



MAHIKENG

LOCAL MUNICIPALITY
Diversity. Culture . Heritage.

Mahikeng Local Municipality
Financial statements
for the year ended 30 June 2014

Mahikeng Local Municipality

(Registration number NW383)

Financial Statements for the year ended 30 June 2014

General Information

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 M : MMC (Planning & Development)

Cllr Lomo F L : MMC (Community Services)

Cllr Mothupi H R : MMC (Corporate Services)

Cllr Poenyane K A : MMC (Local Economic Development)

Cllr Mokgoetsi K K M : MMC (Infrastructure)

Cllr Makolomakwa T J: MMC (Finance)

Cllr Mpengezi N : MMC (Special Projects)

Cllr Tabane P M : MMC: (Media and Marketing)

Cllr Legalatladi G U :MMC (Public Safety)

Councillors

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 Thomas G

Cllr Ngqobe N R

Cllr Babedi P O

Cllr Ntshabele T

Cllr Diakanyo K B

Cllr Moamogwe N

Cllr Motsamai I S

Cllr Molale P P

Cllr Seepamore K L

Cllr Mhatlhe 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 Dintoe M M

Cllr Mahura S M

Cllr Mmono C D

Cllr Ngqobe M

Cllr Chanda M M

Cllr Africa A.J

Cllr Selepe T L

Cllr Mtunzi D T

Cllr Motshegoa T

Cllr Sephoti M W

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General Information

	Cllr Lebelela T W Cllr Kgaje G K Cllr Molete G M Cllr Dibe A Cllr Kgwadibane G P Cllr Seheri K C Cllr Makolemako M C Cllr Matlhako S M Cllr Landsman E R Cllr Schikerling L M
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 South Africa

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

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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)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 27 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

Accounting Officer
Mr. Rabanye K.F.

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Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	8	156 847 449	156 813 963
Receivables from Exchange Transactions	9	2 276 329	2 796 757
Other Receivables from Non-Exchange transactions	10	84 561 183	74 635 868
Consumer Debtors	11	160 287 748	140 299 717
Shares & Unit Trusts	6	12 430 569	11 888 934
Money Market Investments	7	763 686	757 548
Cash and Cash Equivalents	12	30 081 712	35 169 001
		447 248 676	422 361 788
Non-Current Assets			
Investment Property	2	167 342 145	159 872 393
Property, Plant and Equipment	3	826 508 772	837 957 725
Intangible Assets	4	1 488 725	2 284 989
		995 339 642	1 000 115 107
Total Assets		1 442 588 318	1 422 476 895
Liabilities			
Current Liabilities			
Other Interest Bearing Liabilities	15	18 071 235	3 992 000
Finance Lease Obligation	13	-	942 700
Trade and Other Payables	17	192 279 233	136 296 865
VAT Payable	18	37 567 379	38 816 365
Consumer deposits	19	5 998 669	5 300 513
Unspent Conditional Grants and Receipts	14	3 714 269	42 003 921
Provisions	16	4 738 061	4 211 110
		262 368 846	231 563 474
Non-Current Liabilities			
Other Interest Bearing Liabilities	15	21 367 502	28 039 891
Finance Lease Obligation	13	-	10 331
Retirement Benefit Obligation	5	20 044 000	17 630 000
Provisions	16	64 642 220	60 375 806
		106 053 722	106 056 028
Total Liabilities		368 422 568	337 619 502
Net Assets		1 074 165 750	1 084 857 393
Accumulated Surplus		1 074 165 750	1 084 857 393

* See Note 42

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Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service Charges	22	111 114 463	106 524 275
Rental of Facilities and Equipment	33	976 119	840 406
Interest Received - Trading		35 649 216	33 604 196
Licences and Permits		5 204 126	5 319 001
Miscellaneous Revenue		-	29 586
Fees Earned		2 155 646	1 573 971
Commissions Received		377 884	357 087
Debt Impairment Reversal		-	104 346 664
Recoveries		222 842	441 733
Other Income		847 007	77 420
Blocked Drains Charges		108 312	35 950
Fair Value Adjustment		8 011 387	10 169 111
Building Plans Fees		170 583	285 585
Interest Received - Investment	29	2 633 022	2 917 571
Total revenue from exchange transactions		167 470 607	266 522 556
Revenue from non-exchange transactions			
Taxation revenue			
Property Rates	21	127 465 554	105 664 339
Transfer revenue			
Government Grants & Subsidies	23	219 425 792	155 940 072
Fines		14 286 566	2 811 960
Total revenue from non-exchange transactions		361 177 912	264 416 371
Total revenue	20	528 648 519	530 938 927
Expenditure			
Personnel Costs	26	(191 142 863)	(175 584 837)
Remuneration of Councillors	27	(19 249 186)	(18 304 390)
Depreciation and Amortisation	30	(56 489 077)	(55 554 274)
Impairment loss/ Reversal of impairments		(796 264)	-
Finance Costs	31	(9 816 547)	(5 818 088)
Debt Impairment	28	(139 375 927)	-
Collection Costs		(1 410 679)	(1 203 456)
Repairs and Maintenance		(23 136 356)	(24 733 378)
Bulk Purchases	35	(53 278 801)	(47 090 546)
Contracted Services	34	(17 253 838)	(5 002 447)
General Expenses	24	(100 560 933)	(82 982 720)
Total expenditure		(612 510 471)	(416 274 136)
Operating (deficit) surplus	25	(83 861 952)	114 664 791
(Deficit) surplus for the year		(83 861 952)	114 664 791

* See Note 42

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Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 01 July 2012	279 983 733	279 983 733
Changes in net assets		
Surplus for the year	114 664 791	114 664 791
Prior year adjustments	690 195 061	690 195 061
Reserves Additions/ Expenses	13 808	13 808
Total changes	804 873 660	804 873 660
Restated* Balance at 01 July 2013	1 084 857 393	1 084 857 393
Changes in net assets		
Surplus for the year	(83 861 952)	(83 861 952)
Prior year adjustments	159 779 220	159 779 220
Reserves Additions/ Expenses	25 848	25 848
Total changes	75 943 116	75 943 116
Balance at 30 June 2014	1 074 165 750	1 074 165 750

Note(s)

* See Note 42

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Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		209 364 827	226 172 850
Grants		181 136 140	126 120 085
Interest income		2 633 022	2 917 571
Other receipts		60 518 729	-
Other cash item		(139 375 927)	-
		314 276 791	355 210 506
Payments			
Employee costs		(207 978 049)	(176 259 227)
Suppliers		(136 147 346)	(72 825 851)
Finance costs		(9 816 547)	(5 818 088)
Other cash item		-	(208 609 617)
		(353 941 942)	(463 512 783)
Net cash flows from operating activities	36	(39 665 151)	(108 302 277)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(70 094 832)	(19 904 744)
Purchase of shares & unit trusts		-	(3 872 112)
Purchase of money market investments		(6 138)	(108 785)
Transfers on Property Plant & Equipment		25 054 709	-
Net cash flows from investing activities		(45 046 261)	(23 885 641)
Cash flows from financing activities			
Repayment of other interest bearing liabilities		7 406 846	32 031 891
Finance lease payments		(953 031)	(1 846 311)
Other cash items		73 170 308	(39 532 678)
Net cash flows from financing activities		79 624 123	(9 347 098)
Net increase/(decrease) in cash and cash equivalents		(5 087 289)	(141 535 016)
Cash and cash equivalents at the beginning of the year		35 169 001	176 704 017
Cash and cash equivalents at the end of the year	12	30 081 712	35 169 001

* See Note 42

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Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	164 980 047	(4 921 646)	160 058 401	111 114 463	(48 943 938)
Rental of facilities and equipment	3 495 430	-	3 495 430	976 119	(2 519 311)
Interest earned - outstanding debtors	16 519 014	1 674 472	18 193 486	35 649 216	17 455 730
Licences and permits	4 656 870	(1 445 440)	3 211 430	5 204 126	1 992 696
Fees earned	-	-	-	2 155 646	2 155 646
Commissions received	-	-	-	377 884	377 884
Recoveries	-	-	-	222 842	222 842
Other income	-	-	-	847 007	847 007
Blocked drains charges	-	-	-	108 312	108 312
Fair Value Adjustment	-	-	-	8 011 387	8 011 387
Building plans	-	-	-	170 583	170 583
Interest received - investment	1 000 000	-	1 000 000	2 633 022	1 633 022

Total revenue from exchange transactions	190 651 361	(4 692 614)	185 958 747	167 470 607	(18 488 140)
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Revenue from non-exchange transactions

Taxation revenue

Property rates	142 882 788	(1 532 369)	141 350 419	127 465 554	(13 884 865)
Government grants & subsidies	217 955 000	37 618 000	255 573 000	219 425 792	(36 147 208)

