b>-</b>	<b>8,253,502</b>	-	<b>8,253,502</b>	<b>6,912,343</b>	<b>(1,341,159)</b>	<b>84 %</b>	<b>84 %</b>			<b>6,832,942</b>
Planning and development	5,910,368	-	5,910,368	-	5,910,368	5,842,598	(67,770)	99 %	99 %			4,772,881
Road transport	2,172,062	-	2,172,062	-	2,172,062	955,651	(1,216,411)	44 %	44 %			1,920,703
Environmental protection	171,072	-	171,072	-	171,072	114,094	(56,978)	67 %	67 %			139,358
<b>Trading services</b>	<b>1,072,336,317</b>	<b>51,558,955</b>	<b>1,123,895,272</b>	-	<b>1,123,895,272</b>	<b>1,181,210,909</b>	<b>57,315,637</b>	<b>105 %</b>	<b>110 %</b>			<b>876,814,158</b>
Water	668,128,541	32,613,963	700,742,504	-	700,742,504	692,278,756	(8,463,748)	99 %	104 %			582,423,051
Waste water management	213,496,202	2,496,906	215,993,108	-	215,993,108	273,968,569	57,975,461	127 %	128 %			147,968,845
Waste management	190,711,574	16,448,086	207,159,660	-	207,159,660	214,963,584	7,803,924	104 %	113 %			146,422,262
<b>Other</b>	<b>19,515,750</b>	<b>1,054,840</b>	<b>20,570,590</b>	-	<b>20,570,590</b>	<b>30,027,092</b>	<b>9,456,502</b>	<b>146 %</b>	<b>154 %</b>			<b>-</b>
Other	19,515,750	1,054,840	20,570,590	-	20,570,590	30,027,092	9,456,502	146 %	154 %			19,157,519
<b>Total Revenue - Standard</b>	<b>3,723,111,089</b>	<b>465,753,613</b>	<b>4,188,864,702</b>	-	<b>4,188,864,702</b>	<b>4,302,761,084</b>	<b>113,896,382</b>	<b>103 %</b>	<b>116 %</b>			<b>3,130,886,264</b>

