

Maletswai

LOCAL MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

MALETSWAI LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of comparison of budget and actual amounts - Statement of Financial Position	7 - 8
Statement of comparison of budget and actual amounts - Statement of Financial Performance	9 - 10
Statement of comparison of budget and actual amounts - Cash Flow Statement	11 - 12
Accounting Policies	13 - 43
Notes to the Financial Statements	44 - 84
APPENDICES - Unaudited	
A Schedule of External Loans	85
B Segmental Statement of Financial Performance - Municipal Votes	86
C Segmental Statement of Financial Performance - GFS Votes	87
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	88

MALETSWAI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Maletswai Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Maletswai Local Municipality includes the following areas:

Aliwal North
Jamestown

MUNICIPAL MANAGER

Mr. M.P Nonjola

CHIEF FINANCIAL OFFICER

Mr. T. Maseko

REGISTERED OFFICE

Corner Somerset & Barkley Street, Aliwal North, 9750

AUDITORS

Auditor General South Africa

PRINCIPLE BANKERS

ABSA Bank, Aliwal North

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2011
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Douglas and Botha
Horn & Kumm

MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF THE MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF COUNCIL

Mayor/PR Councillor	Cllr N S Mathetha
PR Councillor	Cllr E S Mbana
PR Councillor	Cllr G D Fourie
PR Councillor	Cllr H du Preez
PR Councillor	Cllr M Jan
PR Councillor	Cllr MB Mtshingana
Ward 1 Councillor	Cllr KS Lange
Ward 2 Councillor	Cllr MW Mokhoabane
Ward 3 Councillor	Cllr ZE Betana
Ward 4 Councillor	Cllr P Williams
Ward 5 Councillor	Cllr M Mdumisa
Ward 6 Councillor	Cllr M Tsolanku

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 87 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits 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.

Mr. M.P Nonjola
Municipal Manager

Date

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		202 488 391	217 925 747
Accumulated Surplus		202 488 391	217 925 747
Non-Current Liabilities		20 829 033	18 595 648
Annuity Loans	2.1	2 431 772	2 500 297
Hire Purchases	2.2	2 744 702	1 198 486
Capitalised Lease Liability	2.3	1 121 300	1 557 156
Employee benefits	3	11 062 971	10 255 618
Non-Current Provisions	4	3 468 289	3 084 091
Liabilities Associated with Discontinued Operations	21.2	-	2 276 556
Current Liabilities		45 121 372	39 527 207
Consumer Deposits	5	1 846 515	1 745 426
Current Employee benefits	6	5 704 158	4 169 297
Provisions	7	583 237	289 703
Payables from exchange transactions	8	31 984 523	25 299 642
Unspent Conditional Government Grants and Receipts	9	3 469 025	6 832 555
Annuity Loans	2.1	200 649	191 039
Hire Purchases	2.2	897 410	416 325
Capitalised Lease Liability	2.3	435 856	583 220
Total Net Assets and Liabilities		268 438 796	278 325 158
ASSETS			
Non-Current Assets		256 083 152	254 496 164
Property, Plant and Equipment		209 627 067	207 723 484
Property, Plant and Equipment (Excluding Capitalised Restoration Costs)	11.1	209 627 067	207 723 484
Capitalised Restoration Costs	11.2	-	-
Investment Property	12	44 102 262	44 301 144
Intangible Assets	13	351 120	437 527
Non-Current Investments	14	702 902	665 309
Biological Assets	15	1 299 800	1 368 700
Assets Associated with Discontinued Operations	21.1	-	5 776 823
Current Assets		12 355 645	18 052 171
Inventory	16	930 695	464 599
Receivables from exchange transactions	17	6 535 883	14 369 098
Receivables from non-exchange transactions	18	2 070 243	1 612 476
Unpaid Conditional Government Grants and Receipts	9	944 927	315 080
Taxes	10	759 905	134 885
Cash and Cash Equivalents	20	1 113 993	1 156 033
Total Assets		268 438 796	278 325 158