Transfer revenue

Fines	3 421 000	(1 624 888)	1 796 112	14 286 566	12 490 454
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Total revenue from non-exchange transactions	364 258 788	34 460 743	398 719 531	361 177 912	(37 541 619)
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Total revenue	554 910 149	29 768 129	584 678 278	528 648 519	(56 029 759)
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Expenditure

Personnel	(196 177 116)	2 339 000	(193 838 116)	(191 142 863)	2 695 253
Remuneration of councillors	(19 401 944)	334 000	(19 067 944)	(19 249 186)	(181 242)
Depreciation and amortisation	(13 504 000)	-	(13 504 000)	(56 489 077)	(42 985 077)
Impairment loss/ Reversal of impairments	-	-	-	(796 264)	(796 264)
Finance costs	(3 400 000)	-	(3 400 000)	(9 816 547)	(6 416 547)
Debt impairment	(51 010 497)	-	(51 010 497)	(139 375 927)	(88 365 430)
Collection costs	-	-	-	(1 410 679)	(1 410 679)
Repairs and maintenance	-	-	-	(23 136 356)	(23 136 356)
Bulk purchases	(60 400 000)	9 400 000	(51 000 000)	(53 278 801)	(2 278 801)
Contracted Services	(25 503 579)	535 000	(24 968 579)	(17 253 838)	7 714 741
General Expenses	(110 244 800)	(26 939 476)	(137 184 276)	(100 560 933)	36 623 343

Total expenditure	(479 641 936)	(14 331 476)	(493 973 412)	(612 510 471)	(118 537 059)
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	75 268 213	15 436 653	90 704 866	(83 861 952)	(174 566 818)	

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

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 market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as the 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.

1.3 Property, Plant and Equipment

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses 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 the 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.

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Accounting Policies

1.3 Property, Plant and Equipment (continued)

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 and 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	5 - 100
Furniture and fixtures	7
Office equipment	7
IT equipment	5
Emergency equipment	5-15
Infrastructure	
• Roads and Stormwater	5 - 100
• Electricity	45
Community	
• Facilities	5 - 100
• Recreational facilities	15 - 100
Other property, plant and equipment	4 - 20
• Motor vehicles	7
• Landfill sites	20 - 100

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 value does not exceed the carrying value that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.4 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, the obligation for which an 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.

1.5 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Intangible Assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Item	Useful life
Licenses	indefinite
Computer software	indefinite

Intangible Assets are derecognised:

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

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

1.6 Heritage assets

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

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

Heritage assets are not depreciated, as their long economic life and high 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.

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Accounting Policies

1.7 Financial instruments

Classification

The Financial instruments are recognised when the municipality becomes 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.

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 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited operating expenses in the surplus or deficit. Interest is charged on overdue amounts.

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

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

Trade and other receivables are classified as loans and receivables.

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1.7 Financial instruments (continued)

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 year end are accrued based on management's estimate if the invoice or statement have 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 and cash equivalents are short-term highly liquid investments that are readily convertible to a known amount 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 deposit held on call with banks, net of bank overdrafts. The municipality categorises 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.

Bank overdraft and borrowings

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

Held to maturity

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

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

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

Gains and losses

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

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

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1.7 Financial instruments (continued)

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 liability is discharged, cancelled or expires.

1.8 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.

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.9 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 through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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Accounting Policies

1.9 Inventories (continued)

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 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.

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 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.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

Value in use

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

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

Reversal of impairment loss

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

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

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

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

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

1.12 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.

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Accounting Policies

1.12 Employee benefits (continued)

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.

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.

1.13 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.

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Accounting Policies

1.13 Provisions and contingencies (continued)

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.

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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.

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Accounting Policies

1.14 Revenue from exchange transactions

Sale of goods

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

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

Rendering of services

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

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

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.

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Accounting Policies

1.14 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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.

1.15 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.

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 councillors or officials is virtually certain.

Rates and Taxes

Assessment 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.

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1.15 Revenue from non-exchange transactions (continued)

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) Assessment 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.

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 non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

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1.15 Revenue from non-exchange transactions (continued)

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.

1.16 Investment income and expenses

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

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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 Irregular expenditure

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

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1.21 Irregular expenditure (continued)

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

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

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

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

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

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

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

1.22 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.

1.23 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.

1.24 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.

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Accounting Policies

1.25 Budget information

Mafikeng Local Municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

1.26 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.

1.27 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.

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2. Investment Property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	167 342 145	-	167 342 145	159 872 393	-	159 872 393

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	159 872 393	7 469 752	167 342 145

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Investment property	149 703 282	10 169 111	159 872 393

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

Valuations are performed as of the statement of financial position date by professional valuers who hold recognised and relevant. These valuations form the basis of the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property for which the market has become less active continues to be measured at fair value.

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3. Property, Plant and Equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 308 382	-	21 308 382	21 308 382	-	21 308 382
Buildings	94 067 862	(54 987 884)	39 079 978	94 067 862	(49 877 412)	44 190 450
Furniture and fixtures	8 327 868	(5 054 842)	3 273 026	8 245 528	(3 869 345)	4 376 183
Motor vehicles	39 928 097	(19 482 330)	20 445 767	38 518 584	(15 516 281)	23 002 303
Office equipment	440 380	(285 025)	155 355	434 672	(199 480)	235 192
IT equipment	2 358 814	(1 529 087)	829 727	2 291 546	(1 079 526)	1 212 020
Bridges	5 529 046	(2 423 960)	3 105 086	5 529 046	(2 322 200)	3 206 846
Community Buildings	62 679 197	(40 800 151)	21 879 046	62 679 196	(35 450 825)	27 228 371
Other Assets	799 759	(649 212)	150 547	796 533	(489 473)	307 060
Roads, Storm Drains & Pavements	1 005 338 432	(414 898 211)	590 440 221	989 883 025	(378 343 473)	611 539 552
Capital Spares	3 406 940	(1 506 625)	1 900 315	3 406 940	(1 430 915)	1 976 025
Capital work in progress	61 132 060	-	61 132 060	42 714 703	-	42 714 703
Emergency Equipment	1 725 732	(1 024 414)	701 318	1 725 732	(690 801)	1 034 931
High Mast Lights	68 944 154	(18 553 962)	50 390 192	59 344 852	(16 808 551)	42 536 301
Recreational Facilities	21 764 404	(11 124 091)	10 640 313	21 764 404	(10 129 540)	11 634 864
Landfill Site	1 831 645	(754 206)	1 077 439	1 831 645	(377 103)	1 454 542
Total	1 399 582 772	(573 074 000)	826 508 772	1 354 542 650	(516 584 925)	837 957 725

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	21 308 382	-	-	-	21 308 382
Buildings	44 190 450	-	-	(5 110 472)	39 079 978
Furniture and fixtures	4 376 183	82 340	-	(1 185 497)	3 273 026
Motor vehicles	23 002 303	1 409 514	-	(3 966 050)	20 445 767
Office equipment	235 192	5 708	-	(85 545)	155 355
IT equipment	1 212 020	67 269	-	(449 562)	829 727
Bridges	3 206 846	-	-	(101 760)	3 105 086
Community Buildings	27 228 371	-	-	(5 349 325)	21 879 046
Roads, Storm Drains & Pavements	611 539 552	15 455 407	-	(36 554 738)	590 440 221
Capital Spares	1 976 025	-	-	(75 710)	1 900 315
Emergency equipment	1 034 931	-	-	(333 613)	701 318
High Mast and Street Lights	42 536 301	9 599 302	-	(1 745 411)	50 390 192
Recreational Facilities	11 634 864	-	-	(994 551)	10 640 313
Landfill Site	1 454 542	-	-	(377 103)	1 077 439
Capital work in progress	42 714 703	43 472 066	(25 054 709)	-	61 132 060
Other Assets	307 060	3 226	-	(159 739)	150 547
	837 957 725	70 094 832	(25 054 709)	(56 489 076)	826 508 772

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3. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	21 308 382	-	-	-	21 308 382
Buildings	49 300 923	-	-	(5 110 473)	44 190 450
Furniture and fixtures	5 554 119	-	-	(1 177 936)	4 376 183
Motor vehicles	26 916 231	-	-	(3 913 928)	23 002 303
Office equipment	318 484	1 797	-	(85 089)	235 192
IT equipment	1 654 687	-	-	(442 667)	1 212 020
Bridges	3 308 608	-	-	(101 762)	3 206 846
Community Buildings	32 577 699	-	-	(5 349 328)	27 228 371
Roads, Storm Drains & Pavements	641 253 115	6 408 897	-	(36 122 460)	611 539 552
Capital Spares	2 051 735	-	-	(75 710)	1 976 025
Emergency equipment	507 799	852 340	-	(325 208)	1 034 931
High Mast and Street Lights	43 855 075	-	-	(1 318 774)	42 536 301
Recreational Facilities	12 629 415	-	-	(994 551)	11 634 864
Landfill Site	1 831 645	-	-	(377 103)	1 454 542
Capital work in progress	36 483 520	12 640 080	(6 408 897)	-	42 714 703
Other Assets	464 720	1 630	-	(159 290)	307 060
	880 016 157	19 904 744	(6 408 897)	(55 554 279)	837 957 725

