



Matjhabeng Local Municipality
Financial statements
for the year ended 30 June 2013

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Matjhabeng area.
Grading of local authority	Local High Capacity
Mayoral committee	
Executive Mayor	S Ngangelizwe
Councillors	Speaker - C Stofile Chief Whip - MJ Semela MMC Policy & Monitoring - TD Khalipha MMC Community Services - D Kotzee MMC Finance - MA Mbana MMC Technical Services - KJ Menyatso MMC Corporate Services - MSE Mfebe MMC Social Services - ML Radebe MMC Public Safety - MS Sephiri MMC Human Settlements - FE Taliwe MMC Special Programmes - ML Thlone MMC LED - L Rubulana TL Mabote KS Tsubella MA Mothege PA Molelekoa PMI Molelekoa TN Molete NE Monjovo MD Masienyane DC Smit VR Morris KR Tlake TJ Thelingoane MS Mosala KI Ntlele LC Mokausi PV Makgowe AX Mbambo RT Molupe ME Phetise Z Sifatya VN Dali MA Mphikeleli GL Qweshu SJ Tsatsa MS van Rooyen

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

General Information

	MM Madumise MJ Thateng HA Mokhomo HCT van Schalkwyk R Beneke ZHJ Naude MI Riet MT de Villiers ME Banyane MJM Badenhorst PF Botha CP Chaka DS Fanie JJC Fourie DM Mafa DE Malefane JS Marais MM Matlebe NW Speelman
Mayoral committee (continued) Councillors (continued)	ZV Mafongosi PP Mholo FG May G Mlangeni TG Mokotedi MP Motshabi MH Ntsebeng KI Petleki MC Radebe A Styger SDM Taljaard TE Thoabala ME Tsubane M Twanana NM Vanga V van Rooyen
Accounting Officer	G Ramathebane
Registered office	Civic Centre Welkom 9460
Postal address	PO Box 708 Welkom 9460
Bankers	ABSA Bank Limited Welkom
Auditors	Auditor General of South Africa
Enabling legislation	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 5 of 2012)
Demarcation code	FS184

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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
SALGA	South African Local Government Association

Matjhabeng Local Municipality

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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 are 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.

I am responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act, except as disclosed in note 47 of these financial statements.

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

The municipality is dependent on the government for continued funding of operations to a large extent. The financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by COGTA and Treasury.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

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 7.

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

The financial statements set out on page 10 to 89 which have been prepared on the going concern basis, were approved by the accounting officer on 13 December 2013:

G. Ramathebane
Municipal Manager



Report of the Auditor General

To the Provincial Legislature of Matjhabeng Local Municipality

Report on the financial statements

The Auditor General of South Africa will insert his report here upon finalisation.

Auditor General of South Africa

13 December 2013

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

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

Net deficit of the municipality was R 398,260,168 (2012: deficit R 363,329,298).

2. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of 5,392,563,345 and that the municipality's total liabilities exceed its assets by.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The entity still has the power to levy rates and taxes and will continue to receive funding from government as evident from the equitable share allocation in terms of Division of Revenue Act (Act 5 of 2012).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality
G. Ramathebane	South African

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Audit and risk committee

The Audit Committee was active for the financial year.

Internal audit

The municipality has an internal audit function.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Inventories	3	709,170,198	709,191,196
Other financial assets	4	19,308,161	10,106,151
Trade and other receivables	5	3,615,398	5,721,960
Consumer receivables from non-exchange transactions	6	29,434,970	43,878,679
Consumer receivables from exchange transactions	7	118,851,417	110,630,155
Cash and cash equivalents	8	4,176,254	44,664,502
		884,556,398	924,192,643
Non-Current Assets			
Investment property	47	377,914,769	400,806,550
Property, plant and equipment	9	5,611,204,496	5,675,460,745
Other financial assets	4	13,957,251	28,683,267
Consumer debtors	10	3,832,050	1,707,919
		6,006,908,566	6,106,658,481
Total Assets		6,891,464,964	7,030,851,124
Liabilities			
Current Liabilities			
Other financial liabilities	11	18,537,335	19,275,605
Finance lease obligation	12	210,125	5,878,219
Trade and other payables	13	1,069,984,795	912,832,591
VAT payable	14	7,013,476	29,175,051
Consumer deposits	15	29,396,890	27,936,787
Unspent conditional grants and receipts	16	78,536,689	13,546,547
Bank overdraft	8	6,187,309	-
		1,209,866,619	1,008,644,800
Non-Current Liabilities			
Finance lease obligation	12	-	1,195,048
Retirement benefit obligation	19	282,485,000	224,650,000
Provisions	17	6,550,000	5,100,000
		289,035,000	230,945,048
Total Liabilities		1,498,901,619	1,239,589,848
Net Assets		5,392,563,345	5,791,261,276
Net Assets			
Accumulated surplus		5,392,563,345	5,791,261,276

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Commissions received	24	9,070,627	8,272,557
Dividends received	25	11,823	20,790
Fines		2,301,050	3,623,477
Government grants & subsidies	23	603,407,632	570,189,011
Interest received - trading		96,977,066	78,051,520
Interest received - investment		7,589,678	7,419,622
Licences and permits		14,410	7,575
Other revenue	24	21,147,744	19,348,875
Property rates	21	176,827,344	152,938,125
Rental of facilities and equipment	35	11,234,090	10,492,364
Service charges	22	782,911,047	735,231,694
Total revenue		1,711,492,511	1,585,595,610
Expenditure			
Bulk purchases	31	(596,165,158)	(523,814,094)
Contracted services	32	(104,460,085)	(106,760,644)
Depreciation and asset impairment	28	(260,463,571)	(290,533,912)
Employee related cost	26	(435,167,359)	(462,381,459)
Finance costs	30	(89,434,935)	(58,785,064)
General Expenses	33	(157,966,224)	(118,178,044)
Impairment loss/ Reversal of impairments	29	(346,176,905)	(335,465,176)
Remuneration of councillors	27	(22,702,751)	(19,998,688)
Repairs and maintenance	36	(39,394,974)	(36,287,754)
Total expenditure		(2,051,931,962)	(1,952,204,835)
Operating deficit		(340,439,451)	(366,609,225)
Loss on disposal of assets and liabilities		-	(290,408)
Fair value adjustments		(57,820,717)	3,570,335
		(57,820,717)	3,279,927
Deficit for the year		(398,260,168)	(363,329,298)
Attributable to:			
Owners of the controlling entity		(398,260,168)	(363,329,298)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	5,236,007,170	5,236,007,170
Changes in net assets		
Deficit for the year	(363,329,298)	(363,329,298)
Prior period errors (Refer to Note 39)	918,583,404	918,583,404
Total changes	555,254,106	555,254,106
Balance at 01 July 2012	5,790,823,513	5,790,823,513
Changes in net assets		
Deficit for the year	(398,260,168)	(398,260,168)
Total changes	(398,260,168)	(398,260,168)
Balance at 30 June 2013	5,392,563,345	5,392,563,345
Note(s)		

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Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Cash receipts from customers		1,781,927,744	1,547,231,414
Interest income		7,589,678	7,419,622
Dividends received		11,823	20,790
		<u>1,789,529,245</u>	<u>1,554,671,826</u>
Payments			
Cash paid to suppliers and employees		(1,513,556,205)	(1,357,354,062)
Finance costs		(89,434,934)	(56,817,810)
		<u>(1,602,991,139)</u>	<u>(1,414,171,872)</u>
Net cash flows from operating activities	34	<u>186,538,106</u>	<u>140,499,954</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(173,315,540)	(277,338,008)
Purchase of investment property	47	-	(96,663)
Net movement in financial assets		5,524,006	1,769,852
Transfer of work in progress to Infrastructure		-	150,055,541
		<u>(167,791,534)</u>	<u>(125,609,278)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(58,558,987)	1,234,427
Finance lease payments		(6,863,142)	(6,739,887)
		<u>(65,422,129)</u>	<u>(5,505,460)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(46,675,557)</u>	<u>9,385,216</u>
Cash and cash equivalents at the beginning of the year		44,664,502	35,279,286
Cash and cash equivalents at the end of the year	8	<u>(2,011,055)</u>	<u>44,664,502</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	920,923,438	-	920,923,438	782,911,047	(138,012,391)	Dependent on consumption
Rental of facilities and equipment	7,024,089	-	7,024,089	11,234,090	4,210,001	Rentals less than budgeted for
Interest received (trading)	77,373,388	-	77,373,388	96,977,066	19,603,678	Higher debtor base
Licences and permits	-	-	-	14,410	14,410	Not material
Commissions received	-	-	-	9,070,627	9,070,627	Not budgeted for
Other income	22,879,999	-	22,879,999	21,147,744	(1,732,255)	Not material
Interest received - investment	-	-	-	7,589,678	7,589,678	Not budgeted for
Dividends received	-	-	-	11,823	11,823	Not material
Total revenue from exchange transactions	1,028,200,914	-	1,028,200,914	928,956,485	(99,244,429)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	148,379,657	-	148,379,657	176,827,344	28,447,687	Billing more than initial budget
Government grants & subsidies	434,657,000	-	434,657,000	603,407,632	168,750,632	Dependent on allocation from treasury
Transfer revenue						
Fines	6,000,000	-	6,000,000	2,301,050	(3,698,950)	Excessive budget
Total revenue from non-exchange transactions	589,036,657	-	589,036,657	782,536,026	193,499,369	
Total revenue	1,617,237,571	-	1,617,237,571	1,711,492,511	94,254,940	
Expenditure						
Personnel	(442,575,690)	-	(442,575,690)	(435,167,359)	7,408,331	% Reasonable
Remuneration of councillors	(25,533,594)	-	(25,533,594)	(22,702,751)	2,830,843	% Reasonable
Depreciation and amortisation	-	-	-	(260,463,571)	(260,463,571)	Not budgeted for
Impairment loss/ Reversal of impairments	(325,122,239)	-	(325,122,239)	(346,176,905)	(21,054,666)	Higher debtor base
Finance costs	(11,901,350)	-	(11,901,350)	(89,434,935)	(77,533,585)	Mainly interest on bulk purchases
Repairs and maintenance	(163,388,495)	-	(163,388,495)	(39,394,974)	123,993,521	Mismatch between payment and expense

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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						
Bulk purchases	(383,827,667)	-	(383,827,667)	(596,165,158)	(212,337,491)	Mismatch between payment and expense
Contracted Services	(93,301,645)	-	(93,301,645)	(104,460,085)	(11,158,440)	Mismatch between payment and expense
General Expenses	(132,998,739)	-	(132,998,739)	(157,966,224)	(24,967,485)	Mismatch between payment and expense
Total expenditure	(1,578,649,419)	-	(1,578,649,419)	(2,051,931,962)	(473,282,543)	
Operating deficit	37,763,152	(1,616,412,571)	(1,578,649,419)	(340,439,451)	1,238,209,968	
Fair value adjustments	-	-	-	(57,820,717)	(57,820,717)	Actuarial fair value adjustment on post-employment benefits
Deficit before taxation	37,763,152	(1,616,412,571)	(1,578,649,419)	(398,260,168)	1,180,389,251	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37,763,152	(1,616,412,571)	(1,578,649,419)	(398,260,168)	1,180,389,251	

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised for future rehabilitation costs of landfill sites and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

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.

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

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

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

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

Accounting Policies

1.2 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Community Facilities	7 - 50 years
Halls	5 - 50 years
Stadiums	5 - 50 years
Swimming Pools	7 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Item	Average useful life
Land and Buildings	
• Land	Indefinite life
• Cemeteries	7 - 50 years
• Community assets	5 - 50 years
• Heritage assets	Indefinite life
• Road reserve furniture	30 years
• Operational facilities	7 - 30 years
• Solid waste	7 - 50 years
• Buildings	5 - 50 years
Infrastructure	
• Roads	10 - 80 years
• Electricity	20 - 50 years
• Sanitation	1 - 50 years
• Water	Indefinite - 50 years
Other property, plant and equipment	
• Bins and Containers	5 - 10 Years
• Motor Vehicles	3 - 7 Years
• Furniture and Fittings	7 - 10 Years
• Specialist Vehicles	10 - 15 Years
• Office Equipment	3 - 7 Years
• IT Equipment	15 Years
• Other Equipment	2 - 5 Years
• Specialised equipment	10 - 15 Years

Accounting Policies

1.4 Site restoration and dismantling cost

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'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an 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.

If the related asset is measured using the cost model:

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

1.5 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits 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.

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	Useful life
Computer software	3 years

1.6 Heritage assets

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

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.

Accounting Policies

1.6 Heritage assets (continued)

Recognition

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

Subsequent measurement

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

Transfers

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

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.7 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer Debtors	Financial asset measured at amortised cost
Trade receivables	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value and amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at fair value

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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.

Financial assets measured at amortised cost:

Matjhabeng Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

1.8 Tax

VAT

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

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessee

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

1.11 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.

Identification

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.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

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

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

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

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

Redesignation

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

1.12 Impairment of non-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.

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

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

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

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

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

Accounting Policies

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

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

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

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

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Employee benefits (continued)

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the 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.

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

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

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

Provisions are not recognised for future operating deficits.

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense the probability test on initial recognition of exchange revenue; it should not be applied by analogy to other types of 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.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Services rendered include electricity, water, waste collection, sanitation and sewerage.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends 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 is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, 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
- there has been compliance with the relevant legal requirements.

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue 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
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

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

Accounting Policies

1.19 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.

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

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

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

1.22 Fruitless and wasteful expenditure

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

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

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

1.23 Irregular expenditure

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

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

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

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.23 Irregular expenditure (continued)

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 and has not been condoned. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Use of estimates

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

1.25 Presentation of currency

These financial statements are presented in South African Rand.

1.26 Offsetting

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

1.27 Investments

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

1.28 Conditional grants and receipts

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

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation (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 approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.29 Budget information (continued)

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to note 6 & 39.

Comparative information is not required.

