



Mahikeng Local Municipality  
(Registration number NW 383)  
Financial statements  
for the year ended 30 June 2013

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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### Nature of business and principal activities

Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and the Municipal System Act No. 32 of 2000

### Mayoral committee

Executive Mayor

Cllr Miga N L  
Cllr Leepile M: MMC (Planning and Development)  
Cllr Lomo FL: MMC (Community Services)  
Cllr Mothupi HR: MMC (Corporate Services)  
Cllr Poenyane K A : MMC (Office of the Mayor)  
Cllr Tirano R : MMC (Local Economic Development)

### Councillors

Cllr Mokgoetsi K K M : MMC(Infrastructure)  
Cllr Makolomakwa T J: MMC (Finance)  
Cllr Mpengezi N : MMC (Special Projects)  
Cllr Tabane P M : MMC: (Communication)  
Cllr Legalatladi G U :MMC (Public Safety)  
Cllr Jabanyane M D (Speaker)  
Cllr Mafete M E (Single Whip of Council)  
Cllr Nkoane G J : Chairperson(MPAC)  
Cllr Mafabatho A P  
Cllr Maloisane S S N  
Cllr Mosenogi I S  
Cllr Nthutang B J  
Cllr Thomas G  
Cllr Molete E F K  
Cllr Ngqobe N R  
Cllr Babedi P O  
Cllr Ntshabele T  
Cllr Diakanyo K B  
Cllr Moamogwe N  
Cllr Mosikare M D  
Cllr Lesejane R S  
Cllr Motsamai I S  
Cllr Moremedi S D  
Cllr Molale P P  
Cllr Seepamore K L  
Cllr Mhathe K K  
Cllr Ngobeni B S  
Cllr Johnson O J  
Cllr Nkolisa B J  
Cllr Novolo G S  
Cllr Lolwane A N  
Cllr Moeti M E  
Cllr Moepi D P  
Cllr Nkosi P  
Cllr Mathakathaka K G  
Cllr Mokolemako M C  
Cllr Dintoe M M  
Cllr Magogodi M P  
Cllr Dingile M E  
Cllr Mahura S M

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## General Information

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Cllr Mmono C D  
Cllr Ngqobe M  
Cllr Lekhobe M E  
Cllr Chanda M M  
Cllr Chili E M  
Cllr Africa A.J  
Cllr Selepe T L  
Cllr Mtunzi D T  
Cllr Motshegoa T  
Cllr Matlholwa M R  
Cllr Sephoti M W  
Cllr Lebelela T W  
Cllr Kgaje G K  
Cllr Mathoko S M  
Cllr Theologo J R  
Cllr Molete G M  
Kgosi Shole G G  
Kgosi Seatlholo G A

**Grading of local authority**

Grade 4

**Chief Finance Officer (CFO)**

Mr. S S Mmope

**Accounting Officer**

Mr. K F Rabanye

**Registered office**

Cnr University Drive & Hector Peterson Road  
Mmabatho  
2735

**Business address**

Cnr University Drive & Hector Peterson Road  
Mmabatho  
2735

**Postal address**

Private Bag X63  
Mmabatho  
2735

**Bankers**

Standard Bank of South Africa  
Business Centre, Nelson Mandela Drive, Mahikeng, 2745

**Auditors**

Auditor-General of South Africa  
124 Kock Street  
Rustenburg  
0030

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the financial statements presented to the :

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### Abbreviations

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

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Officer's Responsibilities and Approval

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I, as Accounting Officer, am 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 my responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was 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 judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set the 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 Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am 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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, I am satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future

The Municipality's operations depend on a number of sources of revenue, ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Although I am primarily responsible for the financial affairs of the Municipality, I am supported by the Municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements. Thus, the Annual Financial Statements will be examined by the Municipality's external auditors, with an objective of expressing an independent opinion on the Annual Financial Statements.

The Annual Financial Statements set out on page 5 to 59, which have been prepared on the going concern basis, were approved and signed by me on 30 August 2013 .

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**Accounting Officer**  
**Mr. Rabanye K.F.**

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand		Note(s)	2013	2012
<b>Assets</b>				
Current Assets				
Inventories	<a href="#">30.20</a>	8	2,891,164	2,450,516
Receivables from Exchange Transactions	<a href="#">31.20</a>	10	2,501,872	4,802,489
Other Receivables from Non-exchange Transactions	<a href="#">33.20</a>	9	31,184,962	7,188,063
Consumer Debtors	<a href="#">31.20</a>	11	58,889,680	34,968,690
Shares & Unit Trusts	<a href="#">27.27</a>	7	3,999,124	8,786,926
Money Market Investments	<a href="#">27.28</a>	45	46,152,781	28,552,928
Cash and Cash Equivalents	<a href="#">32.20</a>	12	5,062	16,781
			<b>145,624,645</b>	<b>86,766,393</b>
Non-Current Assets				
Investment Property	<a href="#">21.20</a>	2	50,377,720	50,250,255
Property, Plant and Equipment	<a href="#">20.20</a>	3	446,870,064	455,650,846
Intangible assets	<a href="#">23.22</a>	4	1,135,869	1,135,869
			<b>498,383,653</b>	<b>507,036,970</b>
Non-Current Assets			498,383,653	507,036,970
Current Assets			145,624,645	86,766,393
<b>Total Assets</b>			<b>644,008,298</b>	<b>593,803,363</b>
<b>Liabilities</b>				
Current Liabilities				
Other Interest Bearing Liabilities	<a href="#">41.27-28</a>	13	3,992,000	3,822,911
Finance Lease Obligation	<a href="#">25.29</a>	14	942,700	1,855,504
Trade and Other Payables	<a href="#">51.20</a>	17	137,450,580	99,877,168
VAT Payable	<a href="#">51.20</a>	18	10,858,912	11,620,796
Consumer Deposits	<a href="#">51.20</a>	19	5,236,228	4,905,111
Unspent Conditional Grants and Receipts	<a href="#">43.20</a>	15	42,003,921	26,333,159
Provisions	<a href="#">52.20</a>	16	414,883	595,757
Bank Overdraft	<a href="#">32.20</a>	12	11,586,341	29,992,590
			<b>212,485,565</b>	<b>179,002,996</b>
Non-Current Liabilities				
Other Interest Bearing Liabilities	<a href="#">41.27-28</a>	13	28,039,891	31,787,606
Finance Lease Obligation	<a href="#">25.29</a>	14	10,331	943,838
Retirement Benefit Obligation	<a href="#">27.22</a>	6	17,630,000	17,103,000
Provisions	<a href="#">52.20</a>	16	60,375,806	57,666,541
			<b>106,056,028</b>	<b>107,500,985</b>
Non-Current Liabilities			106,056,028	107,500,985
Current Liabilities			212,485,565	179,002,996
<b>Total Liabilities</b>			<b>318,541,593</b>	<b>286,503,981</b>
Assets			644,008,298	593,803,363
Liabilities			(318,541,593)	(286,503,981)
<b>Net Assets</b>			<b>325,466,705</b>	<b>307,299,382</b>
<b>Net Assets</b>				
Reserves				
Housing Development Fund	<a href="#">40.22</a>	46	3,470,046	3,470,046
Accumulated surplus	<a href="#">40.24</a>	47	321,996,659	303,829,336
<b>Total Net Assets</b>			<b>325,466,705</b>	<b>307,299,382</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Property Rates	21	105,664,339	97,628,210
Service Charges	22	106,523,941	91,651,726
Rental of Facilities and Equipment	21	829,204	3,423,144
Interest Received - Trading		33,604,196	29,718,851
Fines		2,678,817	2,419,237
Licences and Permits/Certificates		4,833,417	4,840,394
Government Grants & Subsidies	23	155,940,072	157,219,027
Miscellaneous Revenue		29,586	-
Fees Earned		1,468,900	1,499,840
Commissions Received		324,950	300,030
Recoveries		441,733	250,742
Other Income		73,816	74,012
Building Plans Fees		265,712	302,720
Blocked Drains Charges		35,950	149,574
Fair value adjustment		127,465	113,877
Interest Received - Investment	30	2,917,571	2,460,053
<b>Total revenue</b>		<b>415,759,669</b>	<b>392,051,437</b>
<b>Expenditure</b>			
Personnel Costs	27	(173,184,391)	(168,184,292)
Remuneration of Councillors	28	(18,304,390)	(16,792,206)
Depreciation and Amortisation	31	(27,764,412)	(26,182,428)
Finance Costs	32	(5,818,088)	(6,505,987)
Debt Impairment	29	(20,390,554)	(9,676,324)
Collection Costs		(1,203,456)	(1,029,221)
Repairs and Maintenance		(24,733,378)	(24,944,023)
Bulk Purchases	35	(47,090,546)	(51,175,554)
Contracted services		(5,002,447)	(6,657,126)
General Expenses	25	(82,982,720)	(62,083,162)
<b>Total expenditure</b>		<b>(406,474,382)</b>	<b>(373,230,323)</b>
Total revenue		415,759,669	392,051,437
Total expenditure		(406,474,382)	(373,230,323)
<b>Operating surplus</b>	26	<b>9,285,287</b>	<b>18,821,114</b>
Surplus before taxation		9,285,287	18,821,114
Taxation		-	-
<b>Surplus for the year</b>		<b>9,285,287</b>	<b>18,821,114</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	3,470,046	980,616,917	984,086,963
Adjustments			
Correction of errors	-	(347,836,342)	(347,836,342)
<b>Balance at 01 July 2011 as restated</b>	<b>3,470,046</b>	<b>632,780,575</b>	<b>636,250,621</b>
Changes in net assets			
Surplus for the year	-	18,821,114	18,821,114
Prior year adjustment	-	(347,836,342)	(347,836,342)
Reserves Additions/Expenses	-	63,989	63,989
Total changes	-	(328,951,239)	(328,951,239)
<b>Balance at 01 July 2012</b>	<b>3,470,046</b>	<b>303,829,336</b>	<b>307,299,382</b>
Changes in net assets			
Surplus for the year	-	9,285,287	9,285,287
Prior year adjustment	-	8,868,227	8,868,227
Reserves Additions/Expenses	-	13,809	13,809
Total changes	-	18,167,323	18,167,323
<b>Balance at 30 June 2013</b>	<b>3,470,046</b>	<b>321,996,659</b>	<b>325,530,692</b>