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

4. Intangible Assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 284 989	(796 264)	1 488 725	2 284 989	-	2 284 989

Reconciliation of intangible assets - 2014

	Opening balance	Impairment loss	Total
Computer software, other	2 284 989	(796 264)	1 488 725

Reconciliation of intangible assets - 2013

	Opening balance	Total
Computer software, other	2 284 989	2 284 989

Pledged as security

There are no intangible assets pledged as security:

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Financial Statements for the year ended 30 June 2014

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5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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	(20 044 000)	(17 630 000)
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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	17 630 000	17 103 000
Benefits paid	(72 000)	(76 000)
Net expense recognised in the statement of financial performance	2 486 000	603 000
	20 044 000	17 630 000

Net expense recognised in the statement of financial performance

Current service cost	963 000	935 000
Interest cost	1 540 000	1 450 000
Actuarial (gains) losses	(17 000)	(1 782 000)
	2 486 000	603 000

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2014:

Assumptions used at the reporting date:

Discount rates used	8,75 %	8,75 %
Health care cost inflation	7,50 %	7,50 %
Net discount rate	0,93 %	0,93 %
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 2014 of 9,02% (9,22% annualised) . For valuation calculations, the interest rate was rounded off to the nearest 0.25%, resulting in a discount rate of 9,25%per annum.

The Consumer Price Inflation (CPI) was derived from the differential between yields for Government index linked bonds (R202) and nominal

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5. Employee benefit obligations (continued)

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 17 558 000 14 787 079

The amount recognised as an expense for defined contribution plans is 2 486 000 6 344 891

Included in defined contribution plan information above, is a 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). The municipality accounted for as Defined Contribution Plans.

6. 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.

Investec	3 421 219	3 393 947
Old Mutual	9 009 350	8 494 986
	12 430 569	11 888 933

7. Money Market Investments

ABSA Collateral security)	141 103	134 970
Nedbank (Collateral security)	622 583	622 578
	763 686	757 548

Collateral deposits for staff housing loan

Included in the deposits above are fixed deposits with carrying value of R 0,076 million (2013: R 0,073 million) which were pledged as security deposits for securing staff home loans with financial institutions.

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

8. Inventories

Land	153 922 799	153 922 799
Consumable stores	2 610 326	2 661 396
Fuel (Diesel, Petrol)	314 324	229 768
	156 847 449	156 813 963

Inventories recognised as an expense during the year - fuel 5 662 117 813

Inventories recognised as an expense during the year - consumable stores 112 379 440 648

In the prior year and current year no inventories were written down to net realisable value.

Inventory pledged as security

There were no security pledges made against inventory during the current and prior financial period.

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9. Receivables from Exchange Transactions		
Accrued Income	55 948	55 948
Other debtors	617 175	540 915
Health subsidy debtors	2 000	2 000
Staff Contra	762 808	723 262
Sundry debtors - Fines	14 425 551	-
Provision for bad debts - Fines	(13 632 411)	-
Sundry debtors	5 749 354	6 738 733
Provision for bad debts	(5 704 096)	(5 264 101)
	2 276 329	2 796 757

10. Other Receivables from Non-Exchange transactions

Property rates	218 736 069	193 392 846
Provision for bad debts	(134 174 886)	(118 756 978)
	84 561 183	74 635 868

Other Receivables from Non-Exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2014, and 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	8 384 677	6 451 348
2 months past due	6 457 917	4 761 977
3 months past due	5 729 351	19 971 637

Other Receivables from Non-Exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 166 342 557 (2013: R 159 775 178) were impaired and provided for.

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	(183 649 946)	(159 777 179)
Provision for impairment	(14 626 703)	(23 872 767)
	(198 276 649)	(183 649 946)

11. Consumer debtors

Gross balances

Water	139 612 070	134 942 074
Sewerage	57 835 923	51 258 078
Refuse	56 540 570	45 659 974
Interest Levied (on Consumer Debtors)	175 841 153	153 324 023
	429 829 716	385 184 149

Less: Allowance for impairment

Water	(87 273 138)	(86 703 672)
Refuse	(33 864 220)	(27 969 702)
Sewerage	(35 441 362)	(31 653 313)
Interest Levied (on Consumer Debtors)	(112 963 248)	(98 557 745)
	(269 541 968)	(244 884 432)

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11. Consumer debtors (continued)		
Net balance		
Water	52 338 932	48 238 402
Sewerage	23 971 703	23 288 376
Refuse	21 099 208	14 006 661
Interest Levied (on Consumer Debtors)	62 877 905	54 766 278
	160 287 748	140 299 717
Water		
Current (0 -30 days)	8 605 192	6 573 544
31 - 60 days	4 635 635	5 505 488
61 - 90 days	3 693 616	4 081 539
> 90 days	122 677 627	118 781 503
	139 612 070	134 942 074
Sewerage		
Current (0 -30 days)	2 141 982	1 517 951
31 - 60 days	1 725 507	1 240 103
61 - 90 days	1 457 586	1 272 431
> 90 days	52 510 848	47 227 593
	57 835 923	51 258 078
Refuse		
Current (0 -30 days)	2 702 674	1 422 338
31 - 60 days	2 260 588	1 374 081
61 - 90 days	2 008 355	1 189 227
> 90 days	49 568 953	41 674 328
	56 540 570	45 659 974
Interest Levied (on Consumer debtors)		
Current (0 -30 days)	3 317 146	2 994 088
31 - 60 days	3 261 488	2 944 678
61 - 90 days	3 190 458	15 890 230
> 90 days	166 072 060	-
	175 841 152	21 828 996

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Notes to the Financial Statements

Figures in Rand	2014	2013
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	9 515 230	2 283 566
31 - 60 days	8 598 174	7 159 023
61 - 90 days	8 107 814	6 476 676
>90 days	311 686 556	269 646 390
	337 907 774	285 565 655
Farms		
Current (0 -30 days)	235 411	67 006
31 - 60 days	147 879	72 572
61 - 90 days	130 142	71 995
>90 days	3 355 556	2 060 543
	3 868 988	2 272 116
Commercial		
Current (0 -30 days)	5 462 641	1 859 850
31 - 60 days	2 519 440	2 822 840
61 - 90 days	2 623 471	2 045 697
>90 days	42 595 987	33 801 254
	53 201 539	40 529 641
Creche		
Current (0 -30 days)	95 648	315 064
31 - 60 days	94 871	322 955
61 - 90 days	94 541	317 106
>90 days	14 171 095	16 258 485
	14 456 155	17 213 610
School		
Current (0 -30 days)	96 678	138 137
31 - 60 days	19 277	15 808
61 - 90 days	2 149	8 899
91 - 120 days	25 803	455 272
	143 907	618 116
Municipal		
Current (0 -30 days)	26 784	(24 041)
31 - 60 days	26 733	1 072
61 - 90 days	26 557	1 382
>90 days	628 918	36 353
	708 992	14 766
Government/State - Residential		
Current (0 -30 days)	2 851 691	(4 377 373)
31 - 60 days	2 287 958	2 282 384
61 - 90 days	1 828 227	1 975 268
>90 days	71 396 064	108 967 347
	78 363 940	108 847 626

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11. Consumer debtors (continued)		
Government/State - Business		
Current (0 -30 days)	2 762 730	(710 103)
31 - 60 days	2 387 832	701 127
61 - 90 days	2 143 478	670 417
>90 days	141 308 760	2 895 923
	148 602 800	3 557 364
Government/State - School		
Current (0 -30 days)	1 178 476	(47 900)
31 - 60 days	806 686	51 637
61 - 90 days	598 755	34 267
>90 days	2 086 476	833 571
	4 670 393	871 575
Government/State - Health		
Current (0 -30 days)	243 956	(38 015)
31 - 60 days	195 796	102 635
61 - 90 days	139 995	-
>90 days	4 923 032	-
	5 502 779	64 620
Government/State - Public Works		
Current (0 -30 days)	445 102	(1 185 892)
31 - 60 days	974 529	2 057 086
61 - 90 days	34 801	1 893 397
>90 days	175 598	83 122 565
	1 630 030	85 887 156
Other		
Current (0 -30 days)	17 138	(154 903)
31 - 60 days	18 076	18 160
61 - 90 days	37 489	20 523
>90 days	4 753 275	4 491 591
	4 825 978	4 375 371
Reconciliation of allowance for impairment		
Balance at beginning of the year	(244 884 432)	(284 280 666)
Net contributions to allowance	(24 657 536)	39 396 234
	(269 541 968)	(244 884 432)
Consumer debtors pledged as security		
There were no pledges made against consumer debtors.		
Consumer debtors past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	13 536 430	11 716 998
2 months past due	10 824 481	10 189 896
3 months past due	9 471 024	36 982 787