1.30 Related parties

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

2013

2012

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	The standard will not have a material impact on the annual financial statements.
<ul style="list-style-type: none">GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Additional disclosure is to be included in the financial statements. Please refer to the Statement of Comparison of Budget and Actual Amounts for disclosure.
<ul style="list-style-type: none">GRAP 103: Heritage Assets	01 April 2012	Due to the implementation of GRAP 103, certain heritage assets will be reclassified to other assets (primarily Property, Plant and Equipment) as these assets no longer fit the definition of heritage assets.
<ul style="list-style-type: none">GRAP 21: Impairment of non-cash-generating assets	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none">GRAP 26: Impairment of cash-generating assets	01 April 2012	Significant impact due to valuation of assets.
<ul style="list-style-type: none">GRAP 104: Financial Instruments	01 April 2012	There will be significant changes. This main change relates to the classification of the different categories of financial instruments and the changes in provision for impairment.

2.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 25: Employee benefits	01 April 2013	The most significant impact of the standard relates to actuarial gains and losses that may now only be recognised in full in the year that it arises (no more options).

Notes to the Financial Statements

2. New standards and interpretations (continued)

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 20: Related parties	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	It is unlikely that the standard will have a material impact on the annual financial statements.

Notes to the Financial Statements

2. New standards and interpretations (continued)			
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 12 (as revised 2012): Inventories	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 13 (as revised 2012): Leases	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP16: Intangible assets website costs	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013		It is unlikely that the standard will have a material impact on the annual financial statements.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
3. Inventories		
Consumable stores - at cost	5,274,373	3,907,677
Cufflinks - at cost	2,149	2,149
Farm land	75,910,456	75,910,456
Residential buildings for resale	3,051,000	3,051,000
Vacant stands	624,712,220	624,712,220
Water - at cost	220,000	1,607,694
	709,170,198	709,191,196
Refer to note 31 for the water purchases expensed during the year.		
Inventory pledged as security		
No inventory was pledged as security for any financial liability.		
4. Other financial assets		
Designated at fair value		
Unlisted shares	302,600	287,317
Shares in Senwes and Senwesbel.		
At amortised cost		
RMB Asset Management (Guarantee Investment Trust) The maturity date of the investment is 2013/12/13 and interest is earned at a rate of 14.94% per annum.	18,695,481	16,115,865
RMB Asset Management (Guarantee Investment Trust) The maturity date of the investment is 2015/10/19 and interest is earned at a rate of 14.86% per annum.	13,654,651	11,779,877
ABSA Fixed Deposit (20-5944-0982) The maturity date of the investment is 2012/04/30 and interest is earned at a rate of 5.06% per annum.	85,493	10,106,151
ABSA Fixed Deposit (20-5935-9440) The maturity date of the investment is 2011/09/28 and interest is earned at a rate of 5.42% per annum.	527,187	500,208
	32,962,812	38,502,101
Total other financial assets	33,265,412	38,789,418
Non-current assets		
Designated at fair value	302,600	287,317
At amortised cost	13,654,651	28,395,950
	13,957,251	28,683,267
Current assets		
Designated at fair value	19,308,161	10,106,151

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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Financial assets at fair value

Fair value information:

Fair values are determined annually at statement of financial position date.

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

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

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

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

Level 1

Shares in Senwes and Senwesbel	302,600	287,317
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Level 2

ABSA Fixed Deposits	612,680	10,606,359
RMB Asset Management (Guaranteed Investment Trust)	32,350,132	27,895,742
	32,962,812	38,502,101
	33,265,412	38,789,418

Investments pledged as collateral

Limited cession over ABSA investment account: 20-5944-0982	10,000,000	10,000,000
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At year end above cession was utilised.

Renegotiated terms

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

5. Trade and other receivables

Deposits	9,850	9,850
Health Subsidies	85,714	85,715
Other Receivables	3,519,834	5,626,395
	3,615,398	5,721,960

Included in other receivables are irregular expenditure incurred during the year which will be recovered. Refer to note 44.

Included in other receivables are unspent conditional grants with favourable balances. Refer to note 16.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
6. Consumer receivables from non-exchange transactions		
Gross balances		
Rates	297,958,639	279,879,667
Rates - Impairment	(268,523,669)	(236,000,988)
	29,434,970	43,878,679
Rates - Ageing		
Current (0 - 30 days)	10,131,948	6,832,599
31 - 60 days	4,815,758	3,561,475
61 - 90 days	2,407,488	2,311,081
90 - 120 days	12,079,776	31,173,524
	29,434,970	43,878,679
Summary of rates debtors by classification		
Consumers		
Current (0 - 30 days)	7,120,455	-
31 - 60 days	4,521,799	-
61 - 90 days	3,804,594	-
90 - 120 days	167,725,187	-
	183,172,035	-
Less: Impairment	(183,172,035)	-
	-	-
Industrial / commercial		
Current (0 - 30 days)	4,450,395	-
31 - 60 days	3,159,990	-
61 - 90 days	1,419,942	-
90 - 120 days	62,052,823	-
	71,083,150	-
Less: Impairment	(53,286,283)	-
	17,796,867	-
National and provincial government		
Current (0 - 30 days)	1,495,424	-
31 - 60 days	782,519	-
61 - 90 days	559,896	-
90 - 120 days	8,800,264	-
	11,638,103	-
Less: Impairment	-	-
	11,638,103	-
Indigents		
Current (0 - 30 days)	321,690	-
31 - 60 days	297,555	-
61 - 90 days	293,951	-
90 - 120 days	31,152,155	-
	32,065,351	-
Less: Impairment	(32,065,351)	-
	-	-

Level of detail for 2011/2012 is not readily available and therefore this ageing per debtors classification is omitted.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
7. Consumer receivables from exchange transactions		
Gross balances		
Electricity	192,488,833	181,836,310
Water	780,383,582	587,500,704
Sewerage	299,851,769	238,970,970
Refuse	209,292,684	164,397,996
Housing rental	844,585	769,145
Other (specify)	121,035,924	109,496,853
	1,603,897,377	1,282,971,978
Less: Non-Current Arrangements	(22,951,261)	(23,057,044)
Arrangements - Total	31,132,973	23,057,044
Arrangements - Current	(8,181,712)	-
	1,580,946,116	1,259,914,934
Less: Allowance for impairment		
Electricity	(127,468,041)	(123,338,241)
Water	(742,270,515)	(553,243,735)
Sewerage	(288,937,389)	(228,722,796)
Refuse	(203,668,259)	(159,287,168)
Housing rental	(844,390)	(762,891)
Other (specify)	(118,025,316)	(105,279,074)
	(1,481,213,910)	(1,170,633,905)
Less: Non-Current Arrangements	19,119,211	21,349,126
Arrangements - Total	25,659,973	21,349,126
Arrangements - Current	(6,540,762)	-
	(1,462,094,699)	(1,149,284,779)
Net balance		
Electricity	65,020,792	58,498,069
Water	38,113,067	34,256,969
Sewerage	10,914,380	10,248,174
Refuse	5,624,425	5,110,828
Housing rental	195	6,254
Other (specify)	3,010,608	4,217,780
	122,683,467	112,338,074
Less: Non-Current Arrangements	(3,832,050)	(1,707,919)
Arrangements - Total	5,473,000	1,707,919
Arrangements - Current	(1,640,950)	-
	118,851,417	110,630,155
Electricity		
Current (0 -30 days)	51,074,282	43,567,499
31 - 60 days	7,684,409	7,156,595
61 - 90 days	2,251,024	1,026,926
91 - 120 days	4,011,077	6,261,506
	65,020,792	58,012,526
Water		
Current (0 -30 days)	18,472,588	15,946,203
31 - 60 days	5,060,997	1,763,340
61 - 90 days	2,915,065	856,336
91 - 120 days	11,664,417	15,176,302
	38,113,067	33,742,181

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
7. Consumer receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	4,958,731	3,005,977
31 - 60 days	2,395,095	1,059,000
61 - 90 days	1,276,174	440,519
91 - 120 days	2,284,380	5,604,464
	10,914,380	10,109,960
Refuse		
Current (0 -30 days)	2,626,694	1,512,237
31 - 60 days	1,133,291	438,555
61 - 90 days	701,002	193,922
91 - 120 days	1,163,438	2,882,885
	5,624,425	5,027,599
Housing rental		
Current (0 -30 days)	65	6,254
31 - 60 days	65	-
61 - 90 days	65	-
	195	6,254
Other		
Current (0 -30 days)	1,021,539	733,747
31 - 60 days	572,710	293,875
61 - 90 days	276,061	62,533
91 - 120 days	1,140,298	2,641,480
	3,010,608	3,731,635
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	70,013,106	85,438,007
31 - 60 days	29,779,921	34,447,461
61 - 90 days	27,419,324	29,056,588
91 - 120 days	895,294,102	916,449,977
	1,022,506,453	1,065,392,033
Less: Allowance for impairment	(951,771,302)	(995,171,583)
	70,735,151	70,220,450
Industrial/ commercial		
Current (0 -30 days)	38,515,680	43,654,096
31 - 60 days	8,538,383	19,315,033
61 - 90 days	4,895,953	5,095,250
91 - 120 days	102,131,490	112,141,948
	154,081,506	180,206,327
Less: Allowance for impairment	(120,270,045)	(137,045,723)
	33,811,461	43,160,604

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
7. Consumer receivables from exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	6,204,226	7,873,609
31 - 60 days	2,636,159	3,347,884
61 - 90 days	392,809	1,998,065
91 - 120 days	8,909,642	29,402,893
	18,142,836	42,622,451
Indigents		
Current (0 - 30 days)	11,934,142	14,508,383
31 - 60 days	8,045,218	8,133,224
61 - 90 days	10,321,269	8,255,014
91 - 120 days	378,027,544	242,097,707
	408,328,173	272,994,328
Less: Allowances for impairment	(408,328,173)	(272,994,328)
	-	-
Housing debtors		
Current (0 - 30 days)	6,532	6,255
31 - 60 days	6,482	6,204
61 - 90 days	6,432	6,153
91 - 120 days	825,139	750,534
	844,585	769,146
Less: Allowances for impairment	(844,390)	(762,891)
	195	6,255
Total		
Current (0 - 30 days)	126,667,513	107,601,959
31 - 60 days	49,006,164	65,252,147
61 - 90 days	43,035,782	44,413,192
91 - 120 days	1,385,187,917	1,301,705,669
Less: Arrear accounts reflected as Non-Current consumers	(22,951,261)	(23,057,045)
	1,580,946,115	1,495,915,922
Less: Allowance for impairment	(1,462,094,698)	(1,385,285,767)
	118,851,417	110,630,155
Less: Provision for debt impairment		
Current (0 -30 days)	(48,489,786)	(79,873,165)
31 - 60 days	(32,014,723)	(50,801,924)
61 - 90 days	(35,386,532)	(39,310,921)
91 - 120 days	(1,365,322,869)	(979,298,769)
	(1,481,213,910)	(1,149,284,779)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,366,698,632)	(1,038,730,849)
Impairment	(341,866,850)	(333,539,314)
Debt impairment written off against allowance	3,075,010	5,571,531
Prior period adjustment to impairment	(18,587,135)	-
	(1,724,077,607)	(1,366,698,632)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

7. Consumer receivables from exchange transactions (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 29). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	58,469	38,504
Bank balances	631,397	41,408,524
Short-term deposits	3,486,388	3,217,474
Bank overdraft	(6,187,309)	-
	(2,011,055)	44,664,502
Current assets	4,176,254	44,664,502
Current liabilities	(6,187,309)	-
	(2,011,055)	44,664,502

The total amount of undrawn facilities available for future operating activities and commitments:

Overdraft facility	10,000,000	10,000,000
Housing Guarantees facility	500,000	200,000
ACB Mag Tape Debit facility	2,000,000	1,500,000
AVAF facility	60,000	-
AVAF facility	67,000	-
Fleet card	60,000	60,000

Cash and cash equivalents pledged as collateral

Financial assets pledged as collateral for ABSA overdraft facilities:	-	900,000
Limited cession of R900,000 over ABSA call account: 50-6438-8780		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Bank Balances						
ABSA (Welkom Branch) - Account Number 40 5370 5465 (Primary Bank Account)	6,545,048	38,037,201	14,748,544	(6,156,365)	39,575,541	15,950,357
ABSA (Welkom Branch) - Account Number 405 644 3399 (Market Account)	2,223,282	1,583,328	1,352,731	(30,944)	1,245,208	1,622,271
FNB (Welkom Branch) - Account Number 542 3117 3409 (Collection Account)	631,747	587,775	389,545	631,397	587,774	389,545
Short term deposits						
ABSA - Account Number 6054300806	951,669	922,346	904,048	951,774	922,447	904,048
ABSA - Account Number 9094617107	26,879	26,879	426,879	26,941	26,881	427,348
ABSA - Account Number 9106684115	1,101,010	403,253	6,046,088	1,128,782	404,402	6,113,223
ABSA - Account Number 5064388780	-	-	900,000	-	-	900,000
ABSA - Account Number 911141338	9,121	341,229	11,927	9,148	341,323	11,944
ABSA - Account Number 9106684238	7,333	137,214	6,802,282	7,353	182,153	6,817,290
ABSA - Account Number 9106538138	238	6,868	824,493	238	7,380	826,322
ABSA - Account Number 9106684157	2,365	2,364	2,334	2,366	2,364	2,337
ABSA - Account Number 9123515666	11,103	11,091	10,961	11,103	11,092	10,961
ABSA - Account Number 6301667719	-	19,633	19,357	-	19,644	19,400
ABSA - Account Number 6304159559	29	29	29	29	29	29
ABSA - Account Number 9085913568	60,442	57,523	54,549	60,680	57,523	54,785
ABSA - Account Number 9065014332	536,523	510,612	484,210	538,641	510,612	486,307
ABSA - Account Number 9086656806	51,438	48,954	46,423	51,642	48,954	46,624
FNB - Account Number 61404001177	5,036	4,986	4,936	5,036	4,986	4,936
FNB - Account Number 62003503019	692,654	677,685	659,933	692,654	677,685	659,933
Total	12,855,917	43,378,970	33,689,269	(2,069,525)	44,625,998	35,247,660

Bank accounts without a balance at year end is:

ABSA 6304284885

ABSA 6301667719 (Closed June 2103)

ABSA 5064388780 (Closed May 2012)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