**Appendix G1 - (Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June, 2014**

**2014/2013**

**2013/2012**

	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthor ised exp enditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand) Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthor ised exp enditure	Expendit ure autho rised in terms of section 32 of MFMA Rand	Restated Audited Outcome (Rand)
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>													
<b>Governance and administration</b>	<b>1,289,265,929</b>	<b>54,416,130</b>	<b>1,343,682,059</b>	-	<b>1,343,682,059</b>	<b>1,624,293,434</b>	-	<b>280,611,375</b>	<b>121 %</b>	<b>126 %</b>	-	-	<b>1,018,146,828</b>
Executive and council	271,778,267	42,822,237	314,600,504	-	314,600,504	245,597,067	-	(69,003,437)	78 %	90 %	-	-	195,338,063
Budget and treasury office	695,324,401	4,072,441	699,396,842	-	699,396,842	1,073,752,557	-	374,355,715	154 %	154 %	-	-	563,086,618
Corporate services	322,163,261	7,521,452	329,684,713	-	329,684,713	304,943,810	-	(24,740,903)	92 %	95 %	-	-	259,722,147
<b>Community and public safety</b>	<b>416,150,008</b>	<b>4,978,560</b>	<b>421,128,568</b>	-	<b>421,128,568</b>	<b>351,126,560</b>	-	<b>(70,002,008)</b>	<b>83 %</b>	<b>84 %</b>	-	-	<b>320,816,264</b>
Community and social services	122,784,388	1,461,730	124,246,118	-	124,246,118	98,216,661	-	(26,029,457)	79 %	80 %	-	-	94,470,563
Sport and recreation	42,671,512	(30,000)	42,641,512	-	42,641,512	24,198,706	-	(18,442,806)	57 %	57 %	-	-	29,446,530
Public safety	179,115,859	502,060	179,617,919	-	179,617,919	160,185,214	-	(19,432,705)	89 %	89 %	-	-	152,799,706
Housing	59,030,974	3,061,000	62,091,974	-	62,091,974	58,666,127	-	(3,425,847)	94 %	99 %	-	-	34,910,556
Health	12,547,275	(16,230)	12,531,045	-	12,531,045	9,859,852	-	(2,671,193)	79 %	79 %	-	-	9,188,909
<b>Economic and environmental services</b>	<b>424,701,896</b>	<b>7,786,928</b>	<b>432,488,824</b>	-	<b>432,488,824</b>	<b>553,119,786</b>	-	<b>120,630,962</b>	<b>128 %</b>	<b>130 %</b>	-	-	<b>355,424,293</b>
Planning and development	89,877,834	3,805,728	93,683,562	-	93,683,562	92,369,753	-	(1,313,809)	99 %	103 %	-	-	45,474,640
Road transport	312,529,143	4,191,200	316,720,343	-	316,720,343	444,321,198	-	127,600,855	140 %	142 %	-	-	295,886,404
Environmental protection	22,294,919	(210,000)	22,084,919	-	22,084,919	16,428,835	-	(5,656,084)	74 %	74 %	-	-	14,063,249
<b>Trading services</b>	<b>934,415,953</b>	<b>64,415,749</b>	<b>998,831,702</b>	-	<b>998,831,702</b>	<b>884,650,063</b>	-	<b>(114,181,639)</b>	<b>89 %</b>	<b>95 %</b>	-	-	<b>788,035,892</b>
Water	623,745,812	50,656,811	674,402,623	-	674,402,623	616,190,152	-	(58,212,471)	91 %	99 %	-	-	537,454,272
Waste water management	185,684,872	8,000,000	193,684,872	-	193,684,872	124,673,766	-	(69,011,106)	64 %	67 %	-	-	149,669,228
Waste management	124,985,269	5,758,938	130,744,207	-	130,744,207	143,786,145	-	13,041,938	110 %	115 %	-	-	100,912,392
<b>Other</b>	<b>18,804,717</b>	<b>(53,000)</b>	<b>18,751,717</b>	-	<b>18,751,717</b>	<b>13,709,582</b>	-	<b>(5,042,135)</b>	<b>73 %</b>	<b>73 %</b>	-	-	-
Other	18,804,717	(53,000)	18,751,717	-	18,751,717	13,709,582	-	(5,042,135)	73 %	73 %	-	-	17,147,153
<b>Total Expenditure - Standard</b>	<b>3,083,338,503</b>	<b>131,544,367</b>	<b>3,214,882,870</b>	-	<b>3,214,882,870</b>	<b>3,426,899,425</b>	-	<b>212,016,555</b>	<b>107 %</b>	<b>111 %</b>	-	-	<b>2,499,570,430</b>
<b>Surplus/(Deficit) for the year</b>	<b>639,772,586</b>	<b>334,209,246</b>	<b>973,981,832</b>	-	<b>973,981,832</b>	<b>875,861,659</b>		<b>(98,120,173)</b>	<b>90 %</b>	<b>137 %</b>			<b>631,315,834</b>