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12. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	7 794	5 062
Bank balances	30 073 918	35 163 939
	30 081 712	35 169 001

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for employee housing loans	763 686	757 682
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Standard Bank - Current Account - Account number 030852595	1 315 335	2 274 122	5 658 854	(1 274 159)	(11 586 341)	(29 975 809)
Petty Cash	-	-	-	7 794	5 062	16 781
Nedbank - 03/7881034459/0000020	2 041 850	3 900 000	-	2 041 850	3 900 000	-
Standard Bank - 238650863/014	20 760 471	29 888 010	-	20 760 471	29 888 010	-
Standard Bank - 238650863/025	240 626	229 920	-	240 626	229 920	-
Standard Bank - 238650863/030	4 957 189	11 377 302	-	4 957 189	11 377 302	-
Standard Bank - 238650863/032	3 347 942	-	-	3 347 942	-	-
Total	32 663 413	47 669 354	5 658 854	30 081 713	33 813 953	(29 959 028)

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13. Finance Lease Obligation		
Minimum lease payments due		
- within one year	-	1 042 626
- in second to fifth year inclusive	-	10 461
	-	1 053 087
less: future finance charges	-	(122 501)
Present value of minimum lease payments	-	930 586
Present value of minimum lease payments due		
- within one year	-	920 255
- in second to fifth year inclusive	-	10 331
	-	930 586
Non-current liabilities	-	10 331
Current liabilities	-	942 700
	-	953 031

It is 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 -% (2013: 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.

14. Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	(1)	30 162 175
Finance Management Grant (FMG)	-	18 506
Municipal System Improvement Grant (MSIG)	-	289 732
National Lottery Grant	251 509	251 509
Electricity Demand Management	41 602	8 000 000
Satelite: Fire Ottoshoop	3 421 159	3 281 999
Premier Project Cleaning Subsidy	-	-
	3 714 269	42 003 921

Movement during the year

Balance at the beginning of the year	42 003 921	26 333 159
Additions during the year	198 055 000	37 619 000
Income recognition during the year	(236 344 652)	(21 948 238)
	3 714 269	42 003 921

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

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15. Other financial liabilities		
At amortised cost		
National Treasury	11 638 000	-
No interest loan		
DBSA Loans	13 317 325	16 210 869
The loans carry interest rates varying between 5% and 15% per annum and are repayable over period ranging between 10-20 years. As at 30 June 2014 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	14 483 412	15 821 022
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 2014, 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.		
	39 438 737	32 031 891
Total other financial liabilities	39 438 737	32 031 891
Non-current liabilities		
At amortised cost	21 367 502	28 039 891
Current liabilities		
At amortised cost	18 071 235	3 992 000

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16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation - Landfill Site	48 918 928	2 935 135	51 854 063
Training Fund Reserve	-	604 010	604 010
Thirteenth Cheque Provision	3 796 227	941 834	4 738 061
Long Service Award	11 871 761	312 386	12 184 147
	64 586 916	4 793 365	69 380 281

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)	-
Thirteenth Cheque Provision	-	3 796 227	-	3 796 227
Long Service Award	11 408 062	463 699	-	11 871 761
	58 262 298	7 028 922	(704 304)	64 586 916
Non-current liabilities			64 642 220	60 375 806
Current liabilities			4 738 061	4 211 110
			69 380 281	64 586 916

Environmental rehabilitation - Landfill Site

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 rehabilitation site:

- The remaining site life as at 30 June 2014 is 13 years.
- An escalation rate of 6%
- A discount rate of 6%

Long Service Awards

The municipal employees, excluding those with fixed term contract, who have been with the employer for a certain period of time are entitled to additional leave days (in accordance with 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 number of leave days payable for each milestone (number of years served) are detailed in the table below:

Service Milestone	2014	2013
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.

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Figures in Rand	2014	2013
16. Provisions (continued)		
Discount rate (%)	9	9
Award inflation(%)	8	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		
Trade payables	129 222 837	74 562 916
Debtors with credit balances	17 873 859	21 288 391
Accrued leave pay	15 725 218	15 274 519
Unallocated deposits	4 961 992	5 090 000
Sundry creditors	24 495 327	20 081 039
	192 279 233	136 296 865
18. VAT payable		
Balance due	37 567 379	38 816 365
VAT 201 is submitted on a monthly on a cash basis		
19. Consumer deposits		
Other deposits	4 431 534	3 794 972
Water	1 567 135	1 505 541
	5 998 669	5 300 513
Other deposits include bulding deposits and rental of facilities.		
20. Revenue		
Service charges	111 114 463	106 524 275
Rental of facilities and equipment	976 119	840 406
Interest received (trading)	35 649 216	33 604 196
Licences and permits	5 204 126	5 319 001
Miscellaneous other revenue	-	29 586
Fees earned	2 155 646	1 573 971
Commissions received	377 884	357 087
Royalties received	-	104 346 664
Recoveries	222 842	441 733
Other income	847 007	77 420
Blocked drains charges	108 312	35 950
Fair value adjustment	8 011 387	10 169 111
Building plan fees	170 583	285 585
Interest received - investment	2 633 022	2 917 571
Property rates	127 465 554	105 664 339
Government grants & subsidies	219 425 792	155 940 072
Fines	14 286 566	2 811 960
	528 648 519	530 938 927

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20. Revenue (continued)

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

Service charges	111 114 463	106 524 275
Rental of facilities and equipment	976 119	840 406
Interest received (trading)	35 649 216	33 604 196
Licences and permits	5 204 126	5 319 001
Miscellaneous other revenue	-	29 586
Fees earned	2 155 646	1 573 971
Commissions received	377 884	357 087
Royalties received	-	104 346 664
Recoveries	222 842	441 733
Other income	847 007	77 420
Blocked drains charges	108 312	35 950
Fair value adjustment	8 011 387	10 169 111
Building plans fees	170 583	285 585
Interest received - investment	2 633 022	2 917 571
	167 470 607	266 522 556

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

Taxation revenue

Property rates	127 465 554	105 664 339
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Transfer revenue

Government grants & subsidies	219 425 792	155 940 072
Fines	14 286 566	2 811 960

	361 177 912	264 416 371
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Mahikeng Local Municipality

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Notes to the Financial Statements

Figures in Rand	2014	2013
21. Property rates		
Rates received		
General Assessment Rates	165 497 354	142 061 859
Less: Income forgone	(38 031 800)	(36 397 520)
	127 465 554	105 664 339

The following general rates have been approved by Council:

Differentiated rate were applied as follows. Impermissible rate for residential was first R40 000 for all residential properties

	Description	Rate	Discount %	Rebate
(1)	Residential	0,005830		R15 000
(2)	RDP	0,005830	100%	R15 000
(3)	Pensioners	0,005830	80%	R15 000
(4)	Agricultural Residential	0,001458	-	-
(5)	Farms	0,001458	-	-
(6)	Government (Business, Office Ottoshoop, Park and Residential)	0,045000	100%	-
(7)	Church	0,020869	100%	-
(8)	Business	0,020869	-	-
(9)	Creche	0,020869	-	-
(10)	Industrial	0,020869	40%	-
(11)	Guesthouse 1	0,020869	40%	-
(12)	Guesthouse 2	0,020869	25%	-
(13)	Guesthouse 3	0,020869	-	-
(14)	Municipal	0,045000	100%	-

Valuations

Residential	4 064 325 505	3 751 714 265
Commercial	2 075 555 850	1 378 314 124
State	1 616 552 041	1 455 109 426
Municipal	713 154 117	398 331 750
Small holdings and farms	1 077 192 945	1 072 667 845
Creche	8 020 000	8 020 000
Guest Houses	90 742 500	59 131 500
Other	79 841 800	774 204 129
	9 725 384 758	8 897 493 039

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

A general rate of 0.105 cents per Rand (2013: 0,0105 cents per Rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) [2013: 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural)]. Qualifying pensioners were granted a further 80-85% rebate (2013: 80-85%) 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 an monthly basis. Interest is levied on rates not paid by the due date using the effective interest rate method (current prime rate plus 1%).