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
<u>CONTINUED OPERATIONS</u>			
REVENUE			
Revenue from Non-exchange Transactions		56 488 992	49 304 005
Taxation Revenue		9 577 682	8 466 194
Property taxes	22	9 577 682	8 466 194
Transfer Revenue		46 576 811	40 443 388
Government Grants and Subsidies - Capital	23	15 677 662	14 090 028
Government Grants and Subsidies - Operating	23	30 899 149	26 352 860
Public Contributions and Donations		-	500
Other Revenue		334 499	394 422
Actuarial Gains	3	82 631	144 465
Fines		251 868	249 957
Revenue from Exchange Transactions		61 621 819	52 331 041
Service Charges	24	49 649 364	44 176 631
Rental of Facilities and Equipment		1 832 518	1 676 007
Interest Earned - external investments		153 641	207 331
Interest Earned - outstanding debtors		262 432	879 779
Licences and Permits		2 363 595	2 271 891
Agency Services		4 566 161	1 300 499
Other Income	26	2 765 108	1 651 784
Gain on disposal of Property, Plant & Equipment		29 001	42 320
Fair Value Adjustments	27	-	124 800
Total Revenue		118 110 812	101 635 046
EXPENDITURE			
Employee related costs	28	39 690 082	35 705 469
Remuneration of Councillors	29	2 789 258	2 575 860
Debt Impairment	30	2 248 667	3 026 970
Depreciation and Amortisation	31	14 828 302	14 774 395
Impairments	32	229 993	226 211
Repairs and Maintenance	33	4 445 145	4 922 246
Actuarial losses	3	52 575	615 102
Finance Charges	34	3 156 536	2 230 004
Bulk Purchases	35	42 107 330	36 725 368
Transfer of function		3 500 267	-
Other Operating Grant Expenditure		2 662 539	2 203 429
General Expenses	36	17 445 505	15 648 822
Fair Value Adjustments	27	68 900	-
Loss on disposal of Property, Plant and Equipment		323 069	8 366
Total Expenditure		133 548 168	118 662 241
Operating Surplus/(Deficit) from continued operations		(15 437 356)	(17 027 195)
<u>DISCONTINUED OPERATIONS</u>			
REVENUE			
Revenue from Exchange Transactions		-	19 697 100
Service Charges	24	-	10 409 463
Water service authority contribution	25	-	9 234 315
Other Income	26	-	53 322
Total Revenue		-	19 697 100
EXPENDITURE			
Employee related costs	28	-	5 430 107
Debt Impairment	30	-	2 534 872
Repairs and Maintenance	33	-	522 978
General Expenses	36	-	1 646 225
Total Expenditure		-	10 134 182
Operating Surplus from discontinued operations		-	9 562 918
NET SURPLUS/(DEFICIT) FOR THE YEAR		(15 437 356)	(7 464 277)

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus	Total
	R	R
Balance at 1 JULY 2011 - Previously stated	246 726 209	246 726 209
Prior Period Adjustments - See Note 37.1	(21 336 185)	(21 336 185)
Restated Balance at 1 JULY 2011	225 390 024	225 390 024
Net Deficit for the year	(7 464 277)	(7 464 277)
Balance at 30 JUNE 2012	217 925 747	217 925 747
Net Deficit for the year	(15 437 356)	(15 437 356)
Balance at 30 JUNE 2013	202 488 391	202 488 391

MALETSWAI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 (Actual) R	30 JUNE 2012 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		79 008 326	70 204 618
Government		42 583 434	39 620 147
Interest		416 072	1 087 110
Payments			
Suppliers		(66 731 260)	(55 904 562)
Employees		(37 830 919)	(35 524 594)
Finance charges		(2 063 652)	(1 064 039)
Cash generated by operations	39	15 382 001	18 418 679
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11.1	(14 175 532)	(13 463 102)
Purchase of Investment property	12	-	(2 237 165)
Proceeds on Disposal of Fixed Assets		29 001	75 603
Increase in Intangible Assets	13	(22 935)	(35 202)
Increase in Non-current Investments		(37 594)	(37 878)
Net Cash from Investing Activities		(14 207 059)	(15 697 744)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 318 070)	(1 540 127)
Increase in Consumer Deposits		101 088	75 275
Net Cash from Financing Activities		(1 216 982)	(1 464 852)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(42 040)	1 256 085
Cash and Cash Equivalents at the beginning of the year		1 156 033	(100 052)
Cash and Cash Equivalents at the end of the year	41	1 113 993	1 156 033
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(42 040)	1 256 085