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9. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	532,640,471	-	532,640,471	532,640,471	-	532,640,471
Infrastructure	5,735,120,884	(1,301,651,974)	4,433,468,910	5,735,120,884	(1,080,924,591)	4,654,196,293
Furniture and fittings	28,513,831	(11,037,549)	17,476,282	27,681,504	(7,119,690)	20,561,814
Motor vehicles	94,955,818	(14,663,108)	80,292,710	93,971,657	(9,747,746)	84,223,911
Office equipment	5,849,720	(2,507,355)	3,342,365	5,235,078	(1,383,392)	3,851,686
Computer equipment	9,459,261	(4,258,119)	5,201,142	9,219,994	(2,252,313)	6,967,681
Other equipment	22,407,529	(10,642,297)	11,765,232	22,012,981	(6,474,829)	15,538,152
Specialised vehicles	19,588,707	(4,226,848)	15,361,859	19,588,706	(3,512,899)	16,075,807
Capital work in progress	511,655,525	-	511,655,525	341,404,930	-	341,404,930
Total	6,960,191,746	(1,348,987,250)	5,611,204,496	6,786,876,205	(1,111,415,460)	5,675,460,745

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	532,640,471	-	-	-	532,640,471
Infrastructure	4,654,196,293	-	(220,727,383)	-	4,433,468,910
Motor vehicles	84,223,911	984,161	(4,070,255)	(845,107)	80,292,710
Furniture and fittings	20,561,814	832,327	(3,886,840)	(31,019)	17,476,282
Office equipment	3,851,686	614,642	(1,071,965)	(51,998)	3,342,365
Other equipment	15,538,152	394,548	(2,957,428)	(1,210,040)	11,765,232
Computer equipment	6,967,681	239,267	(1,977,036)	(28,770)	5,201,142
Specialised vehicles	16,075,807	-	(713,948)	-	15,361,859
Capital work in progress	341,404,930	170,250,595	-	-	511,655,525
	5,675,460,745	173,315,540	(235,404,855)	(2,166,934)	5,611,204,496

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Movement in Retention	Depreciation	Impairment loss	Transfer to Infrastructure	Total
Land	532,640,471	-	-	-	-	-	532,640,471
Infrastructure	4,727,391,100	147,532,576	-	(220,727,383)	-	-	4,654,196,293
Motor vehicles	82,959,175	5,248,905	-	(3,984,169)	-	-	84,223,911
Furniture and fittings	23,011,342	989,712	-	(3,439,240)	-	-	20,561,814
Office equipment	4,327,260	245,697	-	(721,271)	-	-	3,851,686
Other equipment	17,235,547	918,417	-	(2,615,812)	-	-	15,538,152
Computer equipment	7,283,872	883,783	-	(1,199,974)	-	-	6,967,681
Specialised vehicles	16,789,756	-	-	(713,949)	-	-	16,075,807
Capital work in progress	333,864,290	181,601,023	(567,091)	-	(23,437,751)	(150,055,541)	341,404,930
	5,745,502,813	337,420,113	(567,091)	(233,401,798)	(23,437,751)	(150,055,541)	5,675,460,745

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.

Assets subject to finance lease (Net carrying amount)

Office equipment	-	3,062,290
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Finance leases expired during the year under review. Leased on a month to month contract and deemed operating of nature.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
10. Consumer debtors		
Consumer debtors with arrangements that is not payable within the next financial year.		
Arrangements		
Arrangements	22,951,261	23,057,045
Less: Provision for impairment	(19,119,211)	(21,349,918)
Net arrangements	3,832,050	1,707,127
Reconciliation of debt impairment provision		
Balance at beginning of the year	(21,349,918)	(19,421,657)
Contributions to provision	(4,310,055)	(1,928,261)
Reclassification to Current	6,540,762	-
	(19,119,211)	(21,349,918)
11. Other financial liabilities		
At amortised cost		
DBSA Consolidated Loan	18,390,856	17,379,807
Terms and conditions - Refer to Appendix A for detail. DBSA 08110/102	146,479	1,895,798
Terms and conditions - Refer to Appendix A for detail.		
	18,537,335	19,275,605
Total other financial liabilities	18,537,335	19,275,605
Current liabilities		
At amortised cost	18,537,335	19,275,605
The Municipality defaulted on the redemption of the following loans:		
DBSA Consolidated Loan	18,390,856	17,379,807
DBSA 08110/102	146,479	1,895,798
	18,537,335	19,275,605

The loans are from the Development Bank of South Africa and the full amount of R18,537,335 was in arrears as at 30 June 2013 (30 June 2012: R19,275,605)

The loans bear interest at between 10% and 12.5% per year. Arrear balances bear interest between 10% and 14.5%.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
12. Finance lease obligation		
Minimum lease payments due		
- within one year	221,142	6,685,118
- in second to fifth year inclusive	-	1,267,877
	<u>221,142</u>	<u>7,952,995</u>
less: future finance charges	(11,017)	(879,727)
Present value of minimum lease payments	<u>210,125</u>	<u>7,073,268</u>
Present value of minimum lease payments due		
- within one year	210,125	5,878,219
- in second to fifth year inclusive	-	1,195,049
	<u>210,125</u>	<u>7,073,268</u>
Non-current liabilities	-	1,195,048
Current liabilities	210,125	5,878,219
	<u>210,125</u>	<u>7,073,267</u>

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 13% (2012: 13%).

Interest rates are linked to prime at the contract date. Most of the leases escalate at 10% p.a 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 9.

13. Trade and other payables

Trade payables	957,829,541	808,830,080
Payments received in advance	37,063,833	30,840,052
Accrued leave pay	47,880,220	49,518,014
Accrued bonus	7,578,514	7,114,675
Straightlining of operating leases	-	(53,345)
Deposits received	32,314	32,303
Other payables	19,600,373	16,550,812
	<u>1,069,984,795</u>	<u>912,832,591</u>

14. VAT payable

Tax refunds payables	<u>7,013,476</u>	<u>29,175,051</u>
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VAT is payable to SARS on the receipts/payments basis. Only when payment is received from debtors is output VAT paid to the South African Revenue Services.

Only when payment is made to creditors, input VAT is claimed from the South African Revenue Services.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
15. Consumer deposits		
Water and electricity	29,396,890	27,936,787
Guarantees		
Guarantees held in lieu of Electricity and Water Deposits	4,406,506	4,245,706

Fair value appropriates the carrying value of consumer deposits.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DWAF - Sewerage	1,606,942	-
Integrated National Electrification Programme	6,119,690	869,419
LED Grant	88,400	88,400
Municipal Infrastructure Grant	65,109,816	5,611,296
Municipal Infrastructure Grant - PMU	-	3,289,567
Neighbourhood Development - National Treasury	1,673,960	958,960
Operation Hlasela - Bopa Lesedi Development	1,417,417	1,417,417
Parks Lotto	71,587	71,587
SETA Grants	2,285,743	1,076,767
South African Youth Council	163,134	163,134
	78,536,689	13,546,547

Movement during the year

Balance at the beginning of the year	13,546,547	45,477,647
Receipts during the year	235,830,693	171,639,160
Income recognition during the year	(170,840,551)	(161,521,383)
Grant withheld by National Treasury through Equitable share	-	(43,026,325)
Grant derecognised	-	977,448
	78,536,689	13,546,547

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

17. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Change in estimate	Total
Environmental rehabilitation	5,100,000	1,450,000	6,550,000

Reconciliation of provisions - 2012

	Opening Balance	Change in estimate	Total
Environmental rehabilitation	4,850,000	250,000	5,100,000

Matjhabeng Local Municipality

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17. Provisions (continued)

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision approximates the discounted expected future cash flows using reasonable estimation techniques.

The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 1.50% for the circumstances of the entity.

Landfills consist of:

Welkom (20 years)

Odendaalsrus (12 years)

Allanridge (15 years)

Hennenman (Phomolong) (15 years)

The final restoration of landfill sites are expected to be over a period of 20 years, being estimated useful lives and landfill sites. These liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

18. Financial instruments disclosure

Categories of financial instruments

2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	19,308,161	19,308,161
Consumer receivables from non-exchange transactions	-	29,434,970	29,434,970
Consumer debtors	-	3,832,050	3,832,050
Cash and cash equivalents	4,176,254	-	4,176,254
	4,176,254	52,575,181	56,751,435

Financial liabilities

	At fair value	At amortised cost	Total
Finance lease obligation	-	210,125	210,125
Trade and other payables from exchange transactions	-	1,069,984,795	1,069,984,795
Consumer deposits	29,396,890	-	29,396,890
Bank overdraft	6,187,309	-	6,187,309
VAT payable	-	7,013,476	7,013,476
Borrowings	-	18,537,335	18,537,335
	35,584,199	1,095,745,731	1,131,329,930

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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2012

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	10,106,151	10,106,151
Consumer receivables from non-exchange transactions	-	43,878,679	43,878,679
Consumer debtors	-	1,707,919	1,707,919
Cash and cash equivalents	44,664,502	-	44,664,502
	44,664,502	55,692,749	100,357,251

Financial liabilities

	At fair value	At amortised cost	Total
Consumer deposits	27,936,787	-	27,936,787
VAT payable	-	29,175,051	29,175,051
	27,936,787	29,175,051	57,111,838

19. Employee benefit obligations

Defined benefit plan

The defined benefit plan consists of a post retirement medical aid plan.

Post retirement medical aid plan

Various councillors and employees belong to various post- retirement healthcare benefits schemes.

The liability of the schemes was valued as at 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

LA Healt Medical Scheme
Bonitas Medical Scheme
Hosmed Medical Scheme
Samwumed Medical Scheme
KeyHealth Medical Scheme

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service members (Employees) 1,360 (2012: 1,400)
Continuation Members (Retirees, widowers and orphans): 184 (2012: 180)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded (282,485,000) (224,650,000)

Disclosure in terms of GRAP 25:

The results as at the previous valuation date are unaffected by the move from the IAS 19 accounting standard (used in the previous valuation) to GRAP 25.

Defined benefit obligation (282,485,000) (224,650,000)
Experience adjustments on plan liabilities - (1,843,400)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
19. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(224,650,000)	(189,827,000)
Net movement	(57,836,000)	(34,823,000)
Closing balance	(282,486,000)	(224,650,000)
Net expense recognised in the statement of financial performance		
Service cost	(10,465,000)	(8,432,000)
Interest cost	(20,409,000)	(17,385,000)
Actuarial (gains) losses	(33,351,000)	(14,808,000)
Expected Benefits paid	6,389,000	5,802,000
Total movement	(57,836,000)	(34,823,000)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.10 %	9.00 %
Healthcare cost Inflation	8.30 %	7.50 %
Net discount rate	0.74 %	1.40 %
Maximum contribution increase	6.54 %	6.50 %
Continuation percentage (employees)	90.00 %	90.00 %
Continuation percentage (widows)	90.00 %	90.00 %

Rationale for economic assumptions:

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 18 years, the expected duration of the liability based on the current membership data, as at 30 June 2013.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%.

The CPI inflation assumption used in the previous valuations was set as the difference between the R186 and R197 bonds, adjusted by an inflation risk premium of 0.35%. However, the Bond Exchange of South Africa recently fitted a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 6.30% as at 30 June 2013. Thus, the healthcare cost inflation has been set as 8.30% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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19. Employee benefit obligations (continued)

Other assumptions and disclosures

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 0.74% (calculated as $(1 + \text{discount rate}) / (1 + \text{healthcare cost inflation rate}) - 1$) for the 30 June 2013 valuation

Other assumptions and disclosures

Expected retirement age (Males & Females) - 63 years (2012: 63 years)

Spouse and principal member age difference- Male 3 years older than female (2012: Male 3 years older than female)

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

	One percentage point increase	One percentage point decrease
Defined benefit obligation	(339,503,000)	(237,766,000)
Service Cost	(16,810,000)	(10,501,000)
Interest Cost	(31,342,000)	(21,803,000)

Expected contributions to post-employment benefit plans for the year ending 30 June 2013 would be approximately R6,759,000 (2012: R6,759,000).

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

	2013	2012	2011
Defined benefit obligation	282,485,000	224,650,000	189,827,000

Defined contribution plan

All councillors and employees belong to defined retirement plans administered by various Pension, Provident and Annuity Funds. As these are multi-employer funds, sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). These amounts are accounted for as defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	38,448,608	36,603,192
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Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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20. Revenue

Service charges	782,911,047	735,231,694
Rental of facilities and equipment	11,234,090	10,492,364
Interest received (trading)	96,977,066	78,051,520
Licences and permits	14,410	7,575
Property rates	176,827,344	152,938,125
Government grants and subsidies	603,407,632	570,189,011
Fines	2,301,050	3,623,477
	1,673,672,639	1,550,533,766

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

Service charges	782,911,047	735,231,694
Rental of facilities and equipment	11,234,090	10,492,364
Interest received (trading)	96,977,066	78,051,520
Licences and permits	14,410	7,575
	891,136,613	823,783,153

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

Taxation revenue		
Property rates	176,827,344	152,938,125
Transfer revenue		
Agency fees income	603,407,632	570,189,011
Fines	2,301,050	3,623,477
	782,536,026	726,750,613

21. Property rates

Rates received

Residential	55,797,207	49,912,112
Commercial	82,233,720	71,953,447
State	33,999,099	31,057,503
Small holdings and farms	4,797,318	15,063
	176,827,344	152,938,125

Valuations

Residential	10,799,898,850	10,797,097,850
Commercial	3,121,777,900	3,083,758,900
State	1,415,855,600	1,414,145,600
Small holdings and farms	2,205,257,620	538,000
Exempted	1,284,242,168	3,524,206,768
	18,827,032,138	18,819,747,118

The new valuation roll was completed during the prior financial year and the new Property Rates Policy was implemented on 1 July 2012.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand	2013	2012
22. Service charges		
Sale of electricity	394,390,015	390,076,445
Sale of water	214,470,451	180,166,047
Sewerage and sanitation charges	106,639,893	101,055,024
Refuse removal	67,410,688	63,934,178
	782,911,047	735,231,694
23. Government grants and subsidies		
Operating grants		
Equitable Share	430,648,000	390,659,325
Financial Management Grant	1,500,000	1,450,000
Municipal Systems Improvement Act	800,000	522,704
Municipal Infrastructure Grant - Operating	2,626,707	2,649,675
Lejweleputswa District Municipality	1,900,000	9,244,302
SETA Grant	614,207	1,034,393
	438,088,914	405,560,399
Capital grants		
Municipal Infrastructure Grant	153,829,141	154,083,089
Department of Water and Environmental Affairs	5,352,848	9,741,449
Integrated National Electrification Programme	6,136,729	1,264,581
Department of Mineral and Energy Affairs	-	(460,507)
	165,318,718	164,628,612
	603,407,632	570,189,011
Equitable Share		
Current-year receipts - DoRA	430,648,000	390,659,325
Conditions met - transferred to revenue	(430,648,000)	(390,659,325)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. This grant is disbursed by National Treasury.		
Financial Management Grant		
Current-year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue	(1,500,000)	(1,450,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant serves to assist the Municipality to implement the financial reforms that are contained in the Municipal Finance Management Act. This grant has not been withheld.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

23. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	1,423,960
Current-year receipts	800,000	790,000
Withheld	-	(1,691,256)
Grant derecognised	-	516,941
Conditions met - transferred to revenue	(800,000)	(1,039,645)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The Municipality Systems Improvement Grant is to support the municipality and governance systems, planning and implementation, reviewing integrated development plans and implementing the Municipal Systems Act.