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Figures in Rand	2014	2013
22. Service charges		
Sale of water	62 763 816	69 751 594
Sewerage and sanitation charges	23 381 573	19 115 800
Refuse removal	24 969 074	17 656 881
	111 114 463	106 524 275

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Figures in Rand	2014	2013
23. Government grants and subsidies		
Operating grants		
Equitable share	131 186 000	121 440 000
EPWP Grant	3 720 000	5 732 000
Electricity Demand Management	7 958 398	-
Library Grant	670 000	1 408 366
Municipal System Improvement Grant (MSIG)	1 179 732	728 588
Finance Management Grant (FMG)	1 568 506	1 407 633
Premier Project Cleaning Subsidy	10 000 000	2 339 155
National Lottery Grant	-	441 491
Skills Development Refund	-	1 478 162
	156 282 636	134 975 395
Capital grants		
Municipal Infrastructure Grant (MIG)	63 108 175	19 479 116
Firestation Grant	34 981	1 418 001
Rural Waste	-	67 560
	63 143 156	20 964 677
	219 425 792	155 940 072

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	30 162 175	24 322 291
Current-year receipts	50 039 000	42 919 000
Current year funds withheld	(17 093 000)	(17 600 000)
Conditions met - transferred to revenue	(63 108 176)	(19 479 116)
	(1)	30 162 175

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 and equipment whilst the unspent portion of the grant is included in current liabilities (see note 14)

Expanded Public Works Program (EPWP)

Current-year receipts	3 720 000	5 732 000
Conditions met - transferred to revenue	(3 720 000)	(5 732 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Premier Project Cleaning Subsidy

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 14).

This grant is a subsidy for cleaning of the Mahikeng area by Premier's office and part of the Premier Project.

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Figures in Rand	2014	2013
23. Government grants and subsidies (continued)		
Library grant		
Balance unspent at beginning of year	-	219 149
Current-year receipts	670 000	-
Conditions met - transferred to revenue	(670 000)	(219 149)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Finance Management Grant (FMG)

Balance unspent at beginning of year	18 506	51 139
Current-year receipts	1 550 000	1 500 000
Current year funds withheld	-	(125 000)
Conditions met - transferred to revenue	(1 568 506)	(1 407 633)
	-	18 506

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

Conditions still to be met - remain liabilities (see note 14).

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	289 732	218 319
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(1 179 732)	(728 587)
	-	289 732

The grant is meant to assist the municipality in the improvement of system related transactions.

Conditions still to be met - remain liabilities (see note 14).

National Lottery Grant

Balance unspent at beginning of year	251 509	693 000
Conditions met - transferred to revenue	-	(441 491)
	251 509	251 509

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

Conditions still to be met - remain liabilities (see note 14).

Electricity Demand Management Grant

Balance unspent at beginning of year	8 000 000	-
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(7 958 398)	-
	41 602	8 000 000

This fund has been granted by the Department of Energy to the municipality to be used in electricity efficiency usage program.

Conditions still to be met - remain liabilities (see note 14).

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Figures in Rand	2014	2013
23. Government grants and subsidies (continued)		
Firestation Grant		
Balance unspent at beginning of year	3 281 999	1 200 000
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	(34 980)	(1 418 001)
Other	174 140	-
	3 421 159	3 281 999

Conditions still to be met - remain liabilities (see note 14).

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

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 37203 of 2013 as amended), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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24. General expenses		
Advertising	1 250 279	836 414
Auditors remuneration	2 439 950	2 250 586
Bank charges	783 491	675 015
Cleaning	453 749	481 609
Consulting and professional fees	3 450 199	5 337 978
Donations	26 316	26 316
Entertainment	1 790 023	1 217 213
Insurance	410 786	472 236
Lease rentals on operating lease	2 056 705	1 998 931
System improvement	679 984	744 738
Magazines, books and periodicals	18 470	124 887
Medical expenses	85 058	103 654
Disposal site expenditure	2 237 737	2 671 195
Laboratory related costs	39 075	41 250
Fuel and oil	3 103 746	2 739 785
Postage and courier	462 623	771 596
Printing and stationery	2 421 156	1 941 640
Provisions	450 700	10 423 324
Protective clothing	545 633	473 993
Project maintenance costs	2 725 226	2 562 996
Royalties and license fees	1 042 884	1 456 621
Security (Guarding of municipal property)	5 136 427	4 694 047
Library grant	755 629	1 747 540
Staff welfare	138 738	30 545
Subscriptions and membership fees	4 508 350	2 328 454
Telephone and fax	2 198 551	2 271 394
Training	738 440	890 576
Travel - local	2 485 718	1 591 755
Finance Management Grant	1 598 723	1 458 473
Valuation roll	2 170 022	1 553 036
Disaster management	1 263 101	806 193
Electricity Efficiency Demand Management	6 981 050	-
Extended public works programme	11 330 792	8 955 056
Licence vehicles	464 755	317 962
Premier: Mahikeng Road Rehabilitation	15 491 366	-
Electricity & Water	3 052 499	4 484 943
Ward committee expenses	4 083 208	3 505 653
Chemicals	783 177	409 662
Meter reading	466 008	349 996
Free Basic Water & Electricity	4 824 332	4 690 941
Other expenses	5 185 198	5 012 248
Materials	431 059	532 269
	100 560 933	82 982 720

25. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Operating lease charges

Lease rentals on operating lease - Other

• Contractual amounts	2 056 705	1 998 931
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Impairment on property, plant and equipment	796 264	-
Depreciation on property, plant and equipment	56 489 077	55 554 274
Employee costs	210 392 049	193 889 227

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Figures in Rand	2014	2013
26. Personnel		
Basic	140 232 438	131 192 674
Bonus	6 212 584	9 832 310
Medical aid - company contributions	6 800 929	6 268 891
UIF	653 647	642 774
Post retirement benefit - Actuarial loss	(119 497)	(1 914 058)
Post retirement benefit - Interest	2 516 860	2 371 248
Post retirement benefit - Current service cost	1 816 310	1 749 209
Overtime payments	6 739 482	5 569 095
Allowances locomotion	6 138 622	4 521 546
Housing benefits and allowances	5 013 325	564 069
Pension funds	15 138 163	14 787 079
	191 142 863	175 584 837
Remuneration of Municipal Manager		
Annual Remuneration	829 179	784 087
Car Allowance	271 081	242 324
Other Allowance	307 104	246 633
	1 407 364	1 273 044
Remuneration of Chief Financial Officer		
Annual Remuneration	663 810	627 700
Car Allowance	217 015	198 308
Other Allowance	289 684	215 075
	1 170 509	1 041 083
Remuneration of Corporate Service Director		
Annual Remuneration	246 246	627 145
Car Allowance	82 083	166 989
Other Allowance	83 808	505 742
	412 137	1 299 876
Remuneration of Planning and Development Service Director		
Annual Remuneration	505 742	450 919
Car Allowance	168 581	-
Other	177 208	-
	851 531	450 919
Remuneration of Infrastructure Service Director		
Annual Remuneration	597 695	565 191
Car Allowance	195 401	176 955
Other	214 848	178 561
	1 007 944	920 707
Remuneration of Community Services Director		
Annual Remuneration	196 799	517 008
Other	16 736	238 114

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Figures in Rand	2014	2013
26. Personnel (continued)	213 535	755 122
Remuneration of Public Safety Director		
Annual Remuneration	649 598	630 390
Car Allowance	202 818	172 601
Other Allowance	80 361	58 629
	932 777	861 620
27. Remuneration of councillors		
Executive Mayor	747 229	726 898
Mayoral Committee Members	3 148 045	3 382 106
Speaker	586 512	559 701
Councillors	14 217 580	13 161 955
Chief Whip	549 820	473 730
	19 249 186	18 304 390
In-kind benefits		
The Executive Mayor, Speaker, Chief 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 Mahikeng. 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 bodyguard.		
28. Debt impairment		
Debts impaired	139 375 927	-
Debtors written off during the year amounted to R98 860 488 (2013: R nil)		
29. Interest received - investment		
Interest revenue		
Interest earned (bank and investment accounts)	2 633 022	2 917 571
30. Depreciation and amortisation		
Property, Plant and Equipment	56 489 077	55 554 274
31. Finance costs		
Fair value adjustments on payables	2 935 136	2 768 996
Interest paid	6 881 411	3 049 092
	9 816 547	5 818 088
32. Auditors' remuneration		
Auditors' Fees	2 439 950	2 250 586

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Figures in Rand	2014	2013
33. Rental of facilities and equipment		
Premises		
Hall	514 355	514 245
Offices	268 031	191 777
Sports grounds	-	11 780
Other	193 733	122 604
	976 119	840 406
34. Contracted services		
Other Contractors	17 253 838	5 002 447
35. Bulk purchases		
Water	53 278 801	47 090 546
36. Cash used in operations		
(Deficit) surplus	(83 861 952)	114 664 791
Adjustments for:		
Depreciation and amortisation	56 489 077	55 554 274
Impairment deficit	796 264	-
Debt impairment	139 375 927	-
Movements in retirement benefit assets and liabilities	2 414 000	17 630 000
Movements in provisions	4 793 365	64 586 916
Prior year adjustments	-	(212 554 892)
Fair value adjustment	(8 011 387)	-
Changes in working capital:		
Inventories	(33 486)	(156 813 963)
Receivables from Exchange Transactions	520 428	(2 796 757)
Consumer debtors	(159 363 958)	(140 299 717)
Other receivables from non-exchange transactions	(9 925 315)	(74 635 868)
Trade and Other Payables	55 982 368	140 242 140
VAT	(1 248 986)	38 816 365
Unspent Conditional Grants and Receipts	(38 289 652)	42 003 921
Consumer deposits	698 156	5 300 513
	(39 665 151)	(108 302 277)