**Appendix G2 - (Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June, 2014**

	2014/2013						2013/2012							
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA (Rand)	Restated Audited Outcome (Rand)
<b>Revenue by Vote</b>														
Property Rates	913,732,713	182,242,613	1,095,975,326	-	-	1,095,975,326	1,314,690,947	-	218,715,621	120 %	144 %	-	-	-
City Manager	-	-	-	-	-	-	(2,462,255)	-	(2,462,255)	DIV/0 %	DIV/0 %	-	-	-
Corporate Services	11,511,836	-	11,511,836	-	-	11,511,836	6,612,285	-	(4,899,551)	57 %	57 %	-	-	-
Finance	128,709,367	-	128,709,367	-	-	128,709,367	131,075,155	-	2,365,788	102 %	102 %	-	-	-
Community & Social Development	15,575,132	1,840,000	17,415,132	-	-	17,415,132	94,379,105	-	76,963,973	542 %	606 %	-	-	-
Economic Development & Planning	5,910,368	1,000,000	6,910,368	-	-	6,910,368	6,719,791	-	(190,577)	97 %	114 %	-	-	-
Fresh Produce Market	19,142,905	1,054,840	20,197,745	-	-	20,197,745	20,935,957	-	738,212	104 %	109 %	-	-	-
Infrastructural Services	405,547,827	18,944,992	424,492,819	-	-	424,492,819	488,932,154	-	64,439,335	115 %	121 %	-	-	-
Water	668,128,541	32,613,963	700,742,504	-	-	700,742,504	692,278,756	-	(8,463,748)	99 %	104 %	-	-	-
Miscellaneous Services	1,383,898,717	221,602,189	1,605,500,906	6,455,016	-	1,611,955,922	1,526,414,421	-	(85,541,501)	95 %	110 %	-	-	-
Housing	175,610,754	-	175,610,754	-	-	175,610,754	5,925,944	-	(169,684,810)	3 %	3 %	-	-	-
Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
<b>Total Revenue by Vote</b>	<b>3,727,768,160</b>	<b>459,298,597</b>	<b>4,187,066,757</b>	<b>6,455,016</b>	-	<b>4,193,521,773</b>	<b>4,285,502,260</b>	-	<b>91,980,487</b>	<b>102 %</b>	<b>115 %</b>	-	-	-
<b>Expenditure by Vote to be appropriated</b>														
Property Rates	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-
City Manager	205,038,153	-	205,038,153	-	-	205,038,153	180,657,596	-	(24,380,557)	88 %	88 %	-	-	-
Corporate Services	273,910,866	5,533,452	279,444,318	-	-	279,444,318	192,291,085	-	(87,153,233)	69 %	70 %	-	-	-
Finance	187,575,266	(12,673,962)	174,901,304	-	-	174,901,304	153,798,399	-	(21,102,905)	88 %	82 %	-	-	-
Community and Social Development	340,417,562	1,450,000	341,867,562	-	-	341,867,562	287,522,186	-	(54,345,376)	84 %	84 %	-	-	-
Economic Development and Planning	100,934,405	5,119,128	106,053,533	-	-	106,053,533	100,311,061	-	(5,742,472)	95 %	99 %	-	-	-
Fresh Produce Market	18,428,216	-	18,428,216	-	-	18,428,216	13,423,072	-	(5,005,144)	73 %	73 %	-	-	-
Infrastructural Services	668,370,489	18,258,938	686,629,427	-	-	686,629,427	816,552,264	-	129,922,837	119 %	122 %	-	-	-
Water	623,745,812	50,656,811	674,402,623	-	-	674,402,623	616,190,152	-	(58,212,471)	91 %	99 %	-	-	-
Miscellaneous Services	520,733,678	23,700,000	544,433,678	-	-	544,433,678	912,513,860	-	368,080,182	168 %	175 %	-	-	-
Housing	94,278,918	3,000,000	97,278,918	-	-	97,278,918	83,708,682	-	(13,570,236)	86 %	89 %	-	-	-
Regional Operations	54,562,209	36,500,000	91,062,209	-	-	91,062,209	52,672,239	-	(38,389,970)	58 %	97 %	-	-	-
<b>Total Expenditure by Vote</b>	<b>3,087,995,574</b>	<b>131,544,367</b>	<b>3,219,539,941</b>	-	-	<b>3,219,539,941</b>	<b>3,409,640,596</b>	-	<b>190,100,655</b>	<b>106 %</b>	<b>110 %</b>	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>639,772,586</b>	<b>327,754,230</b>	<b>967,526,816</b>	<b>6,455,016</b>	-	<b>973,981,832</b>	<b>875,861,664</b>	-	<b>(98,120,168)</b>	<b>90 %</b>	<b>137 %</b>	-	-	-

**Appendix G3 - (Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June, 2014**

	2014/2013					2013/2012					Restated Audited Outcome (Rand)				
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Budget (Rand)	Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)
<b>Revenue By Source</b>															
Property rates	568,524,212	182,242,613	750,766,825	-		750,766,825	969,482,446		218,715,621	129 %	171 %				514,177,402
Service charges - water revenue	589,873,037	32,613,963	622,487,000	-		622,487,000	612,264,311		(10,222,689)	98 %	104 %				514,366,577
Service charges - sanitation revenue	143,042,961	2,496,906	145,539,867	-		145,539,867	201,495,760		55,955,893	138 %	141 %				143,926,522
Service charges - refuse revenue	97,395,517	16,448,086	113,843,603	-		113,843,603	121,731,410		7,887,807	107 %	125 %				59,876,719
Rental of facilities and equipment	-	116,970	116,970	-		116,970	-		(116,970)	- %	DIV/0 %				-
Interest earned - external investments	33,221,020	-	33,221,020	-		33,221,020	35,014,625		1,793,605	105 %	105 %				37,012,542
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	5,568,202	1,840,000	7,408,202	-		7,408,202	77,361,862		69,953,660	1,044 %	1,389 %				3,828,695
Licences and permits	843,296	-	843,296	-		843,296	433,435		(409,861)	51 %	51 %				431,226
Agency services	3,130,825	-	3,130,825	-		3,130,825	-		(3,130,825)	- %	- %				-
Transfers recognised - operational	654,372,000	46,568,066	700,940,066	-		700,940,066	691,093,953		(9,846,113)	99 %	106 %				621,582,295
Other revenue	786,687,809	937,870	787,625,679	-		787,625,679	747,940,916		(39,684,763)	95 %	95 %				722,998,363
Gains on disposal of PPE	158,721,500	-	158,721,500	-		158,721,500	39,790,136		(118,931,364)	25 %	25 %				(22,054,477)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3,041,380,379</b>	<b>283,264,474</b>	<b>3,324,644,853</b>	<b>-</b>		<b>3,324,644,853</b>	<b>3,496,608,854</b>		<b>171,964,001</b>	<b>105 %</b>	<b>115 %</b>				<b>2,596,145,864</b>