Note(s)

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		220,898,905	268,002,607
Grants		164,611,658	120,687,370
Interest income		2,917,571	2,460,053
Other receipts		3,921,033	1,416,190
		<u>392,349,167</u>	<u>392,566,220</u>
<b>Payments</b>			
Employee costs		(186,852,829)	(144,899,539)
Suppliers		(146,845,904)	(165,625,606)
Finance costs		(5,818,088)	(6,505,987)
Unwound interest - non-cash item		2,768,996	2,612,260
		<u>(336,747,825)</u>	<u>(314,418,872)</u>
Total receipts		392,349,167	392,566,220
Total payments		(336,747,825)	(314,418,872)
<b>Net cash flows from operating activities</b>	36	<b><u>55,601,342</u></b>	<b><u>78,147,348</u></b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment	3	(18,983,630)	(19,070,456)
Increase in shares & unit trusts		(129,704)	(157,424)
Increase in money market investments		(12,682,347)	(26,178,776)
Movement in reserves		13,810	64,281
		<u>(31,781,871)</u>	<u>(45,342,375)</u>
<b>Cash flows from financing activities</b>			
Repayment of other interest bearing liabilities		(3,578,630)	(5,900,177)
Finance lease payments		(1,846,311)	(2,106,982)
		<u>(5,424,941)</u>	<u>(8,007,159)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,394,530</b>	<b>(12,274,713)</b>
Cash and cash equivalents at the beginning of the year		(29,975,809)	(17,701,096)
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>(11,581,279)</u></b>	<b><u>(29,975,809)</u></b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Financial Statements

#### Statement of Compliance

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

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

#### STATEMENT AND INTERPRETATION NOT YET EFFECTIVE

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 18 - Segment Reporting
- GRAP 20 - Related Party Disclosures
- GRAP 25 - Employee Benefits
- GRAP 32 - Standard of GRAP on Service Concession Arrangements: Grantor
- GRAP 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers

#### 1.1 Accounting estimates and judgements

##### Key source of estimation and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of the current events and actions they may undertake in the future actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the municipality's policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

##### Impairment of Trade and Other Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their payment history. Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing.

##### Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.1 Accounting estimates and judgements (continued)

#### Provisions and other post-retirement benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6

#### Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

#### Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### 1.2 Investment Property

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

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

Investment property is held at fair value.

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

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

#### Fair value

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

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll.

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.

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair value where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease, and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

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

Item	Average useful life
Buildings	30
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Emergency Equipment	5-10
Refuse Tankers	5-10
Infrastructure	10-40
• Roads ans Stormwater	5-150
• Refuse	20-50
• Electricity	10-100
• Water	10-200
• Sewerage	10-200
• Housing	10-200
Community	15-30
• Buildings	20-100
• Recreational facilities	20-30
• Security	5-10
• Halls	20-30
• Libraries	20-30
• Parks and gardens	15-20
• Other assets	15-30

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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

Other property, plant and equipment	4-20
• Building	20-100
• Specialist vehicles	10-35
• Other vehicles	5-30
• Office furniture	3-15
• Furniture and fittings	5-20
• Watercraft	15-30
• Bins and Containers	5-15
• Specialised plant and equipment	5-35
• Other plant and equipment	2-25
• Landfill sites	20-100
• Quarries	20-100
• Emergency Equipment	5-25
• Computer equipment	3-15

### Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### 1.4 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

### 1.5 Site restoration and dismantling cost

Where the municipality 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'. These costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation for which municipality 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. The costs are capitalised to the cost of the relevant assets.

### 1.6 Financial instruments

#### Classification

The Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability:

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

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

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### 1.6 Financial instruments (continued)

#### Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

#### Financial instruments designated as at fair value through surplus or deficit

All financial instruments are initially measured at fair value. The financial instruments are subsequently recognised at fair value through profit and loss

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

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

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the Municipality. Liabilities for goods and services rendered to the municipality before yearend are accrued based on management's estimate if the invoice or statement have not been issued.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months and are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categories cash and cash equivalents as financial assets, loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Bank overdraft and borrowings

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

#### Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

#### Financial liabilities and equity instruments

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

#### Gains and losses

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

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

##### Financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the municipality loses control of contractual rights that comprise the assets.

##### Financial liabilities

A financial liability is derecognised when the obligation under the contract is discharged, cancelled or expires.

### 1.7 Leases

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

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.7 Leases (continued)

#### Finance leases - municipality 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.

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

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

#### Operating leases - municipality as 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.

#### Operating leases -municipality as 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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 1.8 Inventories

Inventories consist of raw materials, work in progress, consumables, finished goods and unsold properties.

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

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. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.9 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.

### 1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests 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.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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

#### Reversal of impairment loss

The municipality assesses 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.

### 1.11 Employee benefits

#### Short-term employee benefits

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

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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

#### Defined contribution plans

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

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

#### Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees have already reached the prescribed milestones but payments for the equivalent leave days accrued has not been made by year-end, the amount is recognised as accruals.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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.

Provisions are not recognised for future operating deficits.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

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

#### Site Restoration, Onerous contracts, Reimbursements, Restructuring, Long Service Award

##### Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

##### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

##### Reimbursements

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 it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

##### Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

##### Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future .The provision is discounted using a reasonable discounting rate.

### 1.13 Revenue

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

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

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

#### 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 services potential associated with the transaction will flow to the municipality; and ;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Revenue (continued)

#### Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

#### Interest, royalties and dividends

##### Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

##### Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

##### Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

##### Other

##### Tariff charges

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

##### Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

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

#### Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

#### Rates and Taxes

Assesment Rates and fixed property valuations are conducted in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004.

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

The charges are based on the approved value of the land and buildings multiplied by the approved tariff (cents in the rand) Assesment Rates is levied in July for the entire financial year end and payable by the 30 September, alternatively levied at proportionately 1/12 per month end payable monthly.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised on receipt.

#### Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable, which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

#### Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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

#### Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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

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

When, as a result of a non-exchange transaction, the municipality 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

#### 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 municipality and the fair value of the assets can be measured reliably.

### 1.15 Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

Borrowing costs are recognised in surplus or deficit using the effective interest rate method.

### 1.16 Consumer deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

### 1.17 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.18 Unauthorised expenditure

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

### 1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

### 1.21 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

### 1.22 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.23 Budget information

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

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

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

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by GRAP 24.

### 1.24 Tax

#### Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act 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 municipality accounts for VAT on a monthly basis.

- The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.25 Net reserves

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

### 1.26 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.

### 1.27 Housing development fund

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

### 1.28 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 2. Investment Property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	50,377,720	-	50,377,720	50,250,255	-	50,250,255

#### Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Investment property	50,250,255	127,465	50,377,720

#### Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Investment property	50,136,378	113,877	50,250,255

- -

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and Accumulated Impairment	Carrying value	Cost / Valuation	Accumulated depreciation and Accumulated Impairment	Carrying value
Land	63,270,625	-	63,270,625	63,270,625	-	63,270,625
Buildings	33,931,917	(5,390,130)	28,541,787	33,931,917	(4,261,427)	29,670,490
Plant and machinery	-	1	1	-	1	1
Furniture and fixtures	6,632,899	(4,381,712)	2,251,187	6,632,899	(3,434,155)	3,198,744
Motor vehicles	20,607,441	(14,382,651)	6,224,790	20,607,441	(11,438,731)	9,168,710
Office equipment	1,418,283	(850,027)	568,256	1,418,283	(666,655)	751,628
IT equipment	1,767,291	(1,204,408)	562,883	1,502,948	(903,818)	599,130
Bridges	48,188,375	(7,770,741)	40,417,634	48,188,375	(6,164,462)	42,023,913
Community Buildings	4,392,897	(532,035)	3,860,862	3,771,081	(406,332)	3,364,749
Roads, Storm Drains & Pavements	145,323,115	(23,325,377)	121,997,738	145,323,115	(18,481,273)	126,841,842
Bins and containers	1,260,029	(737,837)	522,192	1,260,029	(720,017)	540,012
Reservoirs	4,824,702	(57,501)	4,767,201	4,824,702	(38,334)	4,786,368
Emergency Equipment	2,680,899	(1,054,886)	1,626,013	1,262,898	(802,306)	460,592
Sanitation Skips	178,200	(71,280)	106,920	178,200	(71,280)	106,920
High Mast Lights	53,816,305	(14,441,206)	39,375,099	53,788,945	(9,521,309)	44,267,636
Refuse Tanker	209,544	(146,103)	63,441	209,544	(125,149)	84,395
Recreational Facilities	1,125,603	(236,614)	888,989	1,125,603	(182,908)	942,695
Landfill Site	1,831,645	(377,103)	1,454,542	1,831,645	(269,359)	1,562,286
Stadiums	6,410,965	(1,601,642)	4,809,323	6,410,965	(1,281,094)	5,129,871
Farms	20,428,214	-	20,428,214	20,428,214	-	20,428,214
Heritage Site	913,750	-	913,750	913,750	-	913,750
Sewerage, Water Network & Piping	95,303,022	(46,253,731)	49,049,291	95,303,022	(36,723,429)	58,579,593
Capital work in progress	53,347,965	-	53,347,965	37,083,128	-	37,083,128
Other Assets	3,919,010	(2,097,649)	1,821,361	3,531,737	(1,656,183)	1,875,554
<b>Total</b>	<b>571,782,696</b>	<b>(124,912,632)</b>	<b>446,870,064</b>	<b>552,799,066</b>	<b>(97,148,220)</b>	<b>455,650,846</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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