Refer to note 40 for further detail regarding the restatement of comparative figures

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Budget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	2 954 719	1 113 993	1 840 727	
Consumer debtors	6 799 761	8 606 125	(1 806 364)	
Other Receivables	5 042 115	1 704 832	3 337 283	
Inventory	420 000	930 695	(510 695)	
Total current assets	<u>15 216 595</u>	<u>12 355 645</u>	<u>2 860 951</u>	
Non current assets				
Investments	700 000	702 902	(2 902)	
Investment property	25 038 001	44 102 262	(19 064 261)	Incorrect opening balance equal to 2010/11 closing balance and not 2011/2012 closing balance
Property, plant and equipment	259 936 038	209 627 067	50 308 971	
Biological Assets	1 243 900	1 299 800	(55 900)	
Intangible Assets	2 666 469	351 120	2 315 349	
Total non current assets	<u>289 584 408</u>	<u>256 083 152</u>	<u>33 501 256</u>	
TOTAL ASSETS	<u><u>304 801 003</u></u>	<u><u>268 438 796</u></u>	<u><u>36 362 207</u></u>	
LIABILITIES				
Current liabilities				
Borrowing	1 806 583	200 649	1 605 934	
Consumer deposits	2 140 000	1 846 515	293 485	
Trade and other payables	24 533 555	35 453 548	(10 919 993)	Delays in the payment of the Eskom account due to cashflow problems. Outstanding balance owed to Eskom at year end.
Provisions and Employee Benefits	13 846 353	6 287 395	7 558 959	Water and Sanitation Staff Benefits transferred to Joe Gqabi District Municipality as per agreement.
Total current liabilities	<u>42 326 491</u>	<u>43 788 106</u>	<u>(1 461 615)</u>	
Non current liabilities				
Borrowing	7 455 939	2 431 772	5 024 168	
Provisions and Employee Benefits	18 595 648	14 531 260	4 064 389	Water and Sanitation Staff Benefits transferred to Joe Gqabi District Municipality as per agreement.
Total non current liabilities	<u>26 051 588</u>	<u>16 963 031</u>	<u>9 088 557</u>	
TOTAL LIABILITIES	<u><u>68 378 079</u></u>	<u><u>60 751 137</u></u>	<u><u>7 626 942</u></u>	
NET ASSETS	<u><u>236 422 924</u></u>	<u><u>207 687 659</u></u>	<u><u>28 735 265</u></u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	240 431 455	202 488 391	37 943 064	
TOTAL COMMUNITY WEALTH/EQUITY	<u><u>240 431 455</u></u>	<u><u>202 488 391</u></u>	<u><u>37 943 064</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1 517 229	1 437 491	2 954 719	
Consumer debtors	11 059 830	(4 260 068)	6 799 761	Adjustment was due to the Transfer of water and sanitation debtors to Joe Gqabi District Municipality as per agreement.
Other Receivables	4 763 091	279 024	5 042 115	
Inventory	420 000	-	420 000	
Total current assets	<u>17 760 149</u>	<u>(2 543 554)</u>	<u>15 216 595</u>	
Non current assets				
Investments	700 000	-	700 000	
Investment property	25 038 001	-	25 038 001	
Property, plant and equipment	194 589 605	65 346 432	259 936 038	
Biological Assets	1 243 900	-	1 243 900	
Intangible Assets	2 666 469	-	2 666 469	
Total non current assets	<u>224 237 975</u>	<u>65 346 432</u>	<u>289 584 408</u>	
TOTAL ASSETS	<u><u>241 998 125</u></u>	<u><u>62 802 878</u></u>	<u><u>304 801 003</u></u>	
LIABILITIES				
Current liabilities				
Borrowing	999 794	806 789	1 806 583	
Consumer deposits	2 140 000	-	2 140 000	
Trade and other payables	21 588 618	2 944 937	24 533 555	
Provisions and Employee Benefits	13 846 353	-	13 846 353	
Total current liabilities	<u>38 574 766</u>	<u>3 751 726</u>	<u>42 326 491</u>	
Non current liabilities				
Borrowing	9 825 657	(2 369 718)	7 455 939	Repayment of additional Hire Purchase (Instalment Sale Agreement) and leases on acquisition of new vehicles. Amount incorrectly effected in adjustment budget