**Appendix G3 - (Unaudited)**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June, 2014**

	2014/2013							2013/2012						
Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>														
Employee related costs	1,074,893,747	(80,000)	1,074,813,747	-	-	1,074,813,747	1,004,394,287	(70,419,460)	93 %	93 %	-	-	-	908,723,141
Remuneration of councillors	48,638,326	-	48,638,326	-	-	48,638,326	47,106,731	(1,531,595)	97 %	97 %	-	-	-	43,610,235
Debt impairment	135,836,651	-	135,836,651	-	-	135,836,651	569,684,182	433,847,531	419 %	419 %	-	-	-	312,535,096
Depreciation & asset impairment	295,106,619	-	295,106,619	-	-	295,106,619	292,481,839	(2,624,780)	99 %	99 %	-	-	-	258,468,908
Finance charges	185,358,178	3,300,000	188,658,178	-	-	188,658,178	145,456,249	(43,201,929)	77 %	78 %	-	-	-	124,256,174
Bulk purchases	352,367,015	-	352,367,015	-	-	352,367,015	382,809,314	30,442,299	109 %	109 %	-	-	-	336,562,227
Other Materials	220,752,865	45,567,800	266,320,665	-	-	266,320,665	203,199,665	(63,121,000)	76 %	92 %	-	-	-	139,511,811
Transfers and grants	121,570,986	8,000,000	129,570,986	-	-	129,570,986	100,271,760	(29,299,226)	77 %	82 %	-	-	-	38,841,179
Other expenditure	653,471,187	74,756,567	728,227,754	-	-	728,227,754	664,236,572	(63,991,182)	91 %	102 %	-	-	-	470,396,060
<b>Total Expenditure</b>	<b>3,087,995,574</b>	<b>131,544,367</b>	<b>3,219,539,941</b>	<b>-</b>	<b>-</b>	<b>3,219,539,941</b>	<b>3,409,640,599</b>	<b>190,100,658</b>	<b>106 %</b>	<b>110 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,597,247,126</b>
<b>Surplus/(Deficit)</b>	<b>(46,615,195)</b>	<b>151,720,107</b>	<b>105,104,912</b>	<b>-</b>	<b>-</b>	<b>105,104,912</b>	<b>86,968,255</b>	<b>(18,136,657)</b>	<b>83 %</b>	<b>(187)%</b>				<b>(1,101,262)</b>
Transfers recognised - capital	686,387,781	176,034,123	862,421,904	-	-	862,421,904	788,893,404	(73,528,500)	91 %	115 %				436,900,324
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>639,772,586</b>	<b>327,754,230</b>	<b>967,526,816</b>	<b>-</b>	<b>-</b>	<b>967,526,816</b>	<b>875,861,659</b>	<b>(91,665,157)</b>	<b>91 %</b>	<b>137 %</b>				<b>435,799,062</b>