SETA Grants

Balance unspent at beginning of year	1,076,767	-
Current-year receipts	1,823,183	2,111,160
Conditions met - transferred to revenue	(614,207)	(1,034,393)
	<u>2,285,743</u>	<u>1,076,767</u>

This grant represents money transferred by the Sector Education and Training Authorities to improve the auditing skills for municipalities.

LED Grant

Balance unspent at beginning of year	<u>88,400</u>	<u>88,400</u>
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Conditions still to be met - remain liabilities (see note 16).

This grant from the Provincial Government has been used to encourage local economic development through property development. This grant has been used in town.

South African Youth Council

Balance unspent at beginning of year	<u>163,134</u>	<u>163,134</u>
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Conditions still to be met - remain liabilities (see note 16).

Money was granted to the Municipality to engage 1500 young people in community development activities that position young people as agents for service delivery in their respective communities. This grant has not been withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	8,900,864	41,354,190
Grant withheld by National Treasury through Equitable Share	-	(40,616,562)
Current year receipts - DoRA	200,300,000	164,896,000
Current year receipts - Thambanani	12,634,800	-
Conditions met (operating expenditure) - transferred to revenue	(2,626,706)	(2,649,675)
Conditions met - transferred to revenue	(153,829,141)	(154,083,089)
	<u>65,379,817</u>	<u>8,900,864</u>

Conditions still to be met - remain liabilities (see note 16).

To finance the extension of services and to alleviate poverty. The purpose of this grant is also to stimulate local economic development and job recreation over the medium term..

Matjhabeng Local Municipality

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23. Government grants and subsidies (continued)

Department of Water and Environmental Affairs

Transfer of balance (from) / to Sundry Debtors	(475,804)	(1,148,078)
Current-year receipts	7,435,594	10,413,724
Conditions met - transferred to revenue	(5,352,848)	(9,741,449)
Transfer of balance (from) / to Sundry Debtors	-	475,803
	1,606,942	-

Conditions still to be met - remain liabilities (see note 16).

This grant serves to aid development of water, run-off and sewerage control in the Matjhabeng area.

Integrated National Electrification Programme

Balance unspent at beginning of year	869,419	500,000
Current-year receipts	11,387,000	1,892,000
Grant withheld by National Treasury through Equitable Share	-	(258,000)
Conditions met - transferred to revenue	(6,136,729)	(1,264,581)
	6,119,690	869,419

Conditions still to be met - remain liabilities (see note 16).

This was money granted by the Department of Energy to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to approve quality of supply. Demand site grants included serve to manage electricity supply to aid load-situations. This grant has not been withheld.

Department of Mineral and Energy Affairs

Withheld	-	(460,507)
Grant derecognised	-	460,507
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Municipality was granted a total of R550,000 for electrification of Thabong (ext. 15) and Bronville (ext. 9) - Phase 3 since the project started.

Neighbourhood Development - National Treasury

Balance unspent at beginning of year	1,417,417	1,417,417
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Conditions still to be met - remain liabilities (see note 16).

The officer of the Premier has appointed Bopa Lesedi Development (Pty) Ltd as the Project Manager for the Matjhabeng ("the Operation Hlasela Project"), which provides for the immediate implementation of a number of variable projects in the Matjhabeng Local Municipality. 200 Workers were appointed (a directive from Premier Office) in order to help with necessary work in Phomolong. The payment for these workers are from the budget of Provincial Government.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

23. Government grants and subsidies (continued)

Lotto Parks

Balance unspent at beginning of year 71,587 71,587

Conditions still to be met - remain liabilities (see note 16).

The Municipality was allocated an amount from Lotto to construct recreational facilities within the municipal areas. This grant has not been withheld.

24. Other revenue

Commissions received 9,070,627 8,272,557
Other income 21,147,744 19,348,875
30,218,371 27,621,432

Other income

Disconnection fees 3,351,311 4,295,550
Dumping fees - 647,095
Hostel fees 4,641,831 3,511,548
Services rendered 1,766,412 1,994,229
Sundry Income 11,388,190 8,900,453
21,147,744 19,348,875

25. Investment revenue

Dividend revenue

Local Dividends 11,823 20,790

Interest revenue

Financial Assets 7,589,678 7,419,622
7,601,501 7,440,412

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R7,585,384 (2012: R7,440,412).

26. Employee related costs

Basic 259,883,996 253,181,249
Bonus 17,887,863 17,120,804
Medical aid - company contributions 34,487,249 32,706,833
UIF 2,713,418 2,480,384
Leave pay provision charge 5,628,892 11,743,392
Post-employment benefits - Pension - Defined contribution plan 38,448,608 36,603,192
Overtime payments 35,796,050 37,367,346
Long-service awards 1,149,468 1,034,589
Transport allowance (bus coupons) 21,354,949 16,252,954
Housing benefits and allowances 3,334,732 2,330,125
Other allowances 13,381,850 11,923,020
Insurance group 1,100,284 4,814,571
Post-employment benefits - Medical Aid - Defined benefit plan - 34,823,000
435,167,359 462,381,459

Matjhabeng Local Municipality

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Notes to the Financial Statements

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26. Employee related costs (continued)

Remuneration of Municipal Manager

Annual Remuneration	1,234,225	1,281,500
Contributions to UIF, Medical and Pension Funds	219,063	1,389
	1,453,288	1,282,889

Remuneration of Chief Finance Officer

Annual Remuneration	-	-
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	-	-

The position of Chief Finance Officer is vacant from June 2010 and was not filled during the year.

Remuneration of Director: Strategic Support Services

Annual Remuneration	1,315,742	873,253
Travel Allowance	-	8,172
Contributions to UIF, Medical and Pension Funds	1,838	1,518
	1,317,580	882,943

The position of Chief Operating Officer was vacant from 1 April 2009 to 1 December 2009. The Director: Strategic Support Services was appointed on 1 December 2009 who replaced the position of the Chief Operating Officer.

Remuneration of Director: Community Services

Annual Remuneration	829,559	-
Car Allowance	143,319	-
Contributions to UIF, Medical and Pension Funds	143,234	-
	1,116,112	-

The position of director of community services is vacant and has not yet been filled.

Remuneration of Director: Corporate Services

Annual Remuneration	167,347	74,159
Car Allowance	-	16,521
Contributions to UIF, Medical and Pension Funds	149	19,136
	167,496	109,816

The position Chief Operating Officer was vacant during the year and has not yet been filled.

Remuneration of Directors: Infrastructure

Annual Remuneration	824,500	868,471
Car Allowance	274,957	2,104
Contributions to UIF, Medical and Pension Funds	1,689	1,518
	1,101,146	872,093

The position Chief Operating Officer was vacant during the year and has not yet been filled.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2013

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Figures in Rand

	2013	2012
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27. Remuneration of councillors

Executive Major	734,795	681,838
Mayoral Committee Members	5,207,490	4,854,890
Council Members	13,106,961	12,037,560
Speaker	1,156,107	539,690
Councillors' pension contribution	1,977,503	1,863,587
Other	(818)	(507,298)
Medical aid contribution	520,713	528,421
	22,702,751	19,998,688

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Councillors may utilise official Council transportation when engaged in Council activities.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards . The Speaker has a full-time messenger.

28. Depreciation and impairment

Property, plant and equipment	235,404,855	233,401,798
Depreciation on Inventory (Residential buildings)	-	30,241
Investment property	22,891,780	22,891,780
Impairment on movable assets	2,166,936	-
Impairment on immovable assets	-	34,210,093
	260,463,571	290,533,912

29. Impairment loss/ Reversal of impairments

Impairments

Trade and other receivables	346,176,905	335,465,176
Provision for doubtful debt on consumer accounts.		

30. Finance costs

Non-current borrowings	2,961,731	2,794,331
Trade and other payables	69,322,764	53,934,315
Finance leases	777,777	1,967,254
Bank	88,685	89,164
Reversal of deemed interest on creditors	16,283,978	-
	89,434,935	58,785,064

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R89,434,935 (2012: R61,152,024).

31. Bulk purchases

Electricity	325,771,066	289,383,609
Water	270,394,092	234,430,485
	596,165,158	523,814,094

Matjhabeng Local Municipality

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32. Contracted services		
Auditors remuneration	6,047,409	4,991,141
Consulting and professional fees	58,514,611	76,478,736
Meter Reading Services	21,160,310	9,497,424
Security (guarding of municipality)	18,737,755	15,793,343
	104,460,085	106,760,644
33. General expenses		
Advertising	2,904,870	1,175,199
Assets expensed	259,529	108,550
Bank charges	2,293,271	2,256,302
Chemicals	790,152	271,190
Cleaning	614,927	677,785
Community development and training	7,286	15,750
Conferences and seminars	108,940	247,690
Donations	173,684	29,572
Entertainment	960,483	476,151
Indigent Subsidy	27,271,345	21,007,853
Insurance	18,323,031	14,056,644
Magazines, books and periodicals	-	2,868
Marketing	64,137	512,200
Medical expenses	547,556	135,855
Municipal services	(2,411,058)	43,026
Operating cost of equipment	14,269,921	11,815,298
Operating cost of vehicles	40,925,673	26,551,780
Other expenses	15,019,207	2,065,479
Pest control	2,996	10,027
Printing and stationery	1,956,806	3,907,281
Rehabilitation of landfills	1,450,000	250,000
Royalties and license fees	4,065,520	4,119,279
Skills Development Levy	3,885,783	3,556,463
Subscriptions and membership fees	4,541,951	4,664,087
Telephone and fax	11,659,901	13,956,862
Training	1,232,258	590,041
Travel - local	3,296,092	3,215,756
Uniforms	3,751,963	2,459,056
	157,966,224	118,178,044

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34. Cash generated from operations		
Deficit	(398,260,168)	(363,329,298)
Adjustments for:		
Depreciation and amortisation	260,463,571	290,533,912
Gain on sale of assets and liabilities	-	290,408
Fair value adjustments	57,820,717	(3,570,335)
Finance costs - Finance leases	-	1,967,254
Impairment deficit	346,176,905	335,465,176
Movements in retirement benefit assets and liabilities	57,835,000	34,823,000
Movements in provisions	1,450,000	(53,383,608)
Changes in working capital:		
Inventories	20,998	(633,931)
Trade and other receivables	(344,508,107)	(328,920,650)
Other receivables from non-exchange transactions	14,443,709	(22,554,787)
Consumer debtors	(8,221,262)	(28,149,602)
Consumer debtors - non current	(2,124,131)	(1,250,356)
Trade and other payables	157,152,204	280,114,068
VAT	(22,161,575)	30,088,249
Unspent conditional grants and receipts	64,990,142	(31,931,100)
Consumer deposits	1,460,103	941,554
	186,538,106	140,499,954

35. Rental of facilities and equipment

Rentals - Living Quarters	7,490,647	7,121,790
Rentals - Sundry Properties	1,591,256	1,807,080
Rentals - Land	1,229,917	696,610
Rentals - Halls & Offices	314,010	323,560
Rentals - Other	608,260	543,324
	11,234,090	10,492,364

36. Operating deficit

Operating deficit for the year is stated after accounting for the following items but not limited thereto:

Repairs and Maintenance		
Building and Installation	1,337,229	2,697,755
Equipment	3,167,139	2,228,055
Land & Fences	560,415	1,002,227
Main Electricity: High Tension	387,552	6,645,586
Main Electricity: Low Tension	486,442	2,808,918
Main Sewerage: Blocked	986,809	732,572
Main Sewerage: Breakage	1,977,697	2,312,511
Main: Water	4,671,564	4,704,695
Meters and Connections	3,958,692	1,725,278
Pump Station: Civil	942,631	887,289
Pump Station: Electrical	1,351,117	1,312,139
Pump Station: Mechanical	1,024,432	1,067,456
Street name and traffic signs	33,575	1,340,861
Streetlights	589,167	1,891,891
Streets: Patching	1,152,836	1,215,950
Streets: Resealing	14,391,490	1,696,671
Other	2,376,189	2,017,900
	39,394,976	36,287,754

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Figures in Rand	2013	2012
36. Operating deficit (continued)		
Loss on sale of property, plant and equipment	-	(290,408)
Impairment on property, plant and equipment - work in progress written off	-	(30,241)
Impairment on Consumer Debtors	346,176,905	335,465,176
Depreciation on property, plant and equipment	260,463,571	259,667,532
Depreciation on investment property	-	30,866,380
Employee costs	457,870,110	482,380,147
Litigation settlement	-	16,350,982
37. Commitments		
Capital and other expenditure		
<ul style="list-style-type: none">• Infrastructure• Infrastructure - not yet contracted for• Operating expenditure• Professional fees	<ul style="list-style-type: none">13,950,527402,351,1108,155,45110,373,321	<ul style="list-style-type: none">39,622,03620,510,942-25,314,995
	434,830,409	85,447,973
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	-	754,952

Operating lease payments represent rentals payable by the municipality for certain of its office properties, equipment and fire trucks. No sublease payment expected to be received under non-cancelable sublease.