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

	Opening balance	Additions	Depreciation	Total
Land	63,270,625	-	-	63,270,625
Buildings	29,670,490	-	(1,128,703)	28,541,787
Plant and machinery	1	-	-	1
Furniture and fixtures	3,198,744	-	(947,557)	2,251,187
Motor vehicles	9,168,710	-	(2,943,920)	6,224,790
Office equipment	751,628	-	(183,372)	568,256
IT equipment	599,130	264,343	(300,590)	562,883
Bridges	42,023,913	-	(1,606,279)	40,417,634
Community Buildings	3,364,749	621,816	(125,703)	3,860,862
Roads, Storm Drains & Pavements	126,841,842	-	(4,844,104)	121,997,738
Bins and containers	540,012	-	(17,820)	522,192
Reservoirs	4,786,368	-	(19,167)	4,767,201
Emergency equipment	460,592	1,418,001	(252,580)	1,626,013
Sanitation Skips	106,920	-	-	106,920
High Mast Lights	44,267,636	27,360	(4,919,897)	39,375,099
Refuse Tanker	84,395	-	(20,954)	63,441
Recreational Facilities	942,695	-	(53,706)	888,989
Landfill Site	1,562,286	-	(107,744)	1,454,542
Stadiums	5,129,871	-	(320,548)	4,809,323
Farms	20,428,214	-	-	20,428,214
Heritage	913,750	-	-	913,750
Sewerage, Water Network & Piping	58,579,593	-	(9,530,302)	49,049,291
Capital work in progress	37,083,128	16,264,837	-	53,347,965
Other Assets	1,875,554	387,273	(441,466)	1,821,361
	<b>455,650,846</b>	<b>18,983,630</b>	<b>(27,764,412)</b>	<b>446,870,064</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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

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

	Opening balance	Additions	Depreciation	Total
Land	63,270,625	-	-	63,270,625
Buildings	30,694,688	106,866	(1,131,064)	29,670,490
Plant and machinery	1	-	-	1
Furniture and fixtures	4,002,170	128,591	(932,017)	3,198,744
Motor vehicles	12,112,630	-	(2,943,920)	9,168,710
Office equipment	924,388	29,200	(201,960)	751,628
IT equipment	899,720	-	(300,590)	599,130
Bridges	43,630,192	-	(1,606,279)	42,023,913
Community Buildings	3,490,452	-	(125,703)	3,364,749
Roads, Storm Drains & Pavements	131,796,251	-	(4,954,409)	126,841,842
Bins and containers	720,016	-	(180,004)	540,012
Reservoirs	4,805,535	-	(19,167)	4,786,368
Emergency Equipment	713,172	-	(252,580)	460,592
Sanitation Skips	124,740	-	(17,820)	106,920
High Mast Lights	46,996,245	-	(2,728,609)	44,267,636
Refuse Tanker	105,349	-	(20,954)	84,395
Recreational Facilities	799,593	199,382	(56,280)	942,695
Landfill Site	1,670,030	-	(107,744)	1,562,286
Stadiums	5,450,419	-	(320,548)	5,129,871
Farms	20,428,214	-	-	20,428,214
Heritage	913,750	-	-	913,750
Sewerage, Water Network & Piping	68,109,895	-	(9,530,302)	58,579,593
Capital work in progress	18,476,711	18,606,417	-	37,083,128
Other Assets	2,317,021	-	(441,467)	1,875,554
	<b>462,451,807</b>	<b>19,070,456</b>	<b>(25,871,417)</b>	<b>455,650,846</b>

#### Pledged as security

Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them. Carrying value of assets pledged as security:

Motor Vehicles 4,444,438 4,444,438

The terms of the agreement are that the lessor retains ownership of the vehicles until the loan is fully paid. More details of the loan are disclosed under finance leases.

The municipality's obligations under finance leases are secured by the lessor's change over the leased assets. Refer note 14.

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

Motor vehicles 4,444,438 4,444,438

### 4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,555,054	(419,185)	1,135,869	1,555,054	(419,185)	1,135,869

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 4. Intangible assets (continued)

#### Reconciliation of intangible assets - 2013

	Opening balance	Total
Computer software	1,135,869	1,135,869

#### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	1,446,880	(311,011)	1,135,869

#### Pledged as security

There are no intangible assets pledged as security.

### 5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2013

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other receivables	2,501,871	-	-	2,501,871
Other receivables from non-exchange transactions	-	-	-	-
Cash and cash equivalents	-	5,062	-	5,062
Shares in unit trusts	-	-	3,999,124	3,999,124
Money market investments	-	46,152,781	-	46,152,781
	<b>2,501,871</b>	<b>46,157,843</b>	<b>3,999,124</b>	<b>52,658,838</b>

#### 2012

	Loans and receivables	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other receivables	4,802,489	-	-	4,802,489
Other receivables from non-exchange transactions	7,188,063	-	-	7,188,063
Cash and cash equivalents	-	16,781	-	16,781
Shares in unit trusts	-	-	3,869,420	3,869,420
Money Market Investments	-	33,470,434	-	33,470,434
	<b>11,990,552</b>	<b>33,487,215</b>	<b>3,869,420</b>	<b>49,347,187</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 6. Retirement benefit obligations

#### Defined benefit plan

#### Post Retirement Medical Aid Benefit

The municipality operates a funded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Samwumed, Discovery and Hosmed medical schemes.

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(17,630,000)	(17,103,000)
Non-current liabilities	(17,630,000)	(17,103,000)
Current liabilities	-	-
	<b>(17,630,000)</b>	<b>(17,103,000)</b>

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

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

Opening balance	17,103,000	15,435,000
Benefits paid	(76,000)	(49,000)
Net expense recognised in the statement of financial performance	603,000	1,717,000
<b>Closing balance</b>	<b>17,630,000</b>	<b>17,103,000</b>

Net expense recognised in the statement of financial performance

Interest cost	1,450,000	1,387,000
Current service Cost	935,000	892,000
Actuarial (gains) losses	(1,782,000)	(562,000)
<b>Total included in employee related costs</b>	<b>603,000</b>	<b>1,717,000</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 6. Retirement benefit obligations (continued)

#### Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2012 were as follows:

Discount rates used	8.75 %	8.50 %
Health care cost inflation	7.50 %	7.50 %
Net discount rate	0.93 %	1.16 %
Salary inflation	7.25 %	7.25 %
Consumer price inflation	6.25 %	6.25 %

The discount rate was derived from the quoted nominal Government bonds (R209) interest yield as at 30 June 2013, which was 8.61% (or 8.80% annualised). For valuation calculations, the interest rate was rounded off to the nearest 0.25%, resulting in a discount rate of 8.75% per annum.

The Consumer Price Inflation (CPI) was derived from the differential between yields for Government index linked bonds (R202) and nominal Government bonds (R209) with similar terms. The assumed CPI is 6.73%. rounded to the nearest 0.25%, resulting in a rate of 6.25% per annum

Salary inflation was assumed to be 1% above the CPI.

**Demographic Assumptions:** Normal Retirement Age (65 years); Fully accrued age (65 years); Age between husband and wife (Active members - 4 years, Pensioners 4 years); Proportion married (Active members - 90%, Pensioners actual married status used) .

**Decrement Assumptions:** Mortality [Active members: SA85 - 90, Pensioners: PA(90 - 2)]

**Data Assumption:** The actual date of birth for pensioners spouses were not provided. As such the age difference between the husband and wife was assumed to be four years.

**Continuation percentages:** It was assumed that **100%** of the deceased pensioners' spouses will continue with their membership.

#### Other assumptions

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:

#### Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The total economic entity contribution to such schemes

14,787,079 14,390,632

The amount recognised as an expense for defined contribution plans is

6,344,891 6,034,836

Included in defined contribution plan information above, is the Multi- Employer Pension Fund contributions, which due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s), are accounted for as Defined Contribution Plans.

### 7. Shares & Unit Trusts

The municipality has shares in Sanlam, which were obtained through the demutualisation process. Furthermore, other investments in unit trusts are also maintained at Investec.

Sanlam	605,177	605,177
Investec	3,393,947	8,181,748
	<b>3,999,124</b>	<b>8,786,925</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>8. Inventories</b>		
Consumable stores	2,891,164	2,450,516
<b>Inventory pledged as security</b>		
There were no security pledges made against inventory during the current and prior financial period.		
<b>9. Other Receivables from Non-exchange Transactions</b>		
Property Rates	193,392,846	166,963,241
Provision for bad debts	(162,207,884)	(159,775,178)
	<b>31,184,962</b>	<b>7,188,063</b>
<b>Movement in Provision</b>		
Balance at the beginning of year	(159,777,179)	(179,383,405)
Expenditure during the year	(2,432,706)	19,606,226
	<b>(162,209,885)</b>	<b>(159,777,179)</b>
<b>Other Receivables from Non-exchange Transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2012, and at 30 June 2013 there were no amounts impaired in respect of debts less than 3 months overdue.		
The ageing of amounts past due but not impaired is as follows		
:		
1 month past due	6,451,348	5,570,791
2 months past due	4,761,977	1,108,752
3 months past due	19,971,637	508,519
	<b>31,184,962</b>	<b>7,188,062</b>
<b>Other Receivables from Non-exchange Transactions impaired</b>		
As of 30 June 2013, Other Receivables from Non-Exchange transactions of R 166,342,557, (2012: R 159,775,178) was impaired and provided for.		
<b>10. Receivables from Exchange Transactions</b>		
Accrued Income	55,948	55,948
Health Subsidy Debtors	2,000	2,000
Staff Debtors	-	4,068
Sundry debtors	6,552,409	7,827,954
Civil Contract Sessions	-	(768,661)
Staff Contra	1,268,261	684,287
Other debtors	374,096	3,843,588
Provision for bad debts	(5,750,842)	(6,846,695)
	<b>2,501,872</b>	<b>4,802,489</b>