**Appendix G4 - (Unaudited)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June, 2014**

	2014/2013							2013/2012							
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	26,000,000	-	26,000,000	-	-	26,000,000	12,347,007	-	(13,652,993)	47 %	47 %	-	-	-	-
Vote 4 - Finance	500,000	-	500,000	-	-	500,000	902,669	-	402,669	181 %	181 %	-	-	-	-
Vote 5 - Social Services	24,484,000	(14,474,000)	10,010,000	-	-	10,010,000	6,085,443	-	(3,924,557)	61 %	25 %	-	-	-	-
Vote 6 - Planning	42,835,000	47,000	42,882,000	-	-	42,882,000	41,031,639	-	(1,850,361)	96 %	96 %	-	-	-	-
Vote 7 - Human Settlement and Housing	8,000,000	(2,235,000)	5,765,000	-	-	5,765,000	-	-	(5,765,000)	- %	- %	-	-	-	-
Vote 8 - Fresh Produce Market	1,000,000	-	1,000,000	-	-	1,000,000	-	-	(1,000,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	274,674,396	63,752,000	338,426,396	-	-	338,426,396	286,686,156	-	(51,740,240)	85 %	104 %	-	-	-	-
Vote 10 - Water Services	162,000,000	81,529,000	243,529,000	-	-	243,529,000	169,574,792	-	(73,954,208)	70 %	105 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>539,493,396</b>	<b>128,619,000</b>	<b>668,112,396</b>	<b>-</b>	<b>-</b>	<b>668,112,396</b>	<b>516,627,706</b>	<b>-</b>	<b>(151,484,690)</b>	<b>77 %</b>	<b>96 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure</b>															
Vote 1 - City Manager	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	6,584,540	31,330,000	37,914,540	-	-	37,914,540	42,530,204	-	4,615,664	112 %	646 %	-	-	-	-
Vote 4 - Finance	1,500,000	2,000,000	3,500,000	-	-	3,500,000	2,810,847	-	(689,153)	80 %	187 %	-	-	-	-
Vote 5 - Social Services	5,300,000	33,262,000	38,562,000	-	-	38,562,000	32,100,596	-	(6,461,404)	83 %	606 %	-	-	-	-
Vote 6 - Planning	14,410,000	12,308,000	26,718,000	-	-	26,718,000	30,096,507	-	3,378,507	113 %	209 %	-	-	-	-
Vote 7 - Human Settlement and Housing	500,000	6,986,000	7,486,000	-	-	7,486,000	6,166,715	-	(1,319,285)	82 %	1,233 %	-	-	-	-
Vote 8 - Fresh Produce Market	700,000	-	700,000	-	-	700,000	-	-	(700,000)	- %	- %	-	-	-	-
Vote 9 - Engineering Services	116,524,061	75,409,000	191,933,061	-	-	191,933,061	152,400,563	-	(39,532,498)	79 %	131 %	-	-	-	-
Vote 10 - Water Services	16,388,347	29,916,000	46,304,347	-	-	46,304,347	79,100,692	-	32,796,345	171 %	483 %	-	-	-	-
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	8,000,000	-	8,000,000	-	-	8,000,000	2,090,195	-	(5,909,805)	26 %	26 %	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>169,906,948</b>	<b>191,211,000</b>	<b>361,117,948</b>	<b>-</b>	<b>-</b>	<b>361,117,948</b>	<b>347,296,319</b>	<b>-</b>	<b>(13,821,629)</b>	<b>96 %</b>	<b>204 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>709,400,344</b>	<b>319,830,000</b>	<b>1,029,230,344</b>	<b>-</b>	<b>-</b>	<b>1,029,230,344</b>	<b>863,924,025</b>	<b>-</b>	<b>(165,306,319)</b>	<b>84 %</b>	<b>122 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Appendix G4 - (Unaudited)**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June, 2014**