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38. Contingencies		
Housing Guarantees	-	182,315
MTM SP Guarantees facility	-	20,000
<p>The following cases against the Municipality have been recorded as a contingent liability as there is uncertainty as to the outcome of the cases. The Municipality is defending the cases. The potential legal costs have not been included in the claims against the Municipality.</p>		
Contingencies		
Odyssey Holdings versus Matjhabeng Local Municipality. Odyssey Holdings alleged that it was appointed in terms of Tender 22/2002 for the construction of Stormwater drainage in Kwutlwanong. Odyssey Holdings alleged that the tender did not reflect the true consensus and common intention between the parties (municipality and the contractor).	-	1,383,512
Mr. C.G. Jacobs versus Matjhabeng Local Municipality. Mr. C.G. Jacobs indicated in 2003 of his intention to resign from the Municipality at the retirement age of 60 (sixty). Mr Jacobs was allegedly advised to reserve his rights in the matter as there was a strong indication that the rules of the Free State Pension Fund would change increasing the retirement age up to 65 (sixty five) years. Although Mr. Jacobs wrote to Council informing it that he reserves his right not to retire pending the outcome of the decision of the Free State Pension Fund, he (Mr. Jacobs) filled out the application forms for his pension funds to be released which subsequently occurred. Council informed him on the 1st of October 2003 to vacate his office. Subsequently he referred his matter to the Bargaining Council. The Municipality lost its arguments at arbitration.	1,881,172	1,881,172
V&V Consulting Engineers versus Matjhabeng Local Municipality. Summons issued against the municipality, wherein the municipality was sued for failure to pay V&V Consulting Engineers for services rendered.	2,049,969	856,695
Mr. J.P. Wentzel versus Matjhabeng Local Municipality. Mr. J.P. Wenzel alleged that on or around 23 September 2008 a fire broke out within the Municipality's farm and spread to his farm. As a result thereof he suffered damages.	1,740,349	1,740,349
Koth Properties versus Matjhabeng Local Municipality. Appointed to prepare general valuations. The agreement was terminated by the municipality. Koth Properties issued a combined summons against the municipality for breach of contract.	14,400,000	14,400,000
State versus Matjhabeng Local Municipality. Following municipality's continued negligence to properly maintained numerous municipal sewer systems together with numerous complains lodged against the municipality regarding the problem herein a directive in terms of Section 53 (1) of the National Water Act, Act No 36 of 1998 was issued against the municipality for non-compliance in terms of the aforementioned Act. With the municipality not complying with the directive issued, a criminal case was instituted against the municipality, employees and former employees.	-	-
Fujitsi Services (Pty) Ltd versus Matjhabeng Local Municipality. The municipality was issued with a Combined Summons from Fujitsu Services (Pty) Ltd. Alleged that the municipality failed to make payments. Trial date has been applied and same is expected to be 2014.	7,051,943	7,051,941

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38. Contingencies (continued)		
Oardweed Investments CC versus Matjhabeng Municipality	-	-
The municipality was issued with Notice of Motion from Oardweed Investments CC for an order as follows:		
(i) That the Respondent (Municipality) be ordered to, within 30 days of the date of this order, cause a supplementary valuation to be made in respect of the fixed property known as Erf 1, Rheederpark, as is provided for in section 78 of Local Government: Municipal Property Rates Act, 2004.		
(ii) That the municipality be ordered to disclose to Oarweed, simultaneously with the disclosure of the result of the supplementary valuation, whether the new valuation of the property, if any, has been made in terms of the provisions of section 78 (1) (d) (e) and (f) of the Local Government: Municipal Property Rates Act, 2004.		
(iii) That Oarweed be ordered to pay all fees that may be payable in respect of the supplementary valuation referred to in paragraph 1 above.		
MMS Collections versus Matjhabeng Local Municipality.	2,870,649	2,870,649
The municipality was issued a Letter of Demand, claiming payment for an amount alleged to be agreed between the parties involved. The municipality has since instructed its attorneys to settle the matter out of court with Plaintiff. Municipality settlement was not accepted.		
Ramabulana Investment Services versus Matjhabeng Local Municipality.	1,821,367	1,821,367
The municipality was issued with a combined summons, claiming payment for services rendered.		
R Pretorius versus Matjhabeng Local Municipality.	164,767	164,767
On 24 January 2012 the municipality was served summons by the plaintiff claiming payment on the basis of fraudulent activities committed.		
Tanker Project Solutions CC vs Matjhabeng Local Municipality.	3,971,025	3,971,025
On the 30th March 2012 municipality was issued with combined summons claiming payment. The plaintiff alleged that he entered into a written agreement wherein he would act as consultant for the municipality in respect of the planning, design, supervision of infrastructure projects, development and implementation of technical assistance projects in terms of tender Notice 29/2009.		
Mr. B.A. Murray versus Matjhabeng Local Municipality.	46,250	46,250
On the 30th April 2012 municipality was issued with summons claiming payment. The plaintiff in the matter alleged that a collision occurred between a municipal vehicle driven by certain Mr Khomotsoana and the plaintiff's vehicle.		
Sonja Wessels versus Matjhabeng Local Municipality.	783,397	-
The Plaintiff herein instituted a civil proceeding against the Municipality for pain and suffering as result of an accident that occurred on 1 January 2011 at Valley Drive South, Virginia. Plaintiff alleges that on the day in question while driving on the aforementioned road, the motor cycle driven by one S Heydenreuch the Motorcycle hit a pothole in the said road, causing the aforementioned driver to lose control over the motorcycle which resulted in the motorcycle leaving the road and overturning. Memo requiring clarity was send to the line manager on receipt of unfavourable respond matter was been handed over to Maree & Gouws Attorneys to defend claim on behalf of the municipality and the Insurance have taken-over the matter and is now being handled by Honey Attorneys.		

Matjhabeng Local Municipality

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38. Contingencies (continued)		
Jan Bastian Reynders. The Plaintiff alleges that on or about 2nd August 2011 while travelling with his vehicle at Power road Virginia he approached a roadblock wherein he was stopped by Municipal traffic officer acting on their capacity as municipal employees. Traffic Officer become aggressive and demanded him to hand over his vehicle alleging that the vehicle is not road worthy as no front plate was displayed. The plaintiff alleges that in seizing the vehicle the defendant's employees had no reasonable cause to do so, as result of the above a claim in sum of R 300.000.00 for damages incurred. Memo requiring clarity was send to the line manager on receipt of unfavourable respond matter was been handed over to Maree & Gouws Attorneys to defend claim on behalf of the municipality and the Insurance have taken-over the matter and is now being handled by Honey Attorneys.	300,000	-
Prudence Dieketseng Nhlapo. On 11th January 2012 the Municipality was served with Ordinary Summons, wherein Plaintiff is instituting civil dispute arising from motor collision. As a result she instated a civil claim against the municipality for payment of R55 711, 98 (fifty five thousand, seven hundred and eleven rand and ninety eight cents). The matter have been lodged with the insurance.	55,712	-
Northern Spark Trading. On the 23rd July 2012 the municipality was served with a Warrant of Execution in respect of civil claim arising out of public liability claim. The judgement was rescinded and Messrs Maree Gouws was instructed by the Insurance to proceed in handling the matter further and the matter is on 13th June 2013.	84,516	-
Miss Byleveldt. Plaintiff alleges that during September 2011 she was driving at Fern Street, Virginia and an accident occurred as a result of pothole. As a result he suffered damages to the amount of R257 386, 60. The insurance have since appointed Messrs Honey Attorneys to handle the matter.	257,387	-
Vukuzimele Development Consultants CC t/a Vuka Academy. On the 27th December 2012 the Municipality was served with Combined Summons instituting a claim in sum of R195, 800.00 (One hundred and ninety five thousand, eight hundred rand) for an education for disabled people for 2011 Local Government Election. The matter herein was forwarded to erstwhile Acting Municipal Manager (now Senior Manager: LED) for his urgent attention. In preparation of Plea it has been established that the service provider (Plaintiff) indeed gave the municipality services and the municipality provided the voters with transport as well as the venue. Negotiations are taking place between the parties.	195,800	-
Ordinary Summons X83: Fanie Stephen Salean 82 others versus Matjhabeng Local Municipality The Plaintiffs in the matter herein alleges that they are entitled to certain amount of payment for work performed on Saturdays and Sundays since 2004. They further allege that notwithstanding their demands the municipality refuses and/or neglects to pay such services. A round table meeting has been arranged with respective departments on a way forward and in an attempt to establish the defence and also to discuss possibility of appointment of a legal representative , Messrs Maree Gouws was appointed. Notice of Intention to Defend was filed and in preparation of Plea.	-	-

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38. Contingencies (continued)		
Goldfields Tracing CC versus Matjhabeng Local Municipality	-	-
During 2006 Goldfields Tracing CC was appointed as one of the four debt collectors selected by the municipality and following their appointments the difficulty arose when the debt collectors claimed commission on all amounts paid by the debtors directly without providing the necessary proof that the debt collector was the effective cause of the payment. Matjhabeng Local Municipality instituted action against Goldfields Tracing CC in that it was the only debt collector that failed to produce to the municipality all payments made to and on behalf of the municipality through its offices and as a result the judgment was granted in favour of the municipality by the Free State High Court. Messrs Maree Gouws Attorneys were appointed to act on behalf of the municipality. There have an exchange of Draft Forensic Report from Open Water Forensics and believe that it will highly unlikely that Messrs Steyn Attorney will proceed with legal action against the Municipality on behalf of Goldfields Tracing.		
Kanono Jacobs Lento.	157,679	-
On 1st February 2013 the Municipality was served with Combined Summons, wherein Plaintiff is instituting civil claim as a result of electric shock. The matter has since being referred to Council's insurance.		
JJ Human versus Matjhabeng Municipality.	19,000	-
During February 2013 Legal Services received correspondence from Mr JJ Human. In brief Mr Human states that he was appointed as an Audit Committee Member for the municipality. He further indicated that subsequent to his appointment he attended several meetings as scheduled. He was paid R11 855,00 for all the sittings as well as travelling costs though same was not paid timeously as there are amounts still outstanding. The above an item was prepared for Council deliberation on the matter and same was withdrawn no reasons furnished. On the 29th April 2013 Mr. JJ Human issued summons against the municipality for payment of R19 000, 00 and Messrs Maree Gouws have since being appointed to represent the municipality.		
Gain Industries CC versus Matjhabeng Municipality.	360,628	-
On the 23rd April 2013 Municipality was served with Summons by the abovementioned Plaintiff. Plaintiff alleges that he rendered professional services to the municipality during 2012 on the municipality's special request and instance and the services rendered amounts to R 360 628,15. Municipality has since appointed Messrs Maree Gouws Attorneys to represents the municipality whilst gathering information from relevant department.		
Steven Heydenreich versus Matjhabeng Municipality.	892,936	-
On 18 September 2012 the Municipality was served with a combined summons instituting claim in an amount of R 892 936.30 he suffered as result of an accident which occurred on the 1 January 2011 within the district of the Municipality, were in the Plaintiff drove into a pothole thus losing control of the motorcycle he was driving at the time and result in an accident. The claim herein been a public liability claim was referred to our Budget Control section to enable same to lodge the claim with the Municipal Insurer.		
Sipho Mnisi versus Matjhabeng Municipality.	45,640	-
On the 2nd May 2013 Municipality was served with Combined Summons from Sipho Mnisi. The plaintiff alleges that on the 4th May 2010 an incident occurred in Virginia, Leratong Street wherein the plaintiff's vehicle bumped into a pothole which resulted in defendant's vehicle damaged beyond economical repairs. The matter was been referred to municipal current Insurer and the latter repudiated the claim. the matter herein was thereafter referred to the previous insurance and in parallel appointed Messrs Maree Gouws to handle the matter as the dies was about to expire.		

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38. Contingencies (continued)		
Universal Pulse Trading 355 (Pty) Ltd versus Matjhabeng Municipality. On the 14th May 2008 the then Municipal Manager Mr. TH Pietersen appointed the service provider Universal Pulse for treatment of waste water in all municipal sewers. However it was later detected that the appointment of Universal Pulse and contract herein was in contravention with Municipal Finance Management Act as firstly the contractor was not appointed through supply chain process and secondly the terms agreed upon in their contract exceeded the required three year period. The service provider herein had already carried on with work and submitted and invoice to the amount of R 1 114 412.70 for work done.	1,114,413	-
Viljoen versus Matjhabeng Local Municipality. Plaintiff issued summons against Matjhabeng Local Municipality for unlawful arrest and damages.	150,000	150,000
LGW Contractors versus Matjhabeng Local Municipality. Summons issued against the municipality for payment for alleged standing time. Since the matter was redundant an application for Absolution from the Instance was launched and granted in favour of the municipality on the 28th May 2013.	-	1,847,958
Tall Tree versus Matjhabeng Local Municipality. During 2002/03 the Municipality arranged for a Lekgotla at Qwa-Qwa. Tall Tree was appointed as a facilitator. It is alleged that the Company failed to submit its quotation as requested and also failed to produce and/or deliver in accordance with its appointment. Tall Tree subsequently issued summons for payment. The municipality does not accept offer of Tall Tree being R400 000 and that each party to pay its own legal costs. Consultation was arranged and the matter was settled out of court.	-	534,318
Oppenheimer Golf Course versus Matjhabeng Local Municipality. The municipality was served with Combined Summons for damage suffered as a result of an overflowing of Witpan Sewer Plant which resulted to the alleged damage of the golf course. Full and final settlement.	-	8,250,000
Big Bravo Construction CC versus Matjhabeng Local Municipality. The municipality was issued with a summons claiming payment. The Plaintiff allege that it rendered services to the municipality at its special instance and request during 2008 under project number 35/2006. The matter has since been referred to Finger Attorneys and Plaintiff has abandoned the claim.	-	65,000
	40,414,599	47,035,003

Wage curve agreement

Employee costs are subject to a wage curve agreement. The impact of this agreement is still to be determined.

Councillors Unemployment Insurance Fund contributions

Circular 1/2012 dated 26 January 2012 states that municipalities that have deducted UIF contributions from councillors after 1 April 2002 will have to take the necessary steps for the refund of such amounts from the Fund. The municipality have not yet submitted their claim to the Fund based on the following reasons:

- The information from 2002 to 2005 has not yet been collated.
- The municipality is awaiting the format in which the Fund requires the information to be summarized and then a payday report will have to be created in order to pull the information from the system.
- It is uncertain when the proposed format will be communicated.
- Councillors who resigned needs to be located.
- Family members of councillors who passed away needs to be located.