The debt is greater than 90 days.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>11. Consumer debtors</b>		
<b>Gross balances</b>		
Water	118,695,558	101,358,101
Sewerage	45,119,116	41,240,310
Refuse	40,119,338	42,420,325
Interest Levied (on Consumer Debtors)	153,324,023	134,230,620
	<b>357,258,035</b>	<b>319,249,356</b>
<b>Less: Allowance for impairment</b>		
Water	(95,846,915)	(89,789,152)
Sewerage	(37,676,637)	(35,752,774)
Refuse	(33,349,776)	(38,315,861)
Interest Levied (on Consumer Debtors)	(131,495,027)	(120,422,879)
	<b>(298,368,355)</b>	<b>(284,280,666)</b>
<b>Net balance</b>		
Water	22,848,643	11,568,949
Sewerage	7,442,479	5,487,536
Refuse	6,769,562	4,104,464
Interest Levied (on Consumer Debtors)	21,828,996	13,807,741
	<b>58,889,680</b>	<b>34,968,690</b>
<b>Water</b>		
Current (0 -30 days)	5,777,500	7,592,468
31 - 60 days	4,830,130	1,837,636
61 - 90 days	12,241,013	2,138,845
	<b>22,848,643</b>	<b>11,568,949</b>
<b>Sewerage</b>		
Current (0 -30 days)	1,520,380	1,582,335
31 - 60 days	1,239,732	1,274,712
61 - 90 days	4,682,367	2,630,489
	<b>7,442,479</b>	<b>5,487,536</b>
<b>Refuse</b>		
Current (0 -30 days)	1,425,030	1,538,111
31 - 60 days	1,175,355	1,321,813
61 - 90 days	4,169,177	1,244,540
	<b>6,769,562</b>	<b>4,104,464</b>
<b>Interest Levied (on Consumer debtors)</b>		
Current (0 -30 days)	2,994,088	3,239,967
31 - 60 days	2,944,678	2,914,264
61 - 90 days	15,890,230	7,653,510
	<b>21,828,996</b>	<b>13,807,741</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(284,280,666)	(270,216,222)
Net contributions to allowance	(14,087,689)	(14,064,444)
	<b>(298,368,355)</b>	<b>(284,280,666)</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012				
<b>11. Consumer debtors (continued)</b>						
<b>Consumer debtors pledged as security</b>						
There were no pledges made against consumer debtors.						
<b>Consumer debtors past due but not impaired</b>						
As of 30 June 2013, consumer debtors of R306 910 977 (2012: R284, 280, 665) were impaired and provided for.						
The ageing of amounts past due but not impaired is as follows:						
1 month past due	11,716,998	13,952,881				
2 months past due	10,189,896	7,348,425				
3 months past due	36,982,787	13,667,384				
<b>Total</b>	<b>58,889,681</b>	<b>34,968,690</b>				
<b>12. Cash and Cash Equivalents</b>						
Cash and cash equivalents consist of:						
Cash on hand	5,062	16,781				
Bank overdraft	(11,586,341)	(29,992,590)				
	<b>(11,581,279)</b>	<b>(29,975,809)</b>				
Current assets	5,062	16,781				
Current liabilities	(11,586,341)	(29,992,590)				
	<b>(11,581,279)</b>	<b>(29,975,809)</b>				
<b>The municipality had the following bank accounts</b>						
<b>Account number / description</b>	<b>Bank statement balances</b>			<b>Cash book balances</b>		
	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
Standard Bank - Current Account - Account number 030852595	2,274,122	5,658,854	1,567,895	(11,586,341)	(29,992,590)	(17,708,509)
Petty Cash	-	-	-	5,062	16,781	7,413
<b>Total</b>	<b>2,274,122</b>	<b>5,658,854</b>	<b>1,567,895</b>	<b>(11,581,279)</b>	<b>(29,975,809)</b>	<b>(17,701,096)</b>
<b>13. Other interest bearing liabilities</b>						
<b>At amortised cost</b>						
DBSA Loans				16,210,869	18,491,222	
The loans carry interest rates varying between 5% and 15% per annum and are repayable over periods ranging between 10 - 20 years. As at 30 June 2013 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured over the rental income from one of the municipality's investment property.						
INCA Loans				15,821,022	17,119,295	
The loans carry interest rates varying between 5% and 15% per annum and are repayable over period ranging between 10 and 20 years. As at 30 June 2013 no amount was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured by the municipality's income from assessment rates.						
				<b>32,031,891</b>	<b>35,610,517</b>	
<b>Total other financial liabilities</b>				<b>32,031,891</b>	<b>35,610,517</b>	

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>Non-current liabilities</b>		
At amortised cost	28,039,891	31,787,606
<b>Current liabilities</b>		
At amortised cost	3,992,000	3,822,911
<b>14. Finance Lease Obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,042,626	2,025,174
- in second to fifth year inclusive	10,461	983,891
	1,053,087	3,009,065
less: future finance charges	(122,501)	(209,723)
<b>Present value of minimum lease payments</b>	<b>930,586</b>	<b>2,799,342</b>
<b>Present value of minimum lease payments due</b>		
- within one year	920,255	1,855,504
- in second to fifth year inclusive	10,331	943,838
	<b>930,586</b>	<b>2,799,342</b>

It is the municipality policy to lease certain property, plant and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2012: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

Leased vehicles are self-secured in that they are used as security for the loans which were used to fund them.

### 15. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	30,162,175	24,322,291
Rural Water Grant	-	67,560
Finance Management Grant (FMG)	18,506	51,139
Municipal System Improvement Grant (MSIG)	289,732	218,319
Library Grant	-	(219,150)
Satellite: First Ottoshoop	3,281,999	1,200,000
National Lottery Grant	251,509	693,000
Electricity Demand Management	8,000,000	-
	<b>42,003,921</b>	<b>26,333,159</b>

### Movement during the year

Balance at the beginning of the year	26,333,159	14,905,097
Additions during the year	37,619,000	43,975,342
Income recognition during the year	(21,948,238)	(32,547,280)
	<b>42,003,921</b>	<b>26,333,159</b>

See note 23 for reconciliation of grants from National/Provincial Government.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

### 16. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation-Landfill Site	46,149,932	2,768,996	-	48,918,928
Training fund reserve	704,304	-	(704,304)	-
Long Service Award	11,408,062	463,699	-	11,871,761
	<b>58,262,298</b>	<b>3,232,695</b>	<b>(704,304)</b>	<b>60,790,689</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation-Landfill Site	43,537,671	2,612,261	-	46,149,932
Legal proceedings	7,967,520	-	(7,967,520)	-
Training Fund Reserve	-	704,304	-	704,304
Long Service Award	10,191,910	1,216,152	-	11,408,062
	<b>61,697,101</b>	<b>4,532,717</b>	<b>(7,967,520)</b>	<b>58,262,298</b>

Non-current liabilities	60,375,806	57,666,541
Current liabilities	414,883	595,757
	<b>60,790,689</b>	<b>58,262,298</b>

#### Environmental rehabilitation provision

This provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF).

The following assumptions were made to provide an estimation of the for the rehabilitation of the site:

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand

2013

2012

### 16. Provisions (continued)

- Insufficient volumes of the required quality clayey material would be available for the capping layers. It was replaced by

#### Landfil sites

The purpose of this provision is to determine the closure and rehabilitation costs for waste disposal site. In order to determine these rehabilitation costs, the Minimum Requirements (second edition, 1998) from the Department of Water Affairs and Forestry (DWAF) were used as guidelines.

The following assumptions were used to determine the value of the provision:

- Remaining site life of 13 years as at 30 June 2013
- An escalation rate of 6%
- A discount rate of 6%

#### Long Service Award

The municipal employees, excluding those with fixed term contracts, who have been with the employer for a certain period of time are entitled to additional leave days ( in addition to normal leave) as recognition for service at the same employer. The additional leave (long service awards) is paid out when the employee has reached the required continued period of service.

The Long Service Award computations were calculated for the first as at 30 June 2011. To determine the liability values as at 30 June 2009 and 2010, the projected liability as 30 June 2011 was discounted backwards. As such there are no comparative figures for the key assumptions and sensitivity analysis.

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

#### Service Milestone

10 years	10	10
15 years	20	20
20 years	30	30
25 years	30	30
30 years	30	30
35 years	30	30
40 years	30	30
45 years	30	30

#### The following key assumptions were used in the valuation.

Discount rate (%)	9	9
Award inflation (%)	7	7
Mortality (SA-aggregate)	88	88
Normal retirement age (years)	65	65
Average number of resignations per 1000 members	73	73
Average number of ill-healthy retirement per 1000 members	3	3

### 17. Trade and Other Payables

Debtors with credit balances	21,288,391	21,394,191
Accrued Long Service Award	11,318,312	11,205,962
Sundry creditors	8,520,662	4,790,142
Accrued leave pay	16,670,299	14,674,860
Trade payables	74,562,916	43,551,733
Unallocated receipts	5,090,000	4,260,280
	<b>137,450,580</b>	<b>99,877,168</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>18. VAT payable</b>		
Balance due	10,858,912	11,620,796
<b>19. Consumer deposits</b>		
Other deposits	3,730,687	3,396,307
Water	1,505,541	1,508,804
	<b>5,236,228</b>	<b>4,905,111</b>
<b>20. Revenue</b>		
Property rates	105,664,339	97,628,210
Service charges	106,523,941	91,651,726
Rental of facilities and equipment	829,204	3,423,144
Interest received - trading	33,604,196	29,718,851
Fines	2,678,817	2,419,237
Licences and permits	4,833,417	4,840,394
Government grants & subsidies	155,940,072	157,219,027
Recoveries	441,733	250,742
Fees earned	1,468,900	1,499,840
Commissions received	324,950	300,030
Other income	73,816	74,012
Blocked drains charges	35,950	149,574
Other income - (rollup)	127,465	113,877
Building plans fees	265,712	302,720
Interest received - investment	2,917,571	2,460,053
Miscellaneous other revenue	29,586	-
	<b>415,759,669</b>	<b>392,051,437</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	106,523,941	91,651,726
Rental of facilities and equipment	829,204	3,423,144
Interest received - trading	33,604,196	29,718,851
Licences and permits	4,833,417	4,840,394
Recoveries	441,733	250,742
Fees earned	1,468,900	1,499,840
Commissions received	324,950	300,030
Other income	73,816	74,012
Blocked drains charges	35,950	149,574
Other income - (rollup)	127,465	113,877
Building plans fees	265,712	302,720
Interest received - investment	2,917,571	2,460,053
Miscellaneous other revenue	29,586	-
	<b>151,476,441</b>	<b>134,784,963</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	105,664,339	97,628,210
Fines	2,678,817	2,419,237
<b>Transfer revenue</b>		
Government grants & subsidies	155,940,072	157,219,027
	<b>264,283,228</b>	<b>257,266,474</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>21. Property rates</b>		
<b>Rates received</b>		
General Assessment Rates	142,061,859	135,798,494
Less: Income forgone	(36,397,520)	(38,170,284)
	<b>105,664,339</b>	<b>97,628,210</b>
<b>Valuations</b>		
Residential	3,751,714,265	3,634,966,734
Commercial	1,378,314,124	963,234,644
State	1,455,109,426	1,477,106,326
Industrial	398,331,750	304,568,215
Small holdings and farms	1,072,667,845	1,069,407,845
Creche	8,020,000	8,400,000
Guest Houses	59,131,500	55,190,000
Other	774,204,129	723,491,962
	<b>8,897,493,039</b>	<b>8,236,365,726</b>

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2011. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.105 cents per rand (2012: 0.105 cents per rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) {2012: 85% (Residential), 60% (Business/Commercial), 80% (Industrial) and 85% (Agricultural)}. Qualifying pensioners were granted a further 80 - 85% rebate (2012: 9%) are granted to residential and state property owners. For residential properties, the R40,000 is non-rateable (rebate). Thus, the discount for such properties is calculated after deducting the rebate.