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Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
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37. Commitments

Capital Commitments

Already contracted for but not provided for

• Property, plant and equipment	43 371 462	23 985 013
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	-	34 970 494
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

Operating Commitments

Already contracted for but not provided for

Operating expenditure	23 567 746	-
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The committed expenditure relates to operational expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

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Figures in Rand	2014	2013
38. Contingencies		
Balances from Attorneys and Correspondence		
Service provider cases	2 672 399	22 754 530
Labour related cases	3 204 981	3 273 215
Botshelo Water Debt	38 696 778	38 696 778
Department of Human Settlements unspent tranche payments	7 263 734	7 263 734
Property loss/ damage cases	5 529 175	3 486 033
Malicious proceedings	100 000	100 000
	57 467 067	75 574 290

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 employees wages, depending on the outcome of the pending litigation. It is practicable to reliably estimate the amount of this payable prior to the outcome of the pending litigation.

Botshelo water debt

Relates to disputes over invoices 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 community members claim that the Municipality was negligent in preventing fire to damage their property.

Department of Human Settlements unspent tranche payments

The dispute to the value of R7 263 734 arose from Human Settlement tranche payment.

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39. Related parties

Relationships

Paulus Moola (Spouse of Mapoweng Eva Margaret Magdalen Moola)	North West on Sunday (Pty) Ltd
Mmadibetso Juliah Msimanga (Spouse of Johnson Ntelesi Msimanga)	Nokuka Building Construction
Nokuthula Phamodi (Spouse of Obakeng Leery Phamodi)	Mintirho Consulting Services (Pty) Ltd
Eppel Grant Anthony (Partner of Mampho Julia Moseki)	Beez Neez Trading 5 CC
Mogokonyane Kagisho Archibald (Partner of Motshidisi Susan Mokalane)	Bebeto Office Supplies and Enterprise
Mthini Charity Lerato (Partner of Gaaisite Unity Legalatladi)	Legwana Construction and Enterprise
Sechoaro Lethogonolo Angrinethn (Partner of Pelita Lindiwe Koboti)	Sechoaro Supply and Delivery cc
Tlhabanelo Naumi Gabaiphine (Partner of Charity Lerato Mthini)	Bosa Catering and Projects
Motsamai Ontiretse Shedrack (Partner of Thabo Jona Radebe)	Retlhometse Trading and Projects
Phamodi Nokuthula (Partner of Obakeng Leery Phamodi)	Mintirho Consulting Services (Pty) Ltd

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 the 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 26 for the breakdown of the amounts

Related party transactions

Service paid to related parties

North West on Sunday (Pty) Ltd	67 200	-
Nokuka Building Construction	1 007 333	-
Mintirho Consulting Services (Pty) Ltd	9 800	-
Bebeto Office Supplies and Enterprise	23 000	-
Legwana Construction and Enterprise	29 800	-
Sechoaro Supply and Delivery cc	16 268	-
Bosa Catering and Projects	15 500	-
Retlhometse Trading and Projects	26 320	-
Rebuduletse (Pty) Ltd	3 500	-
Total Client Services (Pty) Ltd	114 905	-
Beez Neez Trading 5 CC	64 824	-

Compensation to accounting officer and other key management

Short-term employee benefits	4 588 433	6 303 007
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Key management information

Class	Description
Municipal Manager	KF Rabanye
Chief Financial Officer	SS Mmope
Corporate Service Director	L Mahlangu
Planning and Development Service Director	V Babe
Infrastructure Service Director	R Ruiters
Community Services Director	B Moselakgomo
Public Safety Director	K Boikanyo

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40. Accounting Officer's emoluments

41. Change in estimate

Property, Plant and Equipment

The useful life of certain plant and equipment was estimated in 2013 to be as follows:

Item	Average useful life
Buldings	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	
.Roads and Stormwater	5-150
.Refuse	20-50
.Electricity	10-100
.Water	10-200
.Sewerage	10-200
.Housing	10-200

In the current period, management revised the useful life estimate as a result of unbundling of assets. The revised estimates were as follows:

Item	Average useful life
Buldings	5-100
Furniture and fixtures	7
Office equipment	7
IT Equipment	5
Emergency equipment	5-15
Infrastructure	
.Roads and Stormwater	5-100
.Electricity	45
Community	
.Facilities	5-100
.Recreational Facilities	15-100
Other property, plant and equipment	
.Motor vehicles	7
.Landfill sites	20-100

Changes in accounting policy

The IGRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue came into effect in the current financial year and as a result a change in accounting policy with regards to the recognition of fines. This change in accounting policy was applied prospectively.

42. Prior period errors

Consumer debtors and sundry debtors

In the prior year the VAT on the consumer debtors and the sundry debtors was incorrectly classified, this resulted in an understatement of R30 700 481 and R27 1306 of consumer debtos and sundry debtors respectively; and an overstatement of the VAT payable balance of R30 971 787,50

Provision for doubtful debt

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42. Prior period errors (continued)

The South African Standard of GRAP, GRAP 104 Financial Instruments, require that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. In the prior year, the municipality did not correctly assess the receivables from exchange transactions, individually or by category for any indication of impairment. This error has been corrected retrospectively in the current year as follows:

- Increase in prior year provision for doubtful debts and decreased in bad debt written off amounting to R104 346 664
- Increase in opening balance accumulated surplus and provision for doubtful debts amounting to R104 346 664

It was impracticable for the municipality to apply a change in accounting policy retrospectively to correct this error as the effects of the retrospective application was not determinable for the 2012 and preceding financial periods.

Property, Plant and Equipment

In the prior year, the municipality incorrectly accounted for the infrastructure assets; namely Reservoirs, Refuse Tanker, Sewerage, Water Network & Piping; from the provision of water and sanitation services on behalf of the district municipality. The district municipality is responsible for the powers and functions relating to water and sanitation services for the entire district and is the water service authority in terms of the Water Services Act of South Africa, 1998 (Act No. 108 of 1998). The district has an agreement with the local municipality to perform these functions on its behalf. This error was corrected retrospectively and the corresponding effects on the financial statements stated below.

In the prior year the municipality had not yet completed its process of unbundling property, plant and equipment and as a result was not in compliance with GRAP 17, Property, Plant and Equipment. This error was retrospectively corrected and the corresponding effects on the annual financial statements are stated below.

It was noted during the asset verification process that certain assets were inappropriately recorded in the municipality's financial records. As a result, the following assets were recognised. This error was corrected retrospectively and the effects on the financial statements stated below.

Intangible assets

In the asset verification process the following errors were noted:

- certain intangible assets were not recorded as a result the Intangible Assets Carrying Value was understated by R1 149 120, the assets had an indefinite useful life as a result they should not have been amortised..

Investment Property

During the asset verification process it was noted that certain investment property was not recorded in the annual financial statements. As a result, the investment property was understated by R 109 494 673. This error was corrected retrospectively.

Thirteenth Cheque Provision

In the prior year the a provision for thirteen cheque was not recognised which resulted in an understatement of the thirteenth cheque provision amounting to R3 796 227. This error was corrected retrospectively.

Accrued leave provision

In the prior year the accrued leave was incorrectly calculated which resulted in an overstatement of R1 395 780. This error was corrected retrospectively.

In the prior year the accrued leave provision was incorrectly classified as a provision, this error was retrospectively corrected.

Share and Unit Trust

In the prior year, the following errors occurred with regards to the Shares and Unit Trusts balance:

- Shares and Unit Trusts (Investec) were not recorded. As a result the the Shares and Unit Trusts were understated by R 8 494 986. This error was corrected retrospectively.
- Shares and Unit Trusts (Sanlam) were incorrectly recognised as those belonging to the municipality when in fact they were those of employees. As a result, the Shares and Unit Trust were overstated by R605 177. This error was corrected retrospectively

Inventory

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42. Prior period errors (continued)

During the unbundling of assets as per GRAP 17 and GRAP 16 it was noted that in the prior year there were unsold properties that were not disclosed as inventory. This error was corrected retrospectively and the effects on the financial statements were stated below.

Cash and Cash Equivalents

In the prior year, it was noted that receipts that related to the 2012 and 2013 were incorrectly recorded in the current financial year. As a result, the cash and cash equivalents were overstated by R1 355 046,56. This error was corrected retrospectively as stated below.