After the claim have been completed and submitted to the Fund, the refund will depend on the audit to be performed by the Fund on the claim and supporting information that was submitted to the Fund

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38. Contingencies (continued)

Based on the uncertainty of the matter as described above, the matter is disclosed as a contingency:

Contingent Asset - the receipt of the contributions from the Fund. The existence of the asset existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Liability - the repayments of contributions deducted and subsequently recovered from the Fund. The existence of the liability will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets

Remuneration of council members:

The municipality did not remunerate its political office bearers and members of its political structures within the framework of the Public Office Bearers Act, 1998 (Act No. 20 of 1998) due to difference of opinion of the grading of the municipality. In terms of section 167(2) of the MFMA, the municipality must recover these overpayments.

These amounts have not been accounted for as a receivable at year-end as there is currently uncertainty surrounding the outcome of the dispute. The grading of the municipality will be finalised once a conclusion is reached based on the meeting to be held between the municipality, SALGA and CoGTA.

The above-mentioned amounts that have been overpaid is included in the note for irregular expenditure (note 43).

Supply of bulk electricity - Eskom

The validity of the electricity supply agreement between the municipality and Eskom, the billing system used, tariffs applied and the charging of compound interest charged since 2000 are disputed. Resolution of this dispute may result in recovery / adjustment of amounts paid / billed.

Supply of bulk water - Sedibeng

Charges for the supply of water and arrear interest by Sedibeng Water are disputed by the municipality. Resolution of this dispute may result in recovery / adjustment of amounts paid / billed.

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39. Prior period errors		
In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors:		
39.1 Prior period error - Debtor payment disclosed as sundry income		
Statement of financial position		
Refund control account (trade payables)	-	(1,511,526)
Statement of financial performance		
Sundry income	-	1,511,526
Correction of debtor payment received incorrectly disclosed as sundry income.		
39.2 Prior period error - Sedibeng creditor cut-off correction		
Statement of financial position		
Trade payables	-	(25,251,960)
VAT payable	-	2,647,634
	-	(22,604,326)
Statement of changes of net assets		
Accumulated surplus	-	18,245,991
	-	18,245,991
Statement of financial performance		
Interest paid to creditors	-	1,325,699
Bulk purchases water	-	3,032,637
	-	4,358,336
Correction of June 2011 Sedibeng Water invoices posted during the 2012 financial year and 2012 invoice posted during the 2013 financial year.		
39.3 Prior period error - Debtor corrections		
Statement of financial position		
Consumer receivables from exchange transactions	-	27,718,097
	-	27,718,097
Statement of changes in net assets		
Accumulated surplus	-	(30,156,628)
	-	(30,156,628)
Statement of financial performance		
Sales - electricity	-	632,065
Sales - water	-	1,806,466
	-	2,438,531
Correction of prior year consumer debtors understated.		
39.4 Prior period error - Creditors		
Statement of financial position		
Trade payables	-	(8,113,355)
VAT payable	-	523,198
	-	(7,590,157)

Matjhabeng Local Municipality

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39. Prior period errors (continued)		
Statement of financial performance		
Building and installation	-	78,530
Contracted services	-	1,452,923
Laboratory analysis	-	610,242
Legal fees	-	3,550,340
Printing and stationary	-	378,480
Professional fees	-	1,429,642
Seminars and conferences	-	90,000
	-	7,590,157
Correction of prior year creditors understated.		
39.5 Prior period error - Correction of movable and immovable assets		
Statement of financial position		
Property, plant and equipment (Movable assets)	-	37,520,052
Property, plant and equipment (Infrastructure)	-	802,085,568
Property, plant and equipment (Land and buildings)	-	(3,431,828)
Investment property	-	117,496,199
Inventory (Residential buildings)	-	2,907,108
	-	956,577,099
Statement of changes in net assets		
Accumulated surplus (Movable assets)	-	(32,454,998)
Accumulated surplus (Infrastructure)	-	(711,587,292)
Accumulated surplus (Land and buildings)	-	3,431,828
Accumulated surplus (Investment property)	-	(109,521,599)
Accumulated surplus (Inventory)	-	(2,907,108)
	-	(853,039,169)
Statement of financial performance		
Depreciation and impairment	-	(103,537,929)
	-	(103,537,929)
Corrections due to taking on of Ducharme and IMESA fixed asset registers.		
39.6 Prior period error - Adjustment of Landfill sites		
Statement of financial position		
Provisions	-	80,963,718
Statement of change in net assets		
Accumulated surplus (Rehabilitaion of landfills)	-	(53,633,608)
Statement of financial performance		
General expenses (Rehabilitaion of landfills)	-	250,000
Discounting - Landfills	-	(27,580,110)
	-	(27,330,110)

Ajustment of Latitude adjustment.

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40. Risk management

Capital risk management

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

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

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 12, 11, 8, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2013 and 2012 respectively were as follows:

Total borrowings

Finance lease obligation	12	210,125	7,073,267
Other financial liabilities	11	18,537,335	19,275,605
		18,747,460	26,348,872
Less: Cash and cash equivalents	8	(2,011,055)	44,664,502
Net debt		20,758,515	(18,315,630)
Total equity		5,392,563,345	4,757,708,371
Total capital		5,413,321,860	4,739,392,741

Gearing Ratio % 0% 1%

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 a central treasury department (entity treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management.

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40. Risk management (continued)

Liquidity risk

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

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.

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

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	18,537,335	-	-	-
Financial lease obligation	210,125	-	-	-
Trade and other payables	1,069,987,789	-	-	-
Consumer deposits	29,396,890	-	-	-
VAT Payable	7,013,476	-	-	-
Bank Overdraft	6,187,309	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	19,275,605	-	-	-
Finance lease obligation	5,878,219	1,195,049	-	-
Trade and other payables	912,832,591	-	-	-
Consumer deposits	27,936,787	-	-	-
VAT Payable	29,175,051	-	-	-

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2013 and 2012, the municipality's borrowings at variable rate were denominated in the Rand.

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40. Risk management (continued)

Credit risk

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

Cash and cash equivalents:

Matjhabeng 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.

Consumer Debtors:

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The Municipality's consumer receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as electricity, water, sanitation, refuse and rates levied. Consumer receivables constitutes approximately 59% of the Municipality's total exposure to maximum credit risk. The Municipality's exposure and credit ratings of its customers are continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

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

Financial instrument	2013	2012
Trade and other receivables	3,615,398	5,721,960
Consumer debtors	148,286,387	159,508,834
Cash and cash equivalents	(2,011,055)	44,664,502
Other financial assets	33,265,412	38,789,418
Consumer debtors (long term)	3,832,050	1,707,919
Investment in unlisted shares	302,600	287,317
Non-current receivables	3,832,050	1,707,919

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40. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

Foreign Currency Risk

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

Interest Rate Risk

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

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

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

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

41. Going concern

The following principal conditions could indicate that there is a material uncertainty which may cast significant doubt on the municipality's ability to continue as a going concern:

- 1) The total current liabilities, including unspent conditional grants (Note 16), exceeded the total current assets, including cash and cash equivalents (Note 8) and other financial assets (Note 4) by R82,871,143 (2012: R82,871,143). The municipality does not have sufficient funds available to cover short term debt.
- 2) The net deficit of the municipality was R741,747,755 (2012: R2,340,290,632).
- 3) There was a net decrease in cash and cash equivalents (Note 8) of R46,675,557 for the current financial year.
- 4) The municipality experienced difficulty in collecting consumer debtors. Consumer debt before impairment amounted to R1,901,856,016 at 30 June 2013 (2012: R1,562,851,645).
- 5) The municipality experienced problems in billing all consumers correctly and timeously.

The municipality is committed to improving operational efficiencies and is in the process of implementing procedures to improve billing accuracy, debt collection and to develop skills in the finance department.

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

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

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41. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality as well as the compliance with section 71 of the MFMA in order to secure future funding from the Government to cover expenses and meet obligations.

42. Unauthorised expenditure

Opening balance	2,534,989,019	1,459,230,422
Unauthorised expenditure current year - operating expenses	719,253,752	1,035,382,671
Unauthorised expenditure current year - capital expenses	110,840,600	40,375,926
Unauthorised expenditure current year - condoned	(120,194,450)	-
	<u>3,244,888,921</u>	<u>2,534,989,019</u>

The unauthorised expenditure in 2013 and 2012 relates to expenditure incurred that was not budgeted for those specific financial years per department vote.

The unauthorised expenditure are not recoverable and no criminal or disciplinary steps have been taken as a result of such unauthorised expenses.

43. Fruitless and wasteful expenditure

Opening balance	157,779,893	81,388,100
Fruitless and wasteful expenditure current year	23,998,087	76,391,793
	<u>181,777,980</u>	<u>157,779,893</u>

These expenditure includes interest paid for late payment to suppliers and payments toward unfulfilled contracted services.

The fruitless and wasteful expenditure are not recoverable, no criminal or disciplinary steps were taken as a result of fruitless and wasteful expenditures and all material losses as a result of the expenses were written off in the year incurred.

Interest charged by Sedibeng identified in 2013 is not included as fruitless and wasteful expenditure pending resolution of a dispute with regards to charges for bulk water and interest. Refer to note 38 (Contingencies).

44. Irregular expenditure

Opening balance	397,787,370	237,410,221
Add: Irregular Expenditure - current year	1,746,218	160,377,149
	<u>399,533,588</u>	<u>397,787,370</u>

Additional information

The irregular expenditure are not recoverable, no criminal or disciplinary steps were taken as a result of irregular expenditures and all material losses as a result of the expenses were written off in the year incurred.

The recoverability of the non compliance with remuneration of Public Office Bearers Act is in doubt and therefore a debtor has not been raised for the excess remuneration paid (refer to contingent asset, note 38).

Details of irregular expenditure – current year

Non Compliance with supply chain management - included on register	1,664,821
Possible non compliance with remuneration of Public Office Bearers Act (remuneration was based on a grading of 5, also refer to note 38, contingent assets)	81,397
	<u>1,746,218</u>

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44. Irregular expenditure (continued)		
Details of irregular expenditure - prior year		
Non Compliance with supply chain management - included on register		9,268,095
Non Compliance with supply chain management - other		147,791,577
Possible non compliance with remuneration of Public Office Bearers Act (remuneration was based on a grading of 5, also refer to note 38, contingent assets)		2,971,751
Procurement transactions with employees and/or family members of employees (2011: R3,943,651)		345,726
		160,377,149
45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	4,539,555	4,664,087
Material losses		
Electricity Loss	45,607,808	34,510,277
Water loss	97,549,210	-
	143,157,018	34,510,277
Audit fees		
Opening balance	157,391	319,664
Current year subscription / fee	6,047,409	5,689,901
Amount paid - current year	(3,204,450)	(5,532,509)
Amount paid - previous years	(157,391)	(319,665)
	2,842,959	157,391
PAYE and UIF		
Opening balance	4,266,227	4,195,770
Current year subscription / fee	55,339,655	52,505,184
Amount paid - current year	(50,415,205)	(48,238,957)
Amount paid - previous years	(4,266,227)	(4,195,770)
	4,924,450	4,266,227
Pension and Medical Aid Deductions		
Opening balance	8,713,489	8,204,137
Current year subscription / fee	109,427,968	102,957,919
Amount paid - current year	(99,978,311)	(94,244,430)
Amount paid - previous years	(8,713,489)	(8,204,137)
	9,449,657	8,713,489

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT payable	7,013,476	29,175,051

VAT output payables and VAT input receivables are disclosed in note 14.

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

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

Councillors' arrear consumer accounts

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

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
FE Taliwe	535	2,593	3,128
FG May	1,308	10,684	11,992
KI Ntlele	562	6,687	7,249
KJ Menyatso	1,184	500	1,684
M Kabi	293	500	793
ME Phetise	160	17,418	17,578
ME Tsubane	2,454	42,983	45,437
MH Ntsebeng	2,550	11,273	13,823
ML Ntsui	827	19,386	20,213
NW Speelman	8,421	21,525	29,946
PA Molelekoa	229	57	286
PP Mholo	762	300	1,062
SW Mokwena	444	16,772	17,216
TL Mabote	683	12,920	13,603
TD Khalipha	2,627	5,180	7,807
B Stofile	1,801	2,000	3,801
DS Fanie	1,031	831	1,862
J Fourie	6,950	3,397	10,347
MG Mlangeni	2,342	-	2,342
MJ Semela	3,549	63,377	66,926
MP Motshabi	998	1,030	2,028
	39,710	239,413	279,123

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

30 June 2012

	Outstanding less than 90 days	Outstanding more than 90 days	Total
AX Mbambo	192	-	192
B Stofile	5,869	-	5,869
D Kotzee	626	-	626
DC Smit	7,422	-	7,422
FE Taliwe	740	4,951	5,691
FG May	4,054	8,056	12,110
JJC Fourie	7,635	-	7,635
HM Molefi	337	-	337
KI Ntlele	1,003	15,025	16,028
KI Petleki	285	-	285
KJ Menyatso	5,576	12,637	18,213
MA Tlake	296	2,024	2,320
LC Mokausi	440	8,606	9,046
M Kabi	6,964	9,677	16,641
MA Mbana	1,119	-	1,119
MD Masienyane	2,137	-	2,137
ME Banyane	1,720	-	1,720
ME Phetise	2,418	16,747	19,165
ME Tsubane	3,182	34,447	37,629
MG Mlangeni	883	-	883
MH Ntsebeng	2,291	6,791	9,082
MI Riet	411	20,670	21,081
MJ Badenhorst	506	18,652	19,158
MJ Sephiri	151	-	151
ML Ntsiu	1,014	15,912	16,926
MP Motshabi	309	-	309
MS Mosala	287	-	287
MS van Rooyen	1,497	238	1,735
MSE Mfebe	841	-	841
MT de Villiers	1,916	-	1,916
NE Monjovo	197	-	197
BN Vanga	733	-	733
NW Speelman	7,873	25,905	33,778
PV Makgowe	203	-	203
PA Molelekoa	204	746	950
PP Mholo	1,572	10,999	12,571
R Beneke	1,582	-	1,582
S Ngangelizwe	1,235	-	1,235
SJ Tsatsa	287	-	287
SW Mokwena	997	14,471	15,468
TL Mabote	835	10,091	10,926
TD Khalipha	2,418	16,487	18,905
	80,257	253,132	333,389

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 in note 46 have been condoned.