Rates are levied on a monthly basis. Interest is levied on rates not paid by the due date using the effective interest rate method (current prime rate plus 1%).

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>22. Service charges</b>		
Water sales	69,751,594	56,611,892
Sewerage	19,115,800	17,749,816
Refuse removal	17,656,547	17,290,018
	<b>106,523,941</b>	<b>91,651,726</b>

### The following general rates have been approved by Council:

Differentiated rates were applied as follows. Impermissible rate for residential was first R 40,000,00 for all residential properties.

	Description	Rate	Discount %	Rebate
(1)	Residential	0.005	100%	R 40,000,00
(2)	RDP	0.005	100%	-
(3)	Pensioners	0.005	80%	-
(4)	Agricultural Residential	0.005	80%	-
(5)	Farms	0.00125	75%	-
(6)	Government (Busines, Office Ottoshop, Park and Residential)	0.045	100%	-
(7)	Church	0.018	100%	-
(8)	Business	0.018	-	-
(9)	Creche	0.018	-	-
(10)	Industrial	0.018	-	-
(11)	Guesthouse 1, 2, 3	0.018	25%	-
(12)	Municipal	0.045	100%	-

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	121,440,000	109,725,000
EPWP Grant	5,732,000	4,047,000
National Lottery Grant	441,491	-
Health Subsidy - District Municipality	-	712,564
Library Grant	1,408,366	889,150
Municipal System Improvement Grant (MSIG)	728,588	-
Finance Management Grant (FMG)	1,407,633	1,990,828
Municipal Infrastructure Grant (MIG)	19,479,116	25,854,485
Premier Project: Cleaning Subsidy	2,339,155	-
Firestation Grant	1,418,001	-
Skills Development Refund	1,478,162	-
	<b>155,872,512</b>	<b>143,219,027</b>
<b>Capital grants</b>		
Parks Amneties Subsidy	-	2,500,000
District Municipality Subsidy	-	3,500,000
Rural Waste	67,560	4,798,863
Health Service Subsidy	-	3,201,137
	<b>67,560</b>	<b>14,000,000</b>
	<b>155,940,072</b>	<b>157,219,027</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigent consumers receive a subsidy of 6 kilolitres of water per month which is funded from the grant.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	24,322,291	14,795,776
Current-year receipts	42,919,000	35,381,000
Current year funds withheld	(17,600,000)	-
Conditions met - transferred to revenue	(17,086,944)	(19,025,045)
Conditions met - VAT	(2,392,172)	(6,829,440)
	<b>30,162,175</b>	<b>24,322,291</b>

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities (see note 15).

Grant amounting to R17 600 000 was withheld during the current period in respect of unspent funds for the 2009/2010 financial year.

### Rural Water Support Grant

Balance unspent at beginning of year	67,560	67,560
Current-year receipts	-	-
Other	(67,560)	-
	<b>-</b>	<b>67,560</b>

The fund balance was transferred to revenue because this is an operational grant.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>23. Government grants and subsidies (continued)</b>		
<b>Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	51,139	41,760
Current-year receipts	1,500,000	2,000,207
Current year funds withheld	(125,000)	-
Conditions met - transferred to revenue	(1,407,633)	(1,990,828)
	<b>18,506</b>	<b>51,139</b>

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.

Portion of grant which conditions still to be met are included in current liabilities.

Grant amounting to R125 000 was withheld during the current period in respect of unspent funds for the 2009/2010 financial year.

### Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	218,319	-
Current-year receipts	800,000	830,000
Conditions met - transferred to revenue	(728,587)	(611,681)
	<b>289,732</b>	<b>218,319</b>

The grant is meant to assisting municipalities in the improvement of system related transactions.

Portion of grant which conditions still to be met are included in current liabilities.

### Library Grant

Balance unspent at beginning of year	(219,150)	-
Current-year receipts	-	670,000
Conditions met - transferred to revenue	-	(889,150)
Other	219,150	-
	<b>-</b>	<b>(219,150)</b>

The fund balance was transferred to revenue because this is an operational grant.

### Satellite: Fire Ottoshoop

Balance unspent at beginning of year	1,200,000	-
Current-year receipts	3,500,000	1,200,000
Conditions met - transferred to revenue	(1,418,001)	-
	<b>3,281,999</b>	<b>1,200,000</b>

This is mainly used to provide satellite fire station at Ottoshoop.

Portion of grant which conditions still to be met are included in current liabilities.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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Figures in Rand 2013 2012

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### 23. Government grants and subsidies (continued)

#### National Lottery Grant

Balance unspent at beginning of year	693,000	-
Current-year receipts	-	693,000
Conditions met - transferred to revenue	(441,491)	-
	<u>251,509</u>	<u>693,000</u>

This grant is mainly used in assisting the municipality in delivering sports development projects.

Portion of grant which conditions still to be met are included in current liabilities.

#### Electricity Demand Management Grant

Current-year receipts	<u>8,000,000</u>	-
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This fund has been granted by the Department of Energy to the municipality to used in electricity efficiency usage programme.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming financial years.

### 24. Other revenue

Fees earned	1,468,900	1,499,840
Commissions received	324,950	300,030
Recoveries	441,733	250,742
Other income	73,816	74,012
Other income - (rollup)	127,465	113,877
Building plan fees	265,712	302,720
Blocked drains revenue	35,950	149,574
	<u>2,738,526</u>	<u>2,690,795</u>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>25. General expenses</b>		
Advertising	836,414	943,639
Auditors fees	2,250,586	2,804,286
Bank charges	675,015	969,186
Chemicals	409,662	598,031
Cleaning	481,609	449,690
Consulting and professional fees	5,337,978	3,207,100
Disaster Management	806,193	486,851
Disposal site Expenditure	2,671,195	1,997,709
Donations	26,316	6,579
Electricity & Water	4,484,943	4,348,896
Entertainment	1,217,213	614,365
Extended public works programme	8,955,056	8,234,496
Finance Management Grant	1,458,473	1,676,005
Fines and penalties	-	24
Free Basic Water & Electricity	4,690,941	4,535,059
Fuel and oil	2,739,785	2,693,476
Insurance	472,236	431,985
Laboratory related costs	41,250	45,000
Lease rentals on operating lease	1,998,931	1,005,184
Library Grant	1,747,540	889,150
License vehicles	317,962	300,050
MIG Info System Support	-	10,797
Magazines, books and periodicals	124,887	123,510
Materials	532,269	365,360
Medical expenses	103,654	115,293
Meter Reading	349,996	567,510
Other expenses	5,012,248	2,138,150
Postage and courier	771,596	640,389
Printing and stationery	1,941,640	1,338,878
Project maintenance costs	2,562,996	342,856
Protective clothing	473,993	670,168
Provisions	10,423,324	2,712,263
Royalties and license fees	1,456,621	1,448,623
Security (Guarding of municipal property)	4,694,047	4,555,098
Skills Development Levy	-	825
Staff welfare	30,545	437,227
Subscriptions and membership fees	2,328,454	2,760,668
System Improvement	744,738	422,493
Telephone and fax	2,271,394	2,770,641
Training	890,576	775,084
Travel - local	1,591,755	985,282
Valuation Roll	1,553,036	100,366
Ward Committee Expenses	3,505,653	2,564,920
	<b>82,982,720</b>	<b>62,083,162</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>26. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Lease rentals on operating lease - Other		
• Contractual amounts	1,998,931	1,005,184
Depreciation on property, plant and equipment	27,764,412	26,182,428
Employee costs	191,488,781	184,976,498