Provisions and Employee Benefits	11 796 029	6 799 619	18 595 648	
Total non current liabilities	<u>21 621 686</u>	<u>4 429 902</u>	<u>26 051 588</u>	
TOTAL LIABILITIES	<u><u>60 196 452</u></u>	<u><u>8 181 627</u></u>	<u><u>68 378 079</u></u>	
NET ASSETS	<u><u>181 801 673</u></u>	<u><u>54 621 251</u></u>	<u><u>236 422 924</u></u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	192 600 550	47 830 905	240 431 455	
TOTAL COMMUNITY WEALTH/EQUITY	<u><u>192 600 550</u></u>	<u><u>47 830 905</u></u>	<u><u>240 431 455</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Budget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	9 900 000	9 577 682	322 318	
Service charges	62 819 680	49 649 364	13 170 317	At the time of drafting the 2012/13 budget, that is in May 2012, actual expenditure was not known and therefore budget provisions were made on the basis of prior year budget. Budget preparations was done on the basis of prior budget plus an increase of 25% but on an actual revenue.
Rental of facilities and equipment	1 929 000	1 832 518	96 482	
Interest earned - external investments	230 000	153 641	76 359	
Interest earned - outstanding debtors	950 000	262 432	687 569	
Fines	320 600	251 868	68 732	
Licences and permits	2 770 000	2 363 595	406 405	
Agency services	3 861 384	4 566 161	(704 777)	
Government Grants and Subsidies - Operating	29 120 120	30 899 149	(1 779 029)	
Other revenue	3 982 420	2 847 739	1 134 681	Budgeted for DORA Grants VAT under other revenue but the actual amount was subsequently included in Grants -Operations, when preparing the AFS as it was included there in the prior year.
Gains on disposal of PPE	60 000	29 001	30 999	
Total Operating Revenue	<u>115 943 204</u>	<u>102 433 149</u>	<u>13 510 055</u>	
EXPENDITURE BY TYPE				
Employee related costs	41 342 999	39 690 082	1 652 917	Salary Adjustment due to salary curve not implemented and a few vacancies not filled
Remuneration of councillors	3 055 501	2 789 258	266 243	
Debt impairment	500 000	2 248 667	(1 748 667)	Underbudget for debt impairment
Depreciation & asset impairment	15 130 715	15 058 295	72 420	
Finance charges	474 438	3 156 536	(2 682 098)	Interest on creditors R511,000 more than budget due to Eskom late payment, R731,000 Post retirement Benefit not budgeted and R303,000 Finance Lease NRG incorrectly budgeted
Bulk purchases	39 011 645	42 107 330	(3 095 685)	Winter account of Eskom much higher than anticipated
Other expenditure	30 379 650	28 174 931	2 204 719	Expenditure reduced due to cash flow problems
Loss on disposal of PPE	-	323 069	(323 069)	
Total Operating Expenditure	<u>129 894 948</u>	<u>133 548 168</u>	<u>(3 653 220)</u>	
Operating Deficit for the year	<u>(13 951 744)</u>	<u>(31 115 019)</u>	<u>17 163 275</u>	
Government Grants and Subsidies - Capital	17 771 179	15 677 662	2 093 517	R2,046,413 less spend/less received on capital project recycling plant
Net Surplus/(Deficit) for the year	<u><u>3 819 435</u></u>	<u><u>(15 437 356)</u></u>	<u><u>19 256 791</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	9 900 000	-	9 900 000	
Service charges	66 504 480	(3 684 800)	62 819 680	Service charges (R9 743 950) transferred to water and sanitation and electricity increase with R6 059 190.
Rental of facilities and equipment	1 894 400	34 600	1 929 000	
Interest earned - external investments	270 000	(40 000)	230 000	
Interest earned - outstanding debtors	950 000	-	950 000	
Fines	451 500	(130 900)	320 600	
Licences and permits	2 720 000	50 000	2 770 000	
Agency services	1 550 000	2 311 384	3 861 384	Provision for collection cost water and sanitation