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46. Deviation from supply chain management regulations

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

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

Deviations	Sole Supplier	Pref Supplier	Emergency	Total (Vat Incl)
July 2012	501,508	16,238	372,794	890,540
August 2012	61,008	179,675	95,443	336,126
September 2012	170,336	309,459	167,351	647,146
October 2012	58,288	77,861	2,091,238	2,227,387
November 2012	178,052	451,401	1,893,904	2,523,357
December 2012	36,954	1,200	-	38,154
January 2013	1,392,117	31,422	522,189	1,945,728
February 2013	363,191	14,623	503,253	881,067
March 2013	45,896	-	958,412	1,004,308
April 2013	191,224	221,770	426,492	839,486
May 2013	653,538	10,500	-	664,038
June 2013	-	-	112,388	112,388
	3,652,112	1,314,149	7,143,464	12,109,725

47. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	515,265,452	(137,350,683)	377,914,769	515,265,452	(114,458,902)	400,806,550

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	400,806,550	(22,891,781)	377,914,769

Reconciliation of investment property - 2012

	Opening balance	Additions	Depreciation	Total
Investment property	423,601,667	96,663	(22,891,780)	400,806,550
Net gains or losses from fair value adjustment			(22,891,781)	(22,891,780)

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.

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48. Leases		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	46,585	46,585
- in second to fifth year inclusive	-	46,585
	46,585	93,170

Operating lease payments represent rentals payable to the municipality Warriors Club and Grill for premises situated at the Fire Department.

49. Related parties

Key management an councillors

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

Details relating to remuneration are disclosed in note 26, for key management and note 27 for councillors.

Appendix A (Unaudited)

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
LONG-TERM LOANS							
DBSA @ 10%	08110/102 30/06/2013	1,895,799	-	1,395,196	500,603	-	-
DBSA @ 14.5%	102978 30/06/2012	17,379,806	-	860,910	16,518,896	-	-
		19,275,605	-	2,256,106	17,019,499	-	-
Total external loans		19,275,605	-	2,256,106	17,019,499	-	-

Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2010

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
Land and buildings														
Land (Separate for AFS purposes)	532,640,472	-	-	-	-	-	532,640,472	-	-	-	-	-	-	532,640,472
	532,640,472	-	-	-	-	-	532,640,472	-	-	-	-	-	-	532,640,472
Infrastructure														
Community assets	493,982,671	-	-	-	-	-	493,982,671	(107,586,386)	-	-	(21,517,277)	-	(129,103,663)	364,879,008
Electrical	872,250,734	-	-	-	-	-	872,250,734	(116,968,829)	-	-	(23,393,766)	-	(140,362,595)	731,888,139
Roads and stormwater	2,448,159,018	-	-	-	-	-	2,448,159,018	(570,383,459)	-	-	(118,619,156)	-	(689,002,615)	1,759,156,403
Sanitation	1,260,354,418	-	-	-	-	-	1,260,354,418	(210,203,607)	-	-	(42,040,721)	-	(252,244,328)	1,008,110,090
Water	660,374,042	-	-	-	-	-	660,374,042	(75,782,311)	-	-	(15,156,462)	-	(90,938,773)	569,435,269
	5,735,120,883	-	-	-	-	-	5,735,120,883	1,080,924,592	-	-	(220,727,382)	-	1,301,651,974	4,433,468,909

Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2010

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
Specialised vehicles														
Specialised vehicles	19,588,706	-	-	-	-	-	19,588,706	(3,512,899)	-	-	(713,949)	-	(4,226,848)	15,361,858
	19,588,706	-	-	-	-	-	19,588,706	(3,512,899)	-	-	(713,949)	-	(4,226,848)	15,361,858
Other assets														
General vehicles	93,971,657	984,160	-	-	-	-	94,955,817	(9,747,746)	-	-	(4,070,255)	(845,107)	(14,663,108)	80,292,709
Computer Equipment	9,219,993	239,268	-	-	-	-	9,459,261	(2,252,313)	-	-	(1,977,036)	(28,770)	(4,258,119)	5,201,142
Furniture & Fittings	27,681,504	832,328	-	-	-	-	28,513,832	(7,119,690)	-	-	(3,886,840)	(31,019)	(11,037,549)	17,476,283
Office Equipment	5,235,078	614,642	-	-	-	-	5,849,720	(1,383,392)	-	-	(1,071,965)	(51,998)	(2,507,355)	3,342,365
Work in progress	341,404,931	-	-	170,250,595	-	-	511,655,526	-	-	-	-	-	-	511,655,526
Other	22,012,980	394,548	-	-	-	-	22,407,528	(6,474,828)	-	-	(2,957,428)	(1,210,040)	(10,642,296)	11,765,232
	499,526,143	3,064,946	-	170,250,595	-	-	672,841,684	(26,977,969)	-	-	(13,963,524)	(2,166,934)	(43,108,427)	629,733,257
Total property plant and equipment														
Land and buildings	532,640,472	-	-	-	-	-	532,640,472	-	-	-	-	-	-	532,640,472
Infrastructure	5,735,120,883	-	-	-	-	-	5,735,120,883	(1,080,924,592)	-	-	(220,727,382)	-	(1,301,651,974)	4,433,468,909
Specialised vehicles	19,588,706	-	-	-	-	-	19,588,706	(3,512,899)	-	-	(713,949)	-	(4,226,848)	15,361,858
Other assets	499,526,143	3,064,946	-	170,250,595	-	-	672,841,684	(26,977,969)	-	-	(13,963,524)	(2,166,934)	(43,108,427)	629,733,257
	6,786,876,204	3,064,946	-	170,250,595	-	-	6,960,191,745	(1,111,415,460)	-	-	(235,404,855)	(2,166,934)	(1,348,987,249)	5,611,204,496
Investment properties														
Investment property	515,265,452	-	-	-	-	-	515,265,452	(114,458,902)	-	-	(22,891,780)	-	(137,350,682)	377,914,770
	515,265,452	-	-	-	-	-	515,265,452	(114,458,902)	-	-	(22,891,780)	-	(137,350,682)	377,914,770
Total														
Land and buildings	532,640,472	-	-	-	-	-	532,640,472	-	-	-	-	-	-	532,640,472
Infrastructure	5,735,120,883	-	-	-	-	-	5,735,120,883	(1,080,924,592)	-	-	(220,727,382)	-	(1,301,651,974)	4,433,468,909
Specialised vehicles	19,588,706	-	-	-	-	-	19,588,706	(3,512,899)	-	-	(713,949)	-	(4,226,848)	15,361,858
Other assets	499,526,143	3,064,946	-	170,250,595	-	-	672,841,684	(26,977,969)	-	-	(13,963,524)	(2,166,934)	(43,108,427)	629,733,257
Investment properties	515,265,452	-	-	-	-	-	515,265,452	(114,458,902)	-	-	(22,891,780)	-	(137,350,682)	377,914,770
	7,302,141,656	3,064,946	-	170,250,595	-	-	7,475,457,197	(1,225,874,362)	-	-	(258,296,635)	(2,166,934)	(1,486,337,931)	5,989,119,266

Appendix D (Unaudited)

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
(491,432,426)	501,880,185	(993,312,611)	Executive & Council/Mayor and Council	(543,873,919)	525,675,702	(1,069,549,621)
(173,270,813)	192,969,004	(366,239,817)	Finance & Admin/Finance	(201,616,211)	193,180,591	(394,796,802)
(80,776)	12,122,886	(12,203,662)	Planning and Development/Economic Development/Plan	(156,567,302)	69,133,558	(225,700,860)
(66,707,195)	127,712,899	(194,420,094)	Comm. & Social/Libraries and archives	(69,614,262)	140,687,520	(210,301,782)
(10,449,087)	12,954,421	(23,403,508)	Housing	(11,150,863)	14,151,626	(25,302,489)
(4,054,034)	91,872,096	(95,926,130)	Public Safety/Police	(3,055,143)	99,328,454	(102,383,597)
(287,269,883)	300,393,011	(587,662,894)	Water/Water Distribution	(326,699,736)	361,260,361	(687,960,097)
(556,260,664)	706,672,174	(1,262,932,838)	Electricity /Electricity Distribution	(398,918,534)	699,551,410	(1,098,469,944)
-	5,628,159	(5,628,159)	Other/Air Transport	-	6,798,740	(6,798,740)
(1,589,524,878)	1,952,204,835	(3,541,729,713)		(1,711,495,970)	2,109,767,962	(3,821,263,932)
Municipal Owned Entities Other charges						
(1,589,524,878)	1,952,204,835	(3,541,729,713)	Municipality	(1,711,495,970)	2,109,767,962	(3,821,263,932)
(1,589,524,878)	1,952,204,835	(3,541,729,713)	Total	(1,711,495,970)	2,109,767,962	(3,821,263,932)

Appendix E(1) (Unaudited)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal. Rand	Current year 2013 Act. Bal. Rand	Variance Rand	Var
Revenue				
Service charges	(782,911,047)	(920,923,438)	138,012,391	(15.0)
Rental of facilities and equipment	(11,234,090)	(7,024,089)	(4,210,001)	59.9
Dividends	(11,823)	-	(11,823)	-
Fines	(2,301,050)	(6,000,000)	3,698,950	(61.6)
Property Rates	(176,827,344)	(148,379,657)	(28,447,687)	19.2
Licences and permits	(14,410)	-	(14,410)	-
Government grants & subsidies	(603,407,632)	(434,657,000)	(168,750,632)	38.8
Agency fees	-	-	-	-
Commission received	(9,070,627)	-	(9,070,627)	-
Other income	(21,147,744)	(22,959,999)	1,812,255	(7.9)
Interest received - investment	(7,589,678)	-	(7,589,678)	-
Interest received (trading)	(96,977,066)	(77,373,388)	(19,603,678)	25.3
Dividends received	-	-	-	-
	(1,711,492,511)	(1,617,317,571)	(94,174,940)	5.8
Expenses				
Personnel	493,524,072	442,575,690	50,948,382	11.5
Post Employment Liability	-	-	-	-
Remuneration of councillors	22,182,037	25,533,594	(3,351,557)	(13.1)
Depreciation	260,463,571	-	260,463,571	-
Impairments	346,176,905	325,122,239	21,054,666	6.5
Finance costs	3,739,508	2,250,000	1,489,508	66.2
Repairs and maintenance	39,525,760	163,313,495	(123,787,735)	(75.8)
Bulk purchases	596,165,158	383,827,667	212,337,491	55.3
Contracted Services	21,160,310	19,700	21,140,610	107,312.7
General Expenses	326,830,642	237,425,186	89,405,456	37.7
	2,109,767,963	1,580,067,571	529,700,392	33.5
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Fair value adjustments	(57,820,717)	(57,820,717)	-	-
	(57,820,717)	(57,820,717)	-	-
Net surplus/ (deficit) for the year	340,454,735	(95,070,717)	435,525,452	(458.1)

Appendix F (Unaudited)

Disclosures of Grants and Subsidies in terms of Section 123 Municipal Finance Management Act, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	
Equitable share	National Government	180,149,000	142,410,000	108,089,000	-	Yes
MIG	National Government	88,031,000	67,745,000	44,254,000	-	Yes
Thandanani - COGTA	National Government	-	-	-	12,634,800	Yes
MSIG	National Government	800,000	-	-	-	Yes
Electricity Demand Side Management Grant	National Government	5,000,000	-	3,000,000	-	Yes
Integrated National Electrification Program Grant	National Government	-	2,000,000	-	-	Yes
National Electrical Program	National Government	857,000	-	530,000	-	Yes
DWAF	National Government	1,989,170	5,446,424	-	-	Yes
Neighbourhood Development	National Government	715,000	-	-	-	Yes
SETA	National Government	309,087	-	-	1,514,095	Yes
		277,850,257	217,601,424	155,873,000	14,148,895	

Appendix G1 (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 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)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard										
Governance and administration	679,710,045	-	679,710,045	-	679,710,045	745,461,193		65,751,148	110 %	110 %
Executive and council	434,657,000	-	434,657,000	-	434,657,000	446,951,784		12,294,784	103 %	103 %
MM Office	52,750,000	-	52,750,000	-	52,750,000	96,922,135		44,172,135	184 %	184 %
Finance and administration	192,303,045	-	192,303,045	-	192,303,045	201,587,274		9,284,229	105 %	105 %
Community and public safety	72,774,033	-	72,774,033	-	72,774,033	83,849,205		11,075,172	115 %	115 %
Community and social services	59,789,944	-	59,789,944	-	59,789,944	69,614,262		9,824,318	116 %	116 %
Corporate support services	60,000	-	60,000	-	60,000	28,937		(31,063)	48 %	48 %
Public safety and transport	6,460,000	-	6,460,000	-	6,460,000	3,055,143		(3,404,857)	47 %	47 %
Housing	6,464,089	-	6,464,089	-	6,464,089	11,150,863		4,686,774	173 %	173 %
Economic and environmental services	340,000	-	340,000	-	340,000	116,345		(223,655)	34 %	34 %
Economic development	340,000	-	340,000	-	340,000	116,345		(223,655)	34 %	34 %
Trading services	864,123,493	-	864,123,493	-	864,123,493	725,618,270		(138,505,223)	84 %	84 %
Electricity	577,074,206	-	577,074,206	-	577,074,206	398,918,534		(178,155,672)	69 %	69 %
Water	287,049,287	-	287,049,287	-	287,049,287	326,699,736		39,650,449	114 %	114 %
Other	370,000	-	370,000	-	370,000	156,447,498		156,077,498	42,283 %	42,283 %
Engineering Services	370,000	-	370,000	-	370,000	156,447,498		156,077,498	42,283 %	42,283 %
Total Revenue - Standard	1,617,317,571	-	1,617,317,571	-	1,617,317,571	1,711,492,511		94,174,940	106 %	106 %