	2014/2013					2013/2012									
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Shifting of funds (i.t.o. s31 of the MFMA) (Rand)	Virement (i.t.o. Council approved policy) (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Unauthorised expenditure (Rand)	Variance of Actual Outcome against Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure (Rand)	Expenditure authorised in terms of section 32 of MFMA (Rand)	Balance to be recovered (Rand)	Restated Audited Outcome (Rand)
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>64,393,128</b>	<b>25,117,000</b>	<b>89,510,128</b>	-	-	<b>89,510,128</b>	<b>76,056,421</b>	-	<b>(13,453,707)</b>	<b>85 %</b>	<b>118 %</b>	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	2,000,000	2,000,000	4,000,000	-	-	4,000,000	3,713,516	-	(286,484)	93 %	186 %	-	-	-	-
Corporate services	62,393,128	23,117,000	85,510,128	-	-	85,510,128	72,342,905	-	(13,167,223)	85 %	116 %	-	-	-	-
<b>Community and public safety</b>	<b>42,384,000</b>	<b>31,338,000</b>	<b>73,722,000</b>	-	-	<b>73,722,000</b>	<b>55,140,127</b>	-	<b>(18,581,873)</b>	<b>75 %</b>	<b>130 %</b>	-	-	-	-
Community and social services	22,484,000	8,845,000	31,329,000	-	-	31,329,000	26,237,102	-	(5,091,898)	84 %	117 %	-	-	-	-
Sport and recreation	12,100,000	6,434,000	18,534,000	-	-	18,534,000	11,624,235	-	(6,909,765)	63 %	96 %	-	-	-	-
Public safety	7,300,000	9,443,000	16,743,000	-	-	16,743,000	11,482,232	-	(5,260,768)	69 %	157 %	-	-	-	-
Housing	500,000	6,616,000	7,116,000	-	-	7,116,000	5,796,558	-	(1,319,442)	81 %	1,159 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	<b>181,837,388</b>	<b>45,460,000</b>	<b>227,297,388</b>	-	-	<b>227,297,388</b>	<b>231,401,441</b>	-	<b>4,104,053</b>	<b>102 %</b>	<b>127 %</b>	-	-	-	-
Planning and development	65,245,000	9,412,000	74,657,000	-	-	74,657,000	73,218,341	-	(1,438,659)	98 %	112 %	-	-	-	-
Road transport	116,592,388	35,548,000	152,140,388	-	-	152,140,388	157,716,395	-	5,576,007	104 %	135 %	-	-	-	-
Environmental protection	-	500,000	500,000	-	-	500,000	466,705	-	(33,295)	93 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	<b>419,085,828</b>	<b>215,000,000</b>	<b>634,085,828</b>	-	-	<b>634,085,828</b>	<b>501,326,034</b>	-	<b>(132,759,794)</b>	<b>79 %</b>	<b>120 %</b>	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	178,388,347	111,445,000	289,833,347	-	-	289,833,347	248,675,483	-	(41,157,864)	86 %	139 %	-	-	-	-
Waste water management	227,147,481	94,596,000	321,743,481	-	-	321,743,481	241,891,407	-	(79,852,074)	75 %	106 %	-	-	-	-
Waste management	13,550,000	8,959,000	22,509,000	-	-	22,509,000	10,759,144	-	(11,749,856)	48 %	79 %	-	-	-	-
<b>Other</b>	<b>1,700,000</b>	<b>2,943,000</b>	<b>4,643,000</b>	-	-	<b>4,643,000</b>	<b>-</b>	-	<b>(4,643,000)</b>	<b>- %</b>	<b>- %</b>	-	-	-	-
Other	1,700,000	2,943,000	4,643,000	-	-	4,643,000	-	-	(4,643,000)	- %	- %	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>709,400,344</b>	<b>319,858,000</b>	<b>1,029,258,344</b>	-	-	<b>1,029,258,344</b>	<b>863,924,023</b>	-	<b>(165,334,321)</b>	<b>84 %</b>	<b>122 %</b>	-	-	-	-
<b>Funded by:</b>															
National Government	540,615,000	136,337,613	676,952,613	-		676,952,613	686,605,000		9,652,387	101 %	127 %				-
Provincial Government	43,773,000	39,696,510	83,469,510	-		83,469,510	80,833,000		(2,636,510)	97 %	185 %				-
District Municipality	-	-	-	-		-	467,000		467,000	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	20,000		20,000	DIV/0 %	DIV/0 %				-
<b>Transfers recognised - capital</b>	<b>584,388,000</b>	<b>176,034,123</b>	<b>760,422,123</b>	-		<b>760,422,123</b>	<b>767,925,000</b>		<b>7,502,877</b>	<b>101 %</b>	<b>131 %</b>				-
Public contributions & donations	-	-	-	-		-	25,246,000		25,246,000	DIV/0 %	DIV/0 %				-
Borrowing	36,684,000	2,722,000	39,406,000	-		39,406,000	33,476,000		(5,930,000)	85 %	91 %				-
Internally generated funds	88,328,344	141,073,994	229,402,338	-		229,402,338	258,977,000		29,574,662	113 %	293 %				-
<b>Total Capital Funding</b>	<b>709,400,344</b>	<b>319,830,117</b>	<b>1,029,230,461</b>	-		<b>1,029,230,461</b>	<b>1,085,624,000</b>		<b>56,393,539</b>	<b>105 %</b>	<b>153 %</b>				-