VAT Payable

In the prior year, the VAT on Licences and Permits; and Fees earned thus resulting in an overstatement of the VAT payable amounting to R27 957 435. This error was corrected retrospectively.

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

	2014 R '000	2013 R '000
Statement of Financial Position		
Cash and Cash Equivalents	-	1 355 047
Cash and Cash Equivalents - opening balance	1 355 047	-
Consumer Debtors	-	81 410 037
Consumer Debtors - opening balance	81 410 037	-
Consumer deposits	-	(64 285)
Consumer deposits - opening balance	(64 285)	-
Intangible Assets	-	1 149 120
Intangible Assets - opening balance	1 149 120	-
Inventories	-	153 922 799
Inventories - opening balance	153 922 799	-
Investment Property	-	109 494 673
Investment Property - opening balance	109 494 673	-
Other Receivables from Non-Exchange transactions	-	43 450 906
Other Receivables from Non-Exchange transactions - opening balance	43 450 906	-
Property, Plant and Equipment	-	391 087 661
Property, Plant and Equipment - opening balance	391 087 661	-
Provisions	-	(3 796 227)
Provisions - opening balance	(3 796 227)	-
Receivables from Exchange Transactions	-	294 885
Receivables from Exchange Transactions - opening balance	294 885	-
Shares & Unit Trusts	-	7 889 810
Shares & Unit Trusts - opening balance	7 889 810	-
Trade and Other Payables	-	1 153 715
Trade and Other Payables - opening balance	1 153 715	-
VAT Payable	-	(27 957 453)
VAT Payable	(27 957 453)	-
Accumulated Surplus or Deficit	-	(654 011 184)
Opening Accumulated Surplus or Deficit	(759 390 688)	-

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42. Prior period errors (continued)		
Statement of Financial Performance		
Building Plans Fees	-	(19 873)
Commissions Received	-	(32 137)
Debt Impairment	-	(20 390 554)
Debt Impairment Reversal	-	(104 346 664)
Depreciation and Amortisation	-	27 789 862
Fair Value Adjustment	-	(10 041 646)
Fees Earned	-	(105 071)
Fines	-	(133 143)
Licences and Permits	-	(485 584)
Other Income	-	(3 604)
Personnel Costs	-	2 400 446
Rental of Facilities and Equipment	-	(11 202)
Service Charges	-	(334)

43. Comparative figures

Certain comparative figures have been reclassified.

The balance of Money Market Investments were reclassified to cash and cash equivalents in order to comply with GRAP 2 definition of cash and cash equivalents.

The effects of the reclassification are as follows:

Statement of financial position

Cash and Cash Equivalents	-	5 062
Money Market Investments	757 548	46 152 781
Bank overdraft	35 329 050	(11 586 341)

44. 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 accounting officer.

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.

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44. Risk management (continued)

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

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

Financial instrument	2014	2013
Receivables from exchange transactions	3 893 976	2 796 757
Consumer debtors	160 287 748	140 299 717
Shares & Unit Trusts	12 430 569	11 888 934
Money Market Investments	763 686	757 548
Cash and Cash Equivalents	30 081 712	35 169 001

Market risk

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 charges

The calculations below are based on the 30 June 2014 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.

45. Unauthorised expenditure

Opening balance	111 809 414	111 809 414
Current year	105 574 891	-
	217 384 305	111 809 414

The past period unauthorised expenditure has been tabled for condonation in Council at its meeting held 10 September 2013 (Resolution number: A71/09/2013). Council resolved to refer the matter to the Municipal Public Accounts Committee for further investigation and recommendation.

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46. Fruitless and wasteful expenditure		
Opening balance	5 367 324	5 270 237
Interest - ESKOM	346 011	86 715
Interest - TELKOM	6 815	-
Interest - SARS	438 924	-
Other	27 636	10 372
	6 186 710	5 367 324
47. Irregular expenditure		
Opening balance	99 280 401	75 288 561
Add: Irregular Expenditure - current year	10 263 958	23 991 840
	109 544 359	99 280 401
48. Additional disclosure in terms of Municipal Finance Management Act		
Water Losses		
Units bought (KI)	10 117 052	10 714 851
Units sold (KI)	(7 302 812)	(9 467 320)
Units lost in distribution revenue	2 814 240	1 247 531
Units lost in distribution	2 814 240	1 247 531
Average cost per KI sold	5	7
Monetary Loss in distribution	14 718 475	8 732 766
Percentage loss	28	12
Revenue per KI sold	-	9
Number of meters	14 369	14 452
Number of stands	19 265	19 265
<p>The municipality purchases water from local water service authority and sells to its residents. During the current year the municipality bought 10 117 052 kilolitres (2013: 10 714 851), sold 7 302 812 kilolitres (2013: 9 467 320) and this resulted in water losses 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.</p>		
Audit fees		
Opening balance	514 427	807 862
Current year costs	2 847 173	1 957 151
Amount paid - current year	(1 075 793)	(2 250 586)
	2 285 807	514 427
PAYE and UIF		
Opening balance	2 073 021	1 580 719
Current year subscription / fee	26 065 987	23 925 729
Amount paid - current year	(26 252 121)	(23 433 427)
	1 886 887	2 073 021

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48. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	34 980 527	21 131 970
Amount paid - current year	(34 980 527)	(21 131 970)
	-	-
VAT		
VAT payable	37 567 379	38 816 365

The municipality is registered for VAT on a cash basis. As such VAT 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.

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48. 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 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Africa A J	245	-	245
Councillor Kekana E M	389	-	389
Councillor Tabane P M	1 113	2 198	3 311
Councillor Sephoti M W	1 912	13 105	15 017
Councillor Matlholwa M R	1 634	-	1 634
Councillor Lesejane M D	287	983	1 270
Councillor Mahura S M	573	-	573
Councillor Mmono C D	1 509	-	1 509
Councillor Molete G M	453	-	453
Councillor Mtunzi D T	1 090	536	1 626
Councillor Ngqobe M	5 550	77 833	83 383
	14 755	94 655	109 410

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 M W	1 262	28 569	29 831
Councillor Mtunzi D T	565	794	1 359
Councillor Tabane P M	439	837	1 276
	5 649	128 479	134 128

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

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Ngqobe M	77 833	90
Councillor Sephoti M W	13 105	90
Councillor Tabane P M	2 198	90
Councillor Lesejane M D	983	90
Councillor Mtunzi D T	536	90
	94 655	450

30 June 2013	Highest outstanding amount	Aging (in days)
Councillor Ngqobe M	98 279	90
Councillor Sephoti M W	28 569	90
Councillor Mtunzi	794	90
Councillor Tabane P M	837	90
	128 479	360

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Appendix B

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

Cost/Revaluation **Accumulated depreciation**

	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
Total property plant and equipment														
Land and buildings	117 207 889	-	-	-	-	-	117 207 889	(50 254 515)	-	-	(5 487 575)	-	(55 742 090)	61 465 799
Infrastructure	1 100 878 566	68 526 774	-	(25 054 709)	-	-	1 144 350 631	(398 905 139)	-	-	(38 477 618)	-	(437 382 757)	706 967 874
Community Assets	86 169 333	-	-	-	-	-	86 169 333	(46 271 166)	-	-	(6 677 475)	-	(52 948 641)	33 220 692
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 286 862	1 568 053	-	-	-	-	51 854 915	(21 154 105)	-	-	(5 846 391)	-	(27 000 496)	24 854 419
	1 354 542 650	70 094 827	-	(25 054 709)	-	-	1 399 582 768	(516 584 925)	-	-	(56 489 059)	-	(573 073 984)	826 508 784
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software, other	2 284 989	-	-	-	-	-	2 284 989	-	-	-	(796 264)	-	(796 264)	1 488 725
	2 284 989	-	-	-	-	-	2 284 989	-	-	-	(796 264)	-	(796 264)	1 488 725
Investment properties														
Investment property	66 314 615	-	-	-	3 098 427	-	69 413 042	-	-	-	-	-	-	69 413 042
	66 314 615	-	-	-	3 098 427	-	69 413 042	-	-	-	-	-	-	69 413 042
Total														
Land and buildings	117 207 889	-	-	-	-	-	117 207 889	(50 254 515)	-	-	(5 487 575)	-	(55 742 090)	61 465 799
Infrastructure	1 100 878 566	68 526 774	-	(25 054 709)	-	-	1 144 350 631	(398 905 139)	-	-	(38 477 618)	-	(437 382 757)	706 967 874
Community Assets	86 169 333	-	-	-	-	-	86 169 333	(46 271 166)	-	-	(6 677 475)	-	(52 948 641)	33 220 692
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 286 862	1 568 053	-	-	-	-	51 854 915	(21 154 105)	-	-	(5 846 391)	-	(27 000 496)	24 854 419
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 284 989	-	-	-	-	-	2 284 989	-	-	-	(796 264)	-	(796 264)	1 488 725
Investment properties	66 314 615	-	-	-	3 098 427	-	69 413 042	-	-	-	-	-	-	69 413 042
	1 423 142 254	70 094 827	-	(25 054 709)	3 098 427	-	1 471 280 799	(516 584 925)	-	-	(57 285 323)	-	(573 870 248)	897 410 551