Appendix G1 (Unaudited)
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 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)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard										
Governance and administration	231,708,824	-	231,708,824	-	231,708,824	664,264,378	64,379,405	432,555,554	287 %	287 %
Executive and council	67,339,190	-	67,339,190	-	67,339,190	461,755,637	64,379,405	394,416,447	686 %	686 %
MM Office	90,352,354	-	90,352,354	-	90,352,354	63,896,714	-	(26,455,640)	71 %	71 %
Finance and administration	74,017,280	-	74,017,280	-	74,017,280	138,612,027	-	64,594,747	187 %	187 %
Community and public safety	381,757,662	-	381,757,662	-	381,757,662	308,735,332	8,717,482	(73,022,330)	81 %	81 %
Community and social services	194,378,363	-	194,378,363	-	194,378,363	130,114,265	-	(64,264,098)	67 %	67 %
Corporate support services	49,222,295	-	49,222,295	-	49,222,295	54,567,732	8,717,482	5,345,437	111 %	111 %
Public safety and transport	104,791,195	-	104,791,195	-	104,791,195	99,328,454	-	(5,462,741)	95 %	95 %
Housing	22,203,477	-	22,203,477	-	22,203,477	14,151,626	-	(8,051,851)	64 %	64 %
Human Resources	11,162,332	-	11,162,332	-	11,162,332	10,573,255	-	(589,077)	95 %	95 %
Economic and environmental services	14,929,933	-	14,929,933	-	14,929,933	10,972,333	-	(3,957,600)	73 %	73 %
Economic Development	14,929,933	-	14,929,933	-	14,929,933	10,972,333	-	(3,957,600)	73 %	73 %
Trading services	850,662,732	-	850,662,732	-	850,662,732	1,067,610,511	259,216,760	216,947,779	126 %	126 %
Electricity	446,512,402	-	446,512,402	-	446,512,402	699,551,410	259,216,760	253,039,008	157 %	157 %
Water	396,059,316	-	396,059,316	-	396,059,316	361,260,361	-	(34,798,955)	91 %	91 %
Mechanical Workshop	8,091,014	-	8,091,014	-	8,091,014	6,798,740	-	(1,292,274)	84 %	84 %
Other	101,008,420	-	101,008,420	-	101,008,420	58,125,013	-	(42,883,407)	58 %	58 %
Engineering services	101,008,420	-	101,008,420	-	101,008,420	58,125,013	-	(42,883,407)	58 %	58 %
Total Expenditure - Standard	1,580,067,571	-	1,580,067,571	-	1,580,067,571	2,109,707,567	332,313,647	529,639,996	134 %	134 %
Surplus/(Deficit) for the year	37,250,000	-	37,250,000	-	37,250,000	(398,215,056)		(435,465,056)	(1,069)%	(1,069)%

Appendix G2 (Unaudited)
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 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)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote									
Council General - Vote 1	434,657,000	-	434,657,000	-	434,657,000	446,951,784	12,294,784	103 %	103 %
Office of the Municipal Manager - Vote 4	52,750,000	-	52,750,000	-	52,750,000	96,922,135	44,172,135	184 %	184 %
Corporate Support Services - Vote 5	60,000	-	60,000	-	60,000	28,937	(31,063)	48 %	48 %
Finance - Vote 6	192,303,045	-	192,303,045	-	192,303,045	201,587,274	9,284,229	105 %	105 %
Community Services - Vote 8	59,789,944	-	59,789,944	-	59,789,944	69,614,262	9,824,318	116 %	116 %
Public Safety and Transport - Vote 9	6,460,000	-	6,460,000	-	6,460,000	3,055,143	(3,404,857)	47 %	47 %
Economic Development - Vote 10	340,000	-	340,000	-	340,000	116,345	(223,655)	34 %	34 %
Engineering Services - Vote 11	370,000	-	370,000	-	370,000	156,450,957	156,080,957	42,284 %	42,284 %
Water - Vote 12	287,049,287	-	287,049,287	-	287,049,287	326,699,736	39,650,449	114 %	114 %
Electricity - Vote 13	577,074,206	-	577,074,206	-	577,074,206	398,918,534	(178,155,672)	69 %	69 %
Housing Services - Vote 15	6,464,089	-	6,464,089	-	6,464,089	11,150,863	4,686,774	173 %	173 %
Total Revenue by Vote	1,617,317,571	-	1,617,317,571	-	1,617,317,571	1,711,495,970	94,178,399	106 %	106 %
Expenditure by Vote to be appropriated									
Council General - Vote 1	35,094,511	-	35,094,511	-	35,094,511	429,806,992	394,712,481	1,225 %	1,225 %
Office of the Executive Mayor - Vote 2	15,424,055	-	15,424,055	-	15,424,055	15,935,203	511,148	103 %	103 %
Office of the Speaker - Vote 3	16,820,624	-	16,820,624	-	16,820,624	16,013,442	(807,182)	95 %	95 %
of the Municipal Manager - Vote 4	90,352,354	-	90,352,354	-	90,352,354	63,920,065	(26,432,289)	71 %	71 %
Corporate Support Services - Vote 5	49,222,295	-	49,222,295	-	49,222,295	54,567,732	5,345,437	111 %	111 %
Finance - Vote 6	72,967,180	-	72,967,180	-	72,967,180	138,612,859	65,645,679	190 %	190 %
Human Resources - Vote 7	11,162,332	-	11,162,332	-	11,162,332	10,573,255	(589,077)	95 %	95 %
Community Services - Vote 8	194,378,363	-	194,378,363	-	194,378,363	130,114,265	(64,264,098)	67 %	67 %
Public Safety and Transport - Vote 9	104,791,195	-	104,791,195	-	104,791,195	99,328,454	(5,462,741)	95 %	95 %
Economic Development - Vote 10	14,929,933	-	14,929,933	-	14,929,933	11,008,545	(3,921,388)	74 %	74 %
Engineering Services - Vote 11	101,008,420	-	101,008,420	-	101,008,420	58,125,013	(42,883,407)	58 %	58 %
Water - Vote 12	396,059,316	-	396,059,316	-	396,059,316	361,260,361	(34,798,955)	91 %	91 %
Electricity - Vote 13	446,512,402	-	446,512,402	-	446,512,402	699,551,410	253,039,008	157 %	157 %
Mechanical Workshop - Vote 14	8,091,014	-	8,091,014	-	8,091,014	6,798,740	(1,292,274)	84 %	84 %
Housing Services - Vote 15	22,203,477	-	22,203,477	-	22,203,477	14,151,626	(8,051,851)	64 %	64 %
Total Expenditure by Vote	1,579,017,471	-	1,579,017,471	-	1,579,017,471	2,109,767,962	530,750,491	134 %	134 %
Surplus/(Deficit) for the year	38,300,100	-	38,300,100	-	38,300,100	(398,271,992)	(436,572,092)	(1,040)%	(1,040)%

Appendix G3 (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 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)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source									
Property rates	(148,379,657)	-	(148,379,657)	-	(148,379,657)	(176,827,345)	(28,447,688)	119 %	119 %
Service charges - electricity revenue	(575,954,206)	-	(575,954,206)	-	(575,954,206)	(394,390,015)	181,564,191	68 %	68 %
Service charges - water revenue	(183,016,590)	-	(183,016,590)	-	(183,016,590)	(214,470,451)	(31,453,861)	117 %	117 %
Service charges - sanitation revenue	(103,632,698)	-	(103,632,698)	-	(103,632,698)	(106,639,893)	(3,007,195)	103 %	103 %
Service charges - refuse revenue	(58,319,944)	-	(58,319,944)	-	(58,319,944)	(67,410,688)	(9,090,744)	116 %	116 %
Rental of facilities and equipment	(7,024,089)	-	(7,024,089)	-	(7,024,089)	(11,234,091)	(4,210,002)	160 %	160 %
Interest earned - external investments	-	-	-	-	-	(7,589,678)	(7,589,678)	DIV/0 %	DIV/0 %
Interest earned - outstanding debtors	(77,373,388)	-	(77,373,388)	-	(77,373,388)	(96,977,066)	(19,603,678)	125 %	125 %
Dividends received	-	-	-	-	-	(11,823)	(11,823)	DIV/0 %	DIV/0 %
Fines	(6,000,000)	-	(6,000,000)	-	(6,000,000)	(2,301,050)	3,698,950	38 %	38 %
Licences and permits	-	-	-	-	-	(14,410)	(14,410)	DIV/0 %	DIV/0 %
Grants	(434,657,000)	-	(434,657,000)	-	(434,657,000)	(603,407,632)	(168,750,632)	139 %	139 %
Other revenue	(22,959,999)	-	(22,959,999)	-	(22,959,999)	(21,147,744)	1,812,255	92 %	92 %
Commission received	-	-	-	-	-	(9,070,627)	(9,070,627)	DIV/0 %	DIV/0 %
Total Revenue (excluding capital transfers and contributions)	1,617,317,571	-	1,617,317,571	-	1,617,317,571	1,711,492,513	(94,174,942)	106 %	106 %

Appendix G3 (Unaudited)
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 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)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type									
Employee related costs	442,575,690	-	442,575,690	-	442,575,690	493,003,359	50,427,669	111 %	111 %
Remuneration of councillors	25,533,594	-	25,533,594	-	25,533,594	22,702,750	(2,830,844)	89 %	89 %
Debt impairment	325,122,239	-	325,122,239	-	325,122,239	346,176,905	21,054,666	106 %	106 %
Depreciation & asset impairment	-	-	-	-	-	260,463,571	260,463,571	DIV/0 %	DIV/0 %
Finance charges	11,901,350	-	11,901,350	-	11,901,350	89,434,935	77,533,585	751 %	751 %
Bulk purchases	383,827,667	-	383,827,667	-	383,827,667	596,165,158	212,337,491	155 %	155 %
Contracted services	93,301,645	-	93,301,645	-	93,301,645	104,460,085	11,158,440	112 %	112 %
Other expenditure	134,416,891	-	134,416,891	-	134,416,891	157,966,225	23,549,334	118 %	118 %
Repairs and maintenance	163,388,495	-	163,388,495	-	163,388,495	39,394,974	(123,993,521)	24 %	24 %
Fair value adjustment	-	-	-	-	-	(15,283)	(15,283)	DIV/0 %	DIV/0 %
Total Expenditure	1,580,067,571	-	1,580,067,571	-	1,580,067,571	2,109,752,679	529,685,108	134 %	134 %
Surplus/(Deficit)	3,197,385,142	-	3,197,385,142	-	3,197,385,142	3,821,245,192	(623,860,050)	120 %	120 %
Surplus/(Deficit) after capital transfers & contributions	3,197,385,142	-	3,197,385,142	-	3,197,385,142	3,821,245,192	(623,860,050)	120 %	120 %
Surplus/(Deficit) after taxation	3,197,385,142	-	3,197,385,142	-	3,197,385,142	3,821,245,192	(623,860,050)	120 %	120 %
Surplus/(Deficit) attributable to municipality	3,197,385,142	-	3,197,385,142	-	3,197,385,142	3,821,245,192	(623,860,050)	120 %	120 %
Surplus/(Deficit) for the year	3,197,385,142	-	3,197,385,142	-	3,197,385,142	3,821,245,192	(623,860,050)	120 %	120 %

Appendix G4 (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 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	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote											
Multi-year expenditure											
Vote 5 - Corporate Support Services	40,777,827	-	40,777,827	-	-	40,777,827	19,453,234	-	(21,324,593)	48 %	48 %
Vote 8 - Community services	-	-	-	-	-	-	1,355,086	-	1,355,086	DIV/0 %	DIV/0 %
Vote 10 - Economic Development	4,616,488	-	4,616,488	-	-	4,616,488	-	-	(4,616,488)	- %	- %
Vote 11 - Engineering Services	130,730,790	-	130,730,790	-	-	130,730,790	117,066,997	-	(13,663,793)	90 %	90 %
Vote 12 - Water	30,431,828	-	30,431,828	-	-	30,431,828	17,376,269	-	(13,055,559)	57 %	57 %
Vote 13 - Electricity	-	-	-	-	-	-	7,645,185	-	7,645,185	DIV/0 %	DIV/0 %
Capital multi-year expenditure sub-total	206,556,933	-	206,556,933	-	-	206,556,933	162,896,771	-	(43,660,162)	79 %	79 %
Single-year expenditure											
Total Capital Expenditure - Vote	206,556,934	-	206,556,934	-	-	206,556,934	162,896,771	-	(43,660,163)	79 %	79 %

Appendix G4 (Unaudited)
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 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	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard											
Community and public safety	40,203,201	-	40,203,201	-	-	40,203,201	20,684,625	-	(19,518,576)	51 %	51 %
Community and social services	2,500,000	-	2,500,000	-	-	2,500,000	1,355,085	-	(1,144,915)	54 %	54 %
Sport and recreation	37,703,201	-	37,703,201	-	-	37,703,201	19,329,540	-	(18,373,661)	51 %	51 %
Economic and environmental services	4,616,488	-	4,616,488	-	-	4,616,488	123,692	-	(4,492,796)	3 %	3 %
Planning and development	4,616,488	-	4,616,488	-	-	4,616,488	123,692	-	(4,492,796)	3 %	3 %
Trading services	31,912,450	-	31,912,450	-	-	31,912,450	25,021,455	-	(6,890,995)	78 %	78 %
Electricity	-	-	-	-	-	-	7,645,185	-	7,645,185	DIV/0 %	DIV/0 %
Waste water management	28,022,371	-	28,022,371	-	-	28,022,371	775,525	-	(27,246,846)	3 %	3 %
Waste management	3,890,079	-	3,890,079	-	-	3,890,079	16,600,745	-	12,710,666	427 %	427 %
Other	129,824,794	-	129,824,794	-	-	129,824,794	117,066,999	-	(12,757,795)	90 %	90 %
Other	129,824,794	-	129,824,794	-	-	129,824,794	117,066,999	-	(12,757,795)	90 %	90 %
Total Capital Expenditure - Standard	206,556,933	-	206,556,933	-	-	206,556,933	162,896,771	-	(43,660,162)	79 %	79 %
Funded by:											
National Government	206,556,934	-	206,556,934	-		206,556,934	-		(206,556,934)	- %	- %
Transfers recognised - capital	206,556,934	-	206,556,934	-		206,556,934	-		(206,556,934)	- %	- %
Total Capital Funding	206,556,934	-	206,556,934	-		206,556,934	-		(206,556,934)	- %	- %