**Appendix G5 - (Unaudited)  
Budgeted Cash Flows  
for the year ended 30 June, 2014**

	2014/2013					2013			
	Original Budget (Rand)	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) (Rand)	Final adjustments budget (Rand)	Final Budget (Rand)	Actual Outcome (Rand)	Variance of Actual Outcome against Adjustments Budget (Rand)	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome (Restated)
<b>Cash flow from operating activities</b>									
<b>Receipts</b>									
Ratepayers and other	2,011,311,578	21,011,386	2,032,322,964	2,032,322,964	1,191,366,827	(840,956,137)	59 %	59 %	4,200,134,229
Government - operating	1,238,759,781	92,719,592	1,331,479,373	1,331,479,373	683,418,702	(648,060,671)	51 %	55 %	621,582,295
Government - capital	-	-	-	-	868,343,907	868,343,907	DIV/0 %	DIV/0 %	436,900,324
Interest	148,821,870	-	148,821,870	148,821,870	149,147,828	325,958	100 %	100 %	37,012,542
<b>Payments</b>									
Suppliers and employees	(2,655,902,962)	(151,438,134)	(2,807,341,096)	(2,807,341,096)	(2,105,704,836)	701,636,260	75 %	79 %	3,401,092,081
Finance charges	49,009,049	(3,300,000)	45,709,049	45,709,049	(116,260,720)	(161,969,769)	(254)%	(237)%	124,256,174
Transfers and Grants	(121,888,986)	(8,000,000)	(129,888,986)	(129,888,986)	-	129,888,986	- %	- %	38,841,179
<b>Net cash flow from/used operating activities</b>	<b>670,110,330</b>	<b>(49,007,156)</b>	<b>621,103,174</b>	<b>621,103,174</b>	<b>670,311,708</b>	<b>49,208,534</b>	<b>108 %</b>	<b>100 %</b>	<b>8,859,818,824</b>
<b>Cash flow from investing activities</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	(899,100)	-	(899,100)	(899,100)	-	899,100	- %	- %	(58,379,284)
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	(1,668,894)
Decrease (increase) other non-current receivables	55,000,000	-	55,000,000	55,000,000	(248,241,313)	(303,241,313)	(451)%	(451)%	218,278,582
Finance cost	-	-	-	-	271,741,916	271,741,916	DIV/0 %	DIV/0 %	153,342,782
<b>Payments</b>									
Capital assets	(536,202,602)	(248,246,552)	(784,449,154)	(784,449,154)	(943,732,971)	(159,283,817)	120 %	176 %	297,025,755
<b>Net cash flow from/used investing activities</b>	<b>(482,101,702)</b>	<b>(248,246,552)</b>	<b>(730,348,254)</b>	<b>(730,348,254)</b>	<b>(920,232,368)</b>	<b>(189,884,114)</b>	<b>126 %</b>	<b>191 %</b>	<b>608,598,941</b>
<b>Cash flow from financing activities</b>									
<b>Receipts</b>									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	2,391,165
Borrowing long term/refinancing	40,393,583	4,500,000	44,893,583	44,893,583	124,092,622	79,199,039	276 %	307 %	195,278,932
Increase (decrease) in consumer deposits	6,000,000	-	6,000,000	6,000,000	852,301	(5,147,699)	14 %	14 %	774,949
<b>Payments</b>									
Repayment of borrowing	(35,000,000)	-	(35,000,000)	(35,000,000)	-	35,000,000	- %	- %	-
<b>Net cash flow from/used financing activities</b>	<b>11,393,583</b>	<b>4,500,000</b>	<b>15,893,583</b>	<b>15,893,583</b>	<b>124,944,923</b>	<b>109,051,340</b>	<b>786 %</b>	<b>1,097 %</b>	<b>198,445,046</b>
<b>Net increase/(decrease) in cash held</b>	<b>199,402,211</b>	<b>(292,753,708)</b>	<b>(93,351,497)</b>	<b>(93,351,497)</b>	<b>(124,975,737)</b>	<b>(31,624,240)</b>	<b>134 %</b>	<b>(63)%</b>	<b>9,666,862,811</b>
Cash/cash equivalents at the year begin:					257,366,261				178,976,851
<b>Cash/cash equivalents at the year end:</b>	<b>199,402,211</b>	<b>(292,753,708)</b>	<b>(93,351,497)</b>	<b>(93,351,497)</b>	<b>132,390,524</b>	<b>(31,624,240)</b>	<b>(142)%</b>	<b>66 %</b>	