Government Grants and Subsidies - Operating	28 974 720	145 400	29 120 120	
Other revenue	15 587 838	(11 605 418)	3 982 420	Contribution Joe Gqabi Water and sanitation operations removed
Gains on disposal of PPE	60 000	-	60 000	
Total Operating Revenue	<u>128 862 938</u>	<u>(12 919 734)</u>	<u>115 943 204</u>	
EXPENDITURE BY TYPE				
Employee related costs	50 527 280	(9 184 281)	41 342 999	Salaries water and sanitation transferred to Joe Gqabi
Remuneration of councillors	2 794 562	260 939	3 055 501	
Debt impairment	3 000 000	(2 500 000)	500 000	R2,500,000 Water and Sanitation removed
Depreciation & asset impairment	-	15 130 715	15 130 715	
Finance charges	646 300	(171 862)	474 438	
Bulk purchases	39 011 645	-	39 011 645	
Other expenditure	30 521 965	(142 315)	30 379 650	
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	<u>126 501 752</u>	<u>3 393 196</u>	<u>129 894 948</u>	
Operating Surplus/(Deficit) for the year	<u>2 361 186</u>	<u>(16 312 930)</u>	<u>(13 951 744)</u>	
Government Grants and Subsidies - Capital	17 031 579	739 600	17 771 179	Provision for FMG and MSIG Capital, provision from roads to sports fields (MIG) more than original budget
Net Surplus/(Deficit) for the year	<u><u>19 392 765</u></u>	<u><u>(15 573 330)</u></u>	<u><u>3 819 435</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Budget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	98 668 218	79 008 326	19 659 892	Budget not adjusted with the transfer of the water and sanitation function to Joe Gqabi District Municipality
Government	46 006 299	42 583 434	3 422 865	Budget for capital expenditure transferred to revenue FMG, MSIG, and R604,000 expanded public works funds received in 2011/12 utilised in 2012/2013 and Recycling plant total budget provision not utilised
Interest	1 220 000	416 072	803 928	Budget not adjusted with the transferred of the water and sanitation function to Joe Gqabi District Municipality
Payments				
Suppliers and Employees	(125 849 032)	(104 562 179)	(21 286 853)	Budget not adjusted with the transfer of the water and sanitation function to Joe Gqabi District Municipality
Finance charges	(645 300)	(2 063 652)	1 418 352	Interest on creditors R511,000 more than budget due to Eskom late payment, R731,000 Post retirement Benefit not budgeted and R303,000 Finance Lease NRG incorrectly budgeted
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>19 400 185</u>	<u>15 382 001</u>	<u>4 018 184</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	60 000	29 001	30 999	
Decrease/(increase) in non-current investments	-	(37 594)	37 594	
Payments				
Capital assets	(19 157 379)	(14 198 467)	(4 958 912)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(19 097 379)</u>	<u>(14 207 059)</u>	<u>(4 890 320)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	4 000 000	-	4 000 000	The financing of Plant acquisition by ABSA and was paid directly by ABSA and no cash entry went through council's books
Increase/(decrease) in consumer deposits	(20 000)	101 088	(121 088)	
Payments				
Repayment of borrowing	(984 225)	(1 318 070)	333 846	Repayment of Borrowing of NRG Lease not budgeted for only loans ABSA and DBSA
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>2 995 775</u>	<u>(1 216 982)</u>	<u>4 212 757</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>3 298 581</u>	<u>(42 040)</u>	<u>3 340 621</u>	
Cash and Cash Equivalents at the beginning of the year	-	1 156 033	(1 156 033)	
Cash and Cash Equivalents at the end of the year	<u>3 298 581</u>	<u>1 113 993</u>	<u>2 184 589</u>	

**MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	98 668 218	-	98 668 218	
Government	46 006 299	-	46 006 299	
Interest	1 220 000	-	1 220 000	
Payments				
Suppliers and Employees	(125 849 032)	-	(125 849 032)	
Finance charges	(645 300)	-	(645 300)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	19 400 185	-	19 400 185	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	60 000	-	60 000	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(19 157 379)	-	(19 157 379)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(19 097 379)	-	(19 097 379)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	4 000 000	-	4 000 000	
Increase/(decrease) in consumer deposits	(20 000)	-	(20 000)	
Payments				
Repayment of borrowing	(984 225)	-	(984 225)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	2 995 775	-	2 995 775	
NET INCREASE/(DECREASE) IN CASH HELD	3 298 581	-	3 298 581	
Cash and Cash Equivalents at the beginning of the year	-	-	-	
Cash and Cash Equivalents at the end of the year	3 298 581	-	3 298 581	

INSERT ACCOUNTING POLICY

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
2 LONG-TERM LIABILITIES		
2.1 Annuity Loans		
Annuity Loans - At amortised cost	4 146 352	4 337 306
Less: Current Portion transferred to Current Liabilities	(200 649)	(191 039)
	3 945 703	4 146 267
Plus: Unamortised charges on loans	(1 513 932)	(1 645 970)
Balance 1 July	(1 645 970)	(1 807 727)
Unwinding of unamortised discount on non-current liabilities	132 038	161 757
	2 431 772	2 500 297

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2029. The loan is secured by an investment and call investment deposit disclosed in notes 14 and 20

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	405 559	405 559
Payable within two to five years	1 622 236	1 622 236
Payable after five years	3 850 740	4 256 015
	5 878 536	6 283 810
Less: Future finance obligations	(1 732 184)	(1 946 505)
Present value of annuity obligations	4 146 352	4 337 306

2.2 Hire Purchases

Hire Purchase	3 642 113	1 614 811
Less: Current Portion transferred to Current Liabilities	(897 410)	(416 325)
	2 744 702	1 198 486

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	1 205 095	559 112
Payable within two to five years	3 189 724	1 366 965
	4 394 819	1 926 077
Less: Future finance obligations	(752 706)	(311 265)
Present value of hire purchase obligations	3 642 113	1 614 811

The outstanding hire purchases liability is made up of the following agreements

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2013 R	2012 R	2013 R	2012 R
ABSA (Telephone system)	9.50%	15/05/2011	202 012	358 893	205 840	335 320
ABSA (TATA Truck)	9.50%	05/08/2016	315 431	358 850	311 061	393 907
ABSA (Isuzu KB200I LWB)	9.50%	15/02/2016	93 925	108 240	86 900	114 207
ABSA (2011 Rear Tipping Trailer)	9.50%	15/02/2016	54 812	59 897	45 527	59 834
ABSA (2010 Vibrating Roller)	9.50%	15/02/2016	84 745	99 564	81 495	107 104
ABSA (Isuzu KB200I Fleetside)	9.50%	15/02/2016	115 399	134 733	110 715	145 507
ABSA (Sonalinka Tractor)	9.50%	15/02/2016	164 140	172 397	124 615	163 774
ABSA (Mazda CX 7)	9.50%	01/05/2016	268 807	289 275	229 906	295 158
ABSA (TATA Water Truck)	9.50%	15/12/2017	664 981	-	735 152	-
ABSA (Nissan UD 330)	9.50%	01/03/2018	1 360 197	-	1 551 002	-
ABSA (Isuzu KB 200I)	9.50%	01/03/2018	141 076	-	159 900	-
			3 465 527	1 581 849	3 642 113	1 614 811