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>27. Personnel</b>		
Basic	132,588,455	126,743,071
Bonus	6,036,083	5,437,921
Medical aid - company contributions	6,268,891	6,286,479
UIF	642,774	597,343
Post Retirement Benefit - Actuarial loss	(1,914,058)	18,260
Post Retirement Benefit -Interest	2,371,248	2,261,247
Post Retirement Benefit - Current service costs	1,749,209	1,609,759
Overtime payments	5,569,095	5,975,928
Allowances locomotion	4,521,546	4,048,836
Housing benefits and allowances	564,069	646,531
Pension Funds	14,787,079	14,558,917
	<b>173,184,391</b>	<b>168,184,292</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	784,087	345,661
Car Allowance	242,324	56,098
Other Allowance	246,633	303,617
	<b>1,273,044</b>	<b>705,376</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	627,700	233,475
Car Allowance	198,308	-
Other Allowance	215,075	515,687
	<b>1,041,083</b>	<b>749,162</b>
<b>Remuneration of Corporate Service Director</b>		
Annual Remuneration	627,145	507,468
Car Allowance	166,989	85,200
Other Allowance	206,378	249,053
	<b>1,000,512</b>	<b>841,721</b>
<b>Remuneration of Planning and Development Service Director</b>		
Annual Remuneration	450,919	330,179
Other Allowance	-	416,176
	<b>450,919</b>	<b>746,355</b>
<b>Remuneration of Infrastructure Service Director</b>		
Annual Remuneration	565,191	330,179
Car Allowance	176,955	-
Other Allowance	178,561	298,085
	<b>920,707</b>	<b>628,264</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>27. Personnel (continued)</b>		
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	517,008	732,630
Other Allowance	238,114	94,018
	<b>755,122</b>	<b>826,648</b>
<b>Remuneration of Public Safety Director</b>		
Annual Remuneration	630,390	394,129
Car Allowance	172,601	113,465
Other Allowance	58,629	324,808
	<b>861,620</b>	<b>832,402</b>
<b>28. Remuneration of councillors</b>		
Executive Mayor	726,898	685,111
Mayoral Committee Members	3,382,106	3,889,316
Speaker	559,701	536,723
Councillors	13,161,955	11,325,399
Chief Whip	473,730	355,657
	<b>18,304,390</b>	<b>16,792,206</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker, Chief Whip, Single Whip of Council and Mayoral Committee Members are full-time and are provided office space at the cost of the council. In addition, they are paid travelling allowances for trips outside Mafikeng. The Executive Mayor, Speaker, Chief Whip and Single Whip of Council are also provided with secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as a bodyguard.		
<b>29. Debt impairment / (Correction of Impairment)</b>		
Debts impaired	20,390,554	9,676,324
Debtors written off during the year amounted to R 4 966 011 (2012: R 0.00)		
<b>30. Investment revenue</b>		
<b>Interest revenue</b>		
Interest earned (bank & investment accounts)	2,917,571	2,460,053
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	27,764,412	26,182,428
<b>32. Finance costs</b>		
Fair value adjustments on payables	2,768,996	2,612,260
Interest paid	3,049,092	3,893,727
	<b>5,818,088</b>	<b>6,505,987</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>33. Auditors' expenses</b>		
Auditors' Fees	2,250,586	2,804,286
<b>34. Rental of facilities and equipment</b>		
Rental of facilities and equipment	753,089	3,423,214
<b>35. Bulk purchases</b>		
Water	47,090,546	51,175,554
<b>36. Cash generated from operations</b>		
Surplus	9,285,287	18,821,114
<b>Adjustments for:</b>		
Depreciation and amortisation	27,764,412	26,182,428
Impairment deficit	-	-
Debt impairment	20,390,554	9,676,324
Movements in retirement benefit assets and liabilities	527,000	(2,368,990)
Movements in provisions	2,528,391	37,674,409
Other non-cash items	8,868,230	915,631
Fair value adjustment to investment property	(127,465)	(113,877)
<b>Changes in working capital:</b>		
Inventories	(440,648)	106,516
Receivables from Exchange Transactions	2,300,617	(3,947,505)
Other receivables from non-exchange transactions	(23,996,899)	4,347,879
Consumer debtors	(44,311,544)	(27,214,964)
Trade and Other Payables	37,573,412	5,834,765
VAT	(761,884)	(3,983,564)
Unspent Conditional Grants and Receipts	15,670,762	11,428,063
Consumer deposits	331,117	789,119
	<b>55,601,342</b>	<b>78,147,348</b>
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	23,985,013	7,422,760
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	34,970,494	32,873,755

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grants from provincial and national government.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>38. Contingencies</b>		
<b>Balances from Attorneys and Correspondences</b>		
Service provider cases	22,754,530	89,376
Labour related cases	3,273,215	162,805
Botshelo Water Debt	38,696,778	-
Eviction cases	-	25,280
Department of Human Settlements unspent tranche payments	7,263,734	-
Property loss/ damage cases	3,486,033	1,486,033
Malicious proceedings	100,000	100,000
	<b>75,574,290</b>	<b>1,863,494</b>

### Service provider cases

These are civil claims against Council for: professional services rendered relating to construction of roads; uncompleted work; and possible breach of contract by several service providers.

### Labour related cases

This relates to an arbitration matter over unfair dismissal of employees.

### Wage curve agreement

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

### Botshelo water debt

Relates to disputes over invoice submitted for readings, tariffs and VAT payable to Botshelo water.

### Property loss/damage cases

This is a civil litigation matter wherein community members claim that the Municipality was negligent in preventing fire to damage their property.

### Malicious proceedings

This is a civil matter wherein claims for damages for unlawful arrest and detention against the Municipality and its three employees.

### Department of Human Settlements unspent tranche payments

The dispute to the value of R7 263 734 arose from Human Settlement tranche payment. The amount is under dispute because the money was spent to build RDP houses.

# Mahikeng Local Municipality

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### 39. Related parties

During the year, there were no related party transactions in respect of persons/people that have a relationship with management and key personnel. However the municipality has various processes in place to identify and note any related party transactions with regards to this matter. These range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, this is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

The municipality has paid amounts in respect of remuneration to the following personnel, please refer to note 27 for the breakdown of the amounts.

#### Compensation to accounting officer and other key management

Short-term employee benefits	6,303,007	5,329,928
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#### Key management information

Class	Description
Municipal Manager	KF Rabanye
Chief Financial Officer	SS Mmope
Corporate Service Director	S Mpolokeng
Planning and Development Service Director	T Phaedi
Infrastructure Service Director	R Ruiters
Community Services Director	Y Mogopa
Public Safety Director	K Boikanyo

### 40. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the municipality under policies approved by the Municipal Manager.

#### Liquidity risk

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

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

# Mahikeng Local Municipality

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### 40. Risk management (continued)

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain borrowings in fixed and variable rate instruments, all denominated in the Rand.

#### Sensitivity analysis to interest rate changes

The calculations below are based on the 30 June 2012 balances on Leases and Debtors (Receivables from Exchange and Non-exchange transactions):

- All Loans are charged at fixed interest rates. Interest rate fluctuations will therefore have no impact on expenditure.
- Leases are subject to interest rates changes. An increase or decrease between 1% -to 2% will result in an increase or decrease in expenditure of R27,993 to R55,986 per annum, respectively.
- A 1% to 2% Interest increases or decrease on outstanding debtors will amount to increased or decreased interest revenue of R421,568 to R843,156 per annum.
- The surplus (if increased) or deficit (if decreased) will vary between R393,575 to R787,170 per annum.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services. Credit control measures are therefore implemented within the approved municipal policies and relevant acts governing municipal operations.

#### Cash and Cash Equivalents

Mafikeng local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

#### Investments

It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

#### Financial instrument

	2013	2012
Receivables from exchange transactions	2,501,871	4,802,489
Consumer debtors	58,889,680	34,968,690
Shares & Unit Trusts	3,999,124	3,869,420
Money Market Investments	46,152,781	33,470,434
Cash and cash equivalents	5,062	16,781

### 41. Unauthorised expenditure

Opening balance	111,809,414	87,457,118
Current year depreciation: Depreciation	-	17,696,742
Current year Expenditure: Bulk purchased	-	6,655,554
Less: Amount Condoned	-	-
	<b>111,809,414</b>	<b>111,809,414</b>

In the current year the municipality did not incur unauthorised expenditure. However the past periods unauthorised expenditure has been tabled for condonation in Council at its meeting held on 10 September 2013 (Resolution number: A 71/09/2013). Council resolved to refer the matter to the Municipal Public Accounts Committee for further investigation and recommendation.

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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<b>42. Fruitless and wasteful expenditure</b>		
Opening balance	5,270,237	22,686
Interest Eskom	86,715	50,517
Other	10,372	5,197,034
Less: Amounts condoned	-	-
	<b>5,367,324</b>	<b>5,270,237</b>

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure

### (1) Construction Industry Development Board (CIBD):

Enquiry against municipality on allegations of having failed to comply CIBD Regulations in the procurement process relating to a tender resulting in a claim of R 106,476.00 which was paid after a plea of guilty. A fine of R 30, 000,00 was imposed and this matter was finalised.

### (2) Africanism Building & Civils Versus Mafikeng Local Municipality:

Action for recovery of monies arising out of a tender amounting to R 89,376.00 is still to be paid. This matter was defended . At this stage there is consultation scheduled for drawing of plea. This matter is still pending.

### 43. Irregular expenditure

Opening balance	75,288,561	52,183,967
Add: Irregular Expenditure - current year	18,299,089	23,104,594
Less: Amounts condoned	-	-
	<b>93,587,650</b>	<b>75,288,561</b>

### Details of irregular expenditure

-

Both the current and past periods irregular expenditure has been tabled for condonation in Council at its meetings held on 10 September 2013 (Resolution number: A 71/09/2013).Council resolved to refer the matter to Municipal Public Accountants Committee for further investigation and recommendation.

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

#### Water Losses

Units bought (kl)	10,714,851	12,104,011
Units sold (kl)	(9,467,320)	(11,132,277)
<b>Units lost in distribution revenue</b>	<b>1,247,531</b>	<b>971,734</b>
Units lost in distribution	1,247,531	971,734
Average cost per kl sold	7	4
<b>Monetary Loss in distribution</b>	<b>1,247,538</b>	<b>971,738</b>
Percentage loss	12	8
Revenue per (kl) sold	9	8
Number of meters	14,452	14,151
Number of stands	19,265	19,265

The municipality purchases water from the local water service authority and sells to its residents. During the current year the municipality bought 10 714 851 kilolitres (2012: 12 104 011), sold 9 467 320 kl (2011: 11 132 277) and this resulted in water loss of 1 247 531 kilolitres. The losses are attributable to unmetered consumptions especially in low cost housing development, illegal connections and burst pipes not timeously attended to.

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## Notes to the Financial Statements

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<b>44. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	807,862	3,207
Current year costs	1,957,151	2,804,286
Amount paid - current year	(2,250,586)	(1,999,631)
	<b>514,427</b>	<b>807,862</b>
<b>PAYE and UIF</b>		
Opening balance	1,580,719	1,750,078
Current year subscription / fee	23,925,729	23,480,233
Amount paid - current year	(23,433,427)	(23,649,592)
	<b>2,073,021</b>	<b>1,580,719</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	21,131,970	20,894,396
Amount paid - current year	(21,131,970)	(20,894,396)
	-	-
<b>VAT</b>		
VAT payable	10,858,912	11,620,796

The municipality is registered for VAT on a cash basis. As such VAT is claimed or paid on receipt of payment or settlement of the transaction, respectively.