Appendix B

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

	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
Land and buildings														
Land (Separate for AFS purposes)	21 308 382	-	-	-	-	-	21 308 382	-	-	-	-	-	-	21 308 382
Landfill Sites (Separate for AFS purposes)	1 831 645	-	-	-	-	-	1 831 645	-	-	-	(377 103)	-	(377 103)	1 454 542
Buildings (Separate for AFS purposes)	94 067 862	-	-	-	-	-	94 067 862	(44 766 939)	-	-	(5 110 473)	-	(49 877 412)	44 190 450
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
117 207 889	-	-	-	-	-	-	117 207 889	(44 766 939)	-	-	(5 487 576)	-	(50 254 515)	66 953 374
Infrastructure														
Roads, Storm Drains & Pavements	983 474 128	6 408 897	-	-	-	-	989 883 025	(342 221 013)	-	-	(36 122 460)	-	(378 343 473)	611 539 552
Bridges	5 529 046	-	-	-	-	-	5 529 046	(2 220 439)	-	-	(101 761)	-	(2 322 200)	3 206 846
Capital Work In Progress	36 483 520	12 640 080	-	(6 408 897)	-	-	42 714 703	-	-	-	-	-	-	42 714 703
High Mast & Street Lights	59 344 852	-	-	-	-	-	59 344 852	(15 489 777)	-	-	(1 318 774)	-	(16 808 551)	42 536 301
Capital Spares	3 406 940	-	-	-	-	-	3 406 940	-	-	-	(1 430 915)	-	(1 430 915)	1 976 025
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1 088 238 486	19 048 977	-	(6 408 897)	-	-	-	1 100 878 566	(359 931 229)	-	-	(38 973 910)	-	(398 905 139)	701 973 427
Community Assets														
Recreational Facilities	21 764 404	-	-	-	-	-	21 764 404	(9 134 989)	-	-	(994 551)	-	(10 129 540)	11 634 864
Community Buildings	62 679 197	-	-	-	-	-	62 679 197	(30 101 499)	-	-	(5 349 326)	-	(35 450 825)	27 228 372
Emergency Equipment	873 392	852 340	-	-	-	-	1 725 732	(365 594)	-	-	(325 207)	-	(690 801)	1 034 931
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
85 316 993	852 340	-	-	-	-	-	86 169 333	(39 602 082)	-	-	(6 669 084)	-	(46 271 166)	39 898 167

Appendix B

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

	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
Total property plant and equipment														
Land and buildings	117 207 889	-	-	-	-	-	117 207 889	(44 766 939)	-	-	(5 487 576)	-	(50 254 515)	66 953 374
Infrastructure	1 088 238 486	19 048 977	-	(6 408 897)	-	-	1 100 878 566	(359 931 229)	-	-	(38 973 910)	-	(398 905 139)	701 973 427
Community Assets	85 316 993	852 340	-	-	-	-	86 169 333	(39 602 082)	-	-	(6 669 084)	-	(46 271 166)	39 898 167
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 283 437	3 425	-	-	-	-	50 286 862	(15 375 196)	-	-	(5 778 909)	-	(21 154 105)	29 132 757
	1 341 046 805	19 904 742	-	(6 408 897)	-	-	1 354 542 650	(459 675 446)	-	-	(56 909 479)	-	(516 584 925)	837 957 725
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & other	2 284 989	-	-	-	-	-	2 284 989	-	-	-	-	-	-	2 284 989
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 284 989	-	-	-	-	-	2 284 989	-	-	-	-	-	-	2 284 989
Investment properties														
Investment property	62 096 504	-	-	-	4 218 111	-	66 314 615	-	-	-	-	-	-	66 314 615
	62 096 504	-	-	-	4 218 111	-	66 314 615	-	-	-	-	-	-	66 314 615
Total														
Land and buildings	117 207 889	-	-	-	-	-	117 207 889	(44 766 939)	-	-	(5 487 576)	-	(50 254 515)	66 953 374
Infrastructure	1 088 238 486	19 048 977	-	(6 408 897)	-	-	1 100 878 566	(359 931 229)	-	-	(38 973 910)	-	(398 905 139)	701 973 427
Community Assets	85 316 993	852 340	-	-	-	-	86 169 333	(39 602 082)	-	-	(6 669 084)	-	(46 271 166)	39 898 167
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 283 437	3 425	-	-	-	-	50 286 862	(15 375 196)	-	-	(5 778 909)	-	(21 154 105)	29 132 757
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 284 989	-	-	-	-	-	2 284 989	-	-	-	-	-	-	2 284 989
Investment properties	62 096 504	-	-	-	4 218 111	-	66 314 615	-	-	-	-	-	-	66 314 615
	1 405 428 298	19 904 742	-	(6 408 897)	4 218 111	-	1 423 142 254	(459 675 446)	-	-	(56 909 479)	-	(516 584 925)	906 557 329

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	111 114 463	160 058 401	(48 943 938)	(30,6)	
Rental of facilities and equipment	976 118	3 495 430	(2 519 312)	(72,1)	
Interest received (trading)	35 649 216	18 193 486	17 455 730	95,9	
Licences and permits	5 204 126	3 211 430	1 992 696	62,1	
	-	-	-	-	
Fees earned	2 155 646	-	2 155 646	-	
Commissions received	377 884	-	377 884	-	
	-	-	-	-	
Recoveries	222 842	-	222 842	-	
Other income	847 007	-	847 007	-	
Blocked Drains Charges	108 312	-	108 312	-	
Fair Value Adjustment	8 011 387	-	8 011 387	-	
Building Plans	170 583	-	170 583	-	
Government grants	209 209 952	172 516 000	36 693 952	21,3	
Interest received - investment	2 633 022	1 000 000	1 633 022	163,3	
	376 680 558	358 474 747	18 205 811	5,1	
Expenses					
Personnel Costs	(191 142 864)	(193 838 116)	2 695 252	(1,4)	
Remuneration of councillors	(19 249 186)	(19 067 944)	(181 242)	1,0	
Depreciation	(56 489 077)	(13 504 000)	(42 985 077)	318,3	
	(796 264)	-	(796 264)	-	
Finance costs	(9 816 547)	(3 400 000)	(6 416 547)	188,7	
Debt impairment	(139 375 927)	(51 010 497)	(88 365 430)	173,2	
Collection costs	(1 410 679)	-	(1 410 679)	-	
Repairs and maintenance	(23 136 356)	-	(23 136 356)	-	
Bulk purchases	(53 278 801)	(51 000 000)	(2 278 801)	4,5	
Contracted Services	(17 253 838)	(24 968 579)	7 714 741	(30,9)	
General Expenses	(100 560 932)	(137 184 276)	36 623 344	(26,7)	
	(612 510 471)	(493 973 412)	(118 537 059)	24,0	
Net surplus/ (deficit) for the year	(235 829 913)	(135 498 665)	(100 331 248)	74,0	

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	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Mar	Jun
Municipal Infrastructure Grant	Mahikeng Local Municipality	4 000 000	12 000 000	-	340 391 000	(9 038 487)	(9 597 589)	(9 112 861)	(35 359 239)	(17 093 000)	-
Municipal System Improvement Grant	Mahikeng Local Municipality	-	-	-	-	-	-	-	-	-	-
Finance Management Grant	Mahikeng Local Municipality	890 000	-	-	-	(652 569)	(527 162)	-	-	-	-
Electricity Demand Management	Mahikeng Local Municipality	1 550 000	-	-	-	(192 902 174)	(280 394)	(190 344)	(904 866)	-	-
Satelite: Fire Ottoshoop	Mahikeng Local Municipality	-	-	-	-	(3 027 430)	(4 486 185)	-	(444 783)	-	-
Expanded Public Works Program	Mahikeng Local Municipality	-	2 604 000	1 116 000	-	-	(18 756)	(16 225)	-	-	-
Premier Project Cleaning Subsidy	Mahikeng Local Municipality	-	-	10 000 000	-	(2 221 654)	(1 498 346)	-	-	-	-
Libreay Grant	Mahikeng Local Municipality	-	-	-	670 000	-	-	-	(10 000 000)	-	-
		-	-	-	670 000	(231 488)	(217 606)	(149 116)	(71 790)	-	-
		6 440 000	14 604 000	11 116 000	341 061 000	(208 073 802)	(16 626 038)	(9 468 546)	(46 780 678)	(17 093 000)	-

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

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

	2014/2013									2013/2012					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Planning and development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-

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

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Surplus/(Deficit) for the year	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-