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

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Ngqobe M	3,383	98,279	101,662
Councillor Sephoti MW	1,262	28,569	29,831
Councillor Mtunzi D	565	794	1,359
Councillor Tabane P M	439	837	1,276
	<b>5,649</b>	<b>128,479</b>	<b>134,128</b>

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mtunzi D	216	951	1,167
Councillor Molete GM	489	32,407	32,896
Councillor Sephoti MW	855	40,031	40,886
Councillor Ngqobe M	1,679	96,572	98,251
Councillor Ngqobe M	506	23,290	23,796
	<b>3,745</b>	<b>193,251</b>	<b>196,996</b>

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

30 June 2013	Highest outstanding amount	Aging (in days)
Councillor Ngqobe M	98,279	90
Councillor Sephoti MW	28,569	90
Councillor Mtunzi D	794	90
Councillor Tabane P M	837	90
	<b>128,479</b>	<b>360</b>

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor Ngqobe M	96,572	90
Councillor Sephoti MW	40,031	90
Councillor Molete GM	32,407	90
Councillor Ngqobe M	32,407	90
Councillor Mtunzi D	951	90
	<b>202,368</b>	<b>450</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

Figures in Rand	2013	2012
<b>45. Money Market Investments</b>		
ABSA	-	20,065
FNB	-	24,048
Standard Bank	41,495,233	8,644,827
Nedbank	3,900,000	19,111,179
ABSA (Collateral security)	134,970	130,231
Nedbank (Collateral security)	622,578	622,578
	<b>46,152,781</b>	<b>28,552,928</b>

Collateral deposits for staff housing loans

Included in other fixed deposits above are fixed deposits with a carrying value of R0,076 million (2012: R0,073 million), which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The Entity's exposure to risk is minimised by an assurance policy taken out by the employee and ceded to the Entity to cover the guaranteed deposit

### 46. Housing Development Fund

Closing balance	3,470,046	3,470,046
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### 47. Accumulated Surplus

The accumulated surplus balance includes the following:

Government grant reserve	75,516,102	75,516,102
Insurance reserve	77,795	63,987
	<b>75,593,897</b>	<b>75,580,089</b>

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

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### 48. Prior Year Adjustments and Errors

	2013	2012
Adjustment of consumer debtors opening balances	(8,121,410)	-
Lease liability redeemed per bank confirmation not recognized	22,445	-
Capital expenses duplicated	(768,375)	-
Adjustment of investment opening balance per bank confirmation	877	-
Adjustment of investment opening balance per bank confirmation	(291,793)	-
Correction understated loans redemption	(156,879)	-
Correction overstated loans redemption	419,407	-
Billing intergration adjustments	(8,688)	-
Billing intergration adjustments	36,188	-
Adjustment of landfill site provision opening balance per valuation report	(43,478,024)	(41,109,214)
Adjustment of long service awards provision opening balance per valuation report	1,099,738	2,315,890
Adjustment of retirement benefit liability opening balance	4,036,990	5,233,919
Adjustment to opening balance of unspent conditional grant - municipal infrastructure grant	7,971,482	-
Adjustment to the opening balance of the investment property	-	(347,836,342)
Adjustment to the opening balance of the accumulated surplus	-	347,836,342
	-	-

# Mahikeng Local Municipality

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

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### 49. New standards and interpretations

#### 49.1 Standards and interpretations issued, but not yet effective

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant impact isexpected
• GRAP 106: Transfers of functions between entities not under common control	Unknown	No significant impact isexpected
• GRAP 107: Mergers	Unknown	No significant impact isexpected
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No significant impact isexpected
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No significant impact isexpected
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No significant impact isexpected
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No significant impact isexpected
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No significant impact isexpected
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	No significant impact isexpected
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	No significant impact isexpected
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No significant impact isexpected
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	No significant impact isexpected

# Mahikeng Local Municipality

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### 50. Comparative figures

Certain comparative figures have been reclassified.

### 51. Statement of Comparison of Budget and Actual Amounts

Financial performance	Original budget	Adjustment budget	Actual outcome	Variance	Actual outcome as a % of final budget	Actual outcome as a % of original budget
Property rates	152,146,000	152,146,000	105,664,339	46,481,661	69	69
Service charges	129,268,000	131,884,000	106,523,941	25,360,059	80.77	82.41
Rental of facilities and equipment	3,429,000	3,365,000	829,204	2,535,796	25	24
Interest earned - external investments	850,000	850,000	2,917,571	(2,067,571)	343	343
Interest earned - outstanding debtors	11,250,000	11,250,000	33,604,196	(22,354,196)	299	299
Fines	3,377,000	3,411,000	2,678,817	732,183	79	79
Licences and permits	4,398,000	4,225,000	4,833,417	(608,417)	114	110
Transfers recognised - operational	126,972,000	129,544,000	136,460,956	(6,916,956)	105	107
Other revenue	46,419,000	55,619,000	2,640,647	52,978,353	5	6
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>478,109,000</b>	<b>492,294,000</b>	<b>396,153,088</b>	<b>96,140,912</b>	<b>80</b>	<b>83</b>
	<b>478,109,000</b>	<b>492,294,000</b>	<b>396,153,088</b>	<b>96,140,912</b>	<b>80</b>	<b>83</b>
Employee related costs	(178,300,000)	(186,655,000)	(173,184,391)	(13,470,609)	93	97
Remuneration of councillors	(17,844,000)	(17,844,000)	(18,304,390)	460,390	103	103
Debt impairment	(81,234,000)	(81,234,000)	(20,390,554)	(60,843,446)	25	25
Depreciation and asset impairment	(13,554,000)	(13,554,000)	(27,764,412)	14,210,412	205	205
Finance charges	(2,418,000)	(2,418,000)	(5,818,088)	3,400,088	241	241
Bulk purchases	(50,308,000)	(50,308,000)	(47,090,546)	(3,217,454)	94	94
Contracted services	(22,180,000)	(19,689,000)	(5,002,447)	(14,686,553)	25	23
Other expenditure	(72,880,000)	(83,724,000)	(84,186,176)	462,176	101	116
Repairs and maintenance	(45,146,000)	(23,508,000)	(24,733,378)	1,225,378	105	55
<b>Total expenditure</b>	<b>(483,864,000)</b>	<b>(478,934,000)</b>	<b>(406,474,382)</b>	<b>(72,459,618)</b>	<b>85</b>	<b>84</b>
	<b>(483,864,000)</b>	<b>(478,934,000)</b>	<b>(406,474,382)</b>	<b>(72,459,618)</b>	<b>85</b>	<b>84</b>
Total revenue (excluding capital transfers and contributions)	478,109,000	492,294,000	396,153,088	96,140,912	80	83
Total expenditure	(483,864,000)	(478,934,000)	(406,474,382)	(72,459,618)	85	84
<b>Surplus/(deficit)</b>	<b>(5,755,000)</b>	<b>13,360,000</b>	<b>(10,321,294)</b>	<b>23,681,294</b>	<b>85</b>	<b>179</b>
Transfers recognised - capital	-	-	19,479,116	-	-	-
Fair value adjustments	-	-	127,465	-	-	-
	<b>(5,755,000)</b>	<b>13,360,000</b>	<b>9,285,287</b>	<b>23,681,294</b>	<b>70</b>	<b>(161)</b>

Appendix A (Appendixes do not form part of the Annual Financial Statements)

Schedule of external loans as at 30 June 20123

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
DBSA @ 13%	102/2301	31-Mar-12	-	-	-	-	-
DBSA @ 10%	205/2300	31-Mar-12	-	-	-	-	-
DBSA @ 5%	1028461/1	31-Mar-12	2,259,843	-	2,259,843	-	-
DBSA @ 5%	1028461/2	31-Mar-12	422,630	-	422,630	-	-
DBSA @ 5%	1028461/3	31-Mar-12	15,808,749	-	15,808,749	-	-
			<b>18,491,222</b>	-	<b>18,491,222</b>	-	-
<b>INCA Loans</b>							
INCA	MAF-00-001	30-Jun-15	3,000,000	-	3,000,000	-	-
INCA	MAF-01-002	30-Jun-28	14,119,296	-	14,119,296	-	-
			<b>17,119,296</b>	-	<b>17,119,296</b>	-	-
<b>Lease liability</b>							
Standard Bank	0012-057	01-Jul-14	2,799,342	-	2,799,342	-	-
			<b>2,799,342</b>	-	<b>2,799,342</b>	-	-
<b>Total external loans</b>							
Development Bank of South Africa			18,491,222	-	18,491,222	-	-
Bonds			-	-	-	-	-
INCA Loans			17,119,296	-	17,119,296	-	-
Lease liability			2,799,342	-	2,799,342	-	-
			<b>38,409,860</b>	-	<b>38,409,860</b>	-	-

Appendix B (Appendixes do not form part of Annual Financial Statements)

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

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land	34,466,370	-	-	-	-	-	34,466,370	-	-	-	-	-	-	34,466,370
Landfill Sites	1,831,645	-	-	-	-	-	1,831,645	(269,359)	-	-	(107,744)	-	(377,103)	1,454,542
Farm	20,428,214	-	-	-	-	-	20,428,214	-	-	-	-	-	-	20,428,214
	<b>56,726,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,726,229</b>	<b>(269,359)</b>	<b>-</b>	<b>-</b>	<b>(107,744)</b>	<b>-</b>	<b>(377,103)</b>	<b>56,349,126</b>
<b>Infrastructure</b>														
Roads	145,323,115	-	-	-	-	-	145,323,115	(18,481,273)	-	-	(4,844,104)	-	(23,325,377)	121,997,738
Bridges	48,188,375	-	-	-	-	-	48,188,375	(6,164,462)	-	-	(1,606,279)	-	(7,770,741)	40,417,634
Highmast Lights	53,788,945	27,360	-	-	-	-	53,816,305	(9,521,309)	-	-	(4,919,897)	-	(14,441,206)	39,375,099
Reservoirs	4,824,702	-	-	-	-	-	4,824,702	(38,334)	-	-	(19,167)	-	(57,501)	4,767,201
Sewerage, Water Network & Piping	95,303,022	-	-	-	-	-	95,303,022	(36,723,429)	-	-	(9,530,302)	-	(46,253,731)	49,049,291
WIP - High Mast Lights	14,034,869	16,264,837	-	-	-	-	30,299,706	-	-	-	-	-	-	30,299,706
WIP - Roads	18,818,371	-	-	-	-	-	18,818,371	-	-	-	-	-	-	18,818,371
WIP - Community Centres	4,229,889	-	-	-	-	-	4,229,889	-	-	-	-	-	-	4,229,889
	<b>384,511,288</b>	<b>16,292,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,803,485</b>	<b>(70,928,807)</b>	<b>-</b>	<b>-</b>	<b>(20,919,749)</b>	<b>-</b>	<b>(91,848,556)</b>	<b>308,954,929</b>
<b>Community Assets</b>														
Stadium	6,410,965	-	-	-	-	-	6,410,965	(1,281,094)	-	-	(320,548)	-	(1,601,642)	4,809,323
Community Buildings	3,771,081	4,015,816	-	-	-	-	7,786,897	(406,332)	-	-	(125,703)	-	(532,035)	7,254,862
Recreational facilities	1,125,603	-	-	-	-	-	1,125,603	(182,908)	-	-	(53,706)	-	(236,614)	888,989
	<b>11,307,649</b>	<b>4,015,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,323,465</b>	<b>(1,870,334)</b>	<b>-</b>	<b>-</b>	<b>(499,957)</b>	<b>-</b>	<b>(2,370,291)</b>	<b>12,953,174</b>

**Appendix B (Appendixes do not form part  
of Annual Financial Statements)**

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

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Other	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
	<b>913,750</b>	-	-	-	-	-	<b>913,750</b>	-	-	-	-	-	-	<b>913,750</b>
<b>Specialised vehicles</b>														
Refuse Tanker	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
	<b>209,544</b>	-	-	-	-	-	<b>209,544</b>	<b>(104,195)</b>	-	-	<b>(20,954)</b>	-	<b>(125,149)</b>	<b>84,395</b>
<b>Other assets</b>														
Motor vehicles	20,607,440	-	-	-	-	-	20,607,440	(11,438,731)	-	-	(2,943,920)	-	(14,382,651)	6,224,789
IT equipment	1,502,948	264,343	-	-	-	-	1,767,291	(903,818)	-	-	(300,590)	-	(1,204,408)	562,883
Furniture & Fixtures	6,632,899	-	-	-	-	-	6,632,899	(3,434,155)	-	-	(947,557)	-	(4,381,712)	2,251,187
Office Equipment	1,418,283	-	-	-	-	-	1,418,283	(666,655)	-	-	(183,372)	-	(850,027)	568,256
Emergency Equipment	1,262,898	1,418,001	-	-	-	-	2,680,899	(802,306)	-	-	(252,580)	-	(1,054,886)	1,626,013
Buildings	33,931,917	-	-	-	-	-	33,931,917	(4,261,427)	-	-	(1,128,703)	-	(5,390,130)	28,541,787
Bins and Containers	1,260,029	-	-	-	-	-	1,260,029	(720,017)	-	-	(17,820)	-	(737,837)	522,192
Sanitation Skips	178,200	-	-	-	-	-	178,200	(71,280)	-	-	-	-	(71,280)	106,920
Other Assets	3,531,737	387,273	-	-	-	-	3,919,010	(1,656,183)	-	-	(441,467)	-	(2,097,650)	1,821,360
	<b>70,326,351</b>	<b>2,069,617</b>	-	-	-	-	<b>72,395,968</b>	<b>(23,954,572)</b>	-	-	<b>(6,216,009)</b>	-	<b>(30,170,581)</b>	<b>42,225,387</b>

**Appendix B (Appendixes do not form part  
of Annual Financial Statements)**

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

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	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	56,726,229	-	-	-	-	-	56,726,229	(269,359)	-	-	(107,744)	-	(377,103)	56,349,126
Infrastructure	384,511,288	16,292,197	-	-	-	-	400,803,485	(70,928,807)	-	-	(20,919,749)	-	(91,848,556)	308,954,929
Community Assets	11,307,649	4,015,816	-	-	-	-	15,323,465	(1,870,334)	-	-	(499,957)	-	(2,370,291)	12,953,174
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
Other assets	70,326,351	2,069,617	-	-	-	-	72,395,968	(23,954,572)	-	-	(6,216,009)	-	(30,170,581)	42,225,387
	<b>523,994,811</b>	<b>22,377,630</b>	-	-	-	-	<b>546,372,441</b>	<b>(97,127,267)</b>	-	-	<b>(27,764,413)</b>	-	<b>(124,891,680)</b>	<b>421,480,761</b>
<b>Intangible assets</b>														
Computers - software & programming	1,555,054	-	-	-	-	-	1,555,054	(419,185)	-	-	-	-	(419,185)	1,135,869
	<b>1,555,054</b>	-	-	-	-	-	<b>1,555,054</b>	<b>(419,185)</b>	-	-	-	-	<b>(419,185)</b>	<b>1,135,869</b>
<b>Investment properties</b>														
Investment property	397,972,720	-	-	-	-	-	397,972,720	-	-	-	-	-	-	397,972,720
	<b>397,972,720</b>	-	-	-	-	-	<b>397,972,720</b>	-	-	-	-	-	-	<b>397,972,720</b>
<b>Total</b>														
Land and buildings	56,726,229	-	-	-	-	-	56,726,229	(269,359)	-	-	(107,744)	-	(377,103)	56,349,126
Infrastructure	384,511,288	16,292,197	-	-	-	-	400,803,485	(70,928,807)	-	-	(20,919,749)	-	(91,848,556)	308,954,929
Community Assets	11,307,649	4,015,816	-	-	-	-	15,323,465	(1,870,334)	-	-	(499,957)	-	(2,370,291)	12,953,174
Heritage assets	913,750	-	-	-	-	-	913,750	-	-	-	-	-	-	913,750
Specialised vehicles	209,544	-	-	-	-	-	209,544	(104,195)	-	-	(20,954)	-	(125,149)	84,395
Other assets	70,326,351	2,069,617	-	-	-	-	72,395,968	(23,954,572)	-	-	(6,216,009)	-	(30,170,581)	42,225,387
Intangible assets	1,555,054	-	-	-	-	-	1,555,054	(419,185)	-	-	-	-	(419,185)	1,135,869
Investment properties	397,972,720	-	-	-	-	-	397,972,720	-	-	-	-	-	-	397,972,720
	<b>923,522,585</b>	<b>22,377,630</b>	-	-	-	-	<b>945,900,215</b>	<b>(97,546,452)</b>	-	-	<b>(27,764,413)</b>	-	<b>(125,310,865)</b>	<b>820,589,350</b>



**Appendix B (Appendixes do not form part  
of Annual Financial Statements)**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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**Appendix B (Appendixes do not form part  
of Annual Financial Statements)**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
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**Appendix E(1) (Appendix does not form part of Annual Financial Statements)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012**

	Current year 2013 Act. Bal. R'000	Current year 2013 Adjusted budget R'000	Variance R'000	Explanation of Significant Variances greater than 10% versus Budget Var
<b>Revenue</b>				
Service charges	106,524	155,637	(49,113)	(31.6)
Rental of facilities and equipment	829	3,365	(2,536)	(75.4)
Interest received (trading)	33,604	21,750	11,854	54.5
Licences and permits	4,833	4,225	608	14.4
Miscellaneous other revenue	30	-	30	-
Fees earned	1,469	-	1,469	-
Commissions received	325	-	325	-
Recoveries	442	-	442	-
Other income	74	-	74	-
Blocked Drains Charges	36	-	36	-
Other income - (rollup)	127	-	127	-
Building Plans Fees	266	-	266	-
Interest received - investment	2,918	850	2,068	243.3
	<b>151,477</b>	<b>185,827</b>	<b>(34,350)</b>	<b>(18.5)</b>
<b>Expenses</b>				
Personnel	(173,184)	(186,655)	13,471	(7.2)
Remuneration of councillors	(18,304)	(17,844)	(460)	2.6
Depreciation	(27,764)	(13,554)	(14,210)	104.8
Finance costs	(5,818)	(2,418)	(3,400)	140.6
Debt impairment	(20,391)	(81,234)	60,843	(74.9)
Collection costs	(1,203)	(1,400)	197	(14.1)
Repairs and maintenance - General	(24,733)	(23,508)	(1,225)	5.2
Bulk purchases	(47,091)	(50,308)	3,217	(6.4)
Contracted Services	(5,002)	(19,689)	14,687	(74.6)
General Expenses	(82,983)	(83,192)	209	(0.3)
	<b>(406,473)</b>	<b>(479,802)</b>	<b>73,329</b>	<b>(15.3)</b>
Net surplus/ (deficit) for the year	(254,996)	(293,975)	38,979	(13.3)

**Appendix E(2) (Appendix does not form part of the Annual Financial Statements)**

**Budget Analysis of Capital Expenditure as at 30 June  
2012**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant</b>
	<b>Rand</b>	<b>Budget</b>	<b>Rand</b>	<b>%</b>	<b>variances from budget</b>
		<b>Rand</b>			
<b>Municipality</b>					
Executive & Council/Mayor and Council	30,968	750,000	719,032	<b>96</b>	
Finance & Admin/Finance	55,616	250,000	194,384	<b>78</b>	
Planning and Development/Economic Development/Plan	29,200	700,000	670,800	<b>96</b>	
Health/Clinics	-	50,000	50,000	<b>100</b>	
Comm. & Social/Libraries and archives	-	4,100,000	4,100,000	<b>100</b>	
Housing	-	50,000	50,000	<b>100</b>	
Public Safety/Police	148,873	2,250,000	2,101,127	<b>93</b>	
Sport and Recreation	199,382	4,390,000	4,190,618	<b>95</b>	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	7,267,000	7,267,000	<b>100</b>	
Road Transport/Roads	18,606,417	38,220,000	19,613,583	<b>51</b>	
Water/Water Distribution	-	3,490,000	3,490,000	<b>100</b>	
Electricity /Electricity Distribution	-	-	-	-	
Cleansing	-	3,100,000	3,100,000	<b>100</b>	
	<b>19,070,456</b>	<b>64,617,000</b>	<b>45,546,544</b>	<b>70</b>	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

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