Hire Purchases are secured by property, plant and equipment - Note 11.1

	2013 R	2012 R
2.3 Capitalised Lease Liability		
Capitalised Lease Liability - At amortised cost	1 557 156	2 140 375

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Less: Current Portion transferred to Current Liabilities	(435 856)	(583 220)
	1 121 300	1 557 156

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	663 158	886 558
Payable within two to five years	1 326 316	1 989 474
	1 989 474	2 876 032
Less: Future finance obligations	(432 318)	(735 656)
Present value of lease obligations	1 557 156	2 140 375

The outstanding finance lease liability is made up of the following agreements (Copiers)

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2013 R	2012 R	2013 R	2012 R
ITEC Rental	21.20%	01/11/2012	-	138 569	-	213 873
NRG Rental	16.67%	30/06/2016	1 343 694	1 791 592	1 557 156	1 926 503
			1 343 694	1 930 161	1 557 156	2 140 375

Leases are secured by property, plant and equipment - Note 11.1

3

EMPLOYEE BENEFITS

Post Retirement Medical Benefits - Refer to Note 2.1	9 836 019	10 138 658
Long Service Awards - Refer to Note 2.2	1 226 952	1 423 595
Total Non-current Employee Benefit Liabilities	11 062 971	11 562 253

Post Retirement Medical Benefits

Balance 1 July	10 463 606	8 978 495
Contribution for the year	1 101 132	1 187 204
Transfer of function - Water and Sanitation	(1 056 218)	-
Expenditure for the year	(377 523)	(317 195)
Actuarial Loss	52 575	615 102

Total post retirement benefits 30 June **10 183 572** **10 463 606**

Less: Transfer of Current Portion - Note 6 (347 553) (324 948)

Balance 30 June **9 836 019** **10 138 658**

Long Service Awards

Balance 1 July	1 587 460	1 469 844
Contribution for the year	354 131	431 284
Transfer of function - Water and Sanitation	(269 917)	-
Expenditure for the year	(61 734)	(169 203)
Actuarial Gain	(82 631)	(144 465)

Total long service 30 June **1 527 309** **1 587 460**

Less: Transfer of Current Portion - Note 6 (300 357) (163 865)

Balance 30 June **1 226 952** **1 423 595**

	2013	2012
	R	R

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	12 051 066	10 448 339
Contribution for the year	1 455 263	1 618 488
Transfer of function - Water and Sanitation	(1 326 135)	-
Expenditure for the year	(439 257)	(486 398)
Actuarial Loss	(30 056)	470 637

Total employee benefits 30 June **11 710 881** **12 051 066**

Less: Transfer of Current Portion - Note 6 (647 910) (488 813)

Balance 30 June **11 062 971** **11 562 253**

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Attributable to:

Continued Operations	11 062 971	10 255 618
Discontinued Operations	-	1 306 635
	11 062 971	11 562 253

Refer to note 21 for further disclosures regarding discontinued operations.

3.1 Post Retirement Benefits

2013

2012

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	69	69
In-service (employee) non-members	188	188
Continuation members (e.g. Retirees, widows, orphans)	14	14
Total Members	271	271

**2013
R**

**2012
R**

The liability in respect of past service has been estimated to be as follows:

In-service members and continuation members	10 183 572	10 463 606
Total Liability	10 183 572	10 463 606

**2011
R**

**2010
R**

**2009
R**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	8 978 495	4 900 328	4 514 041
-----------------	-----------	-----------	-----------

Experience adjustments were calculated as follows:

	2013 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	-	0.018	2.109
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed

**2014
R**

The following are estimates for the 2013/2014 financial year:

Future Service Cost	399 040
Interest Cost	791 840

Key actuarial assumptions used:

**2013
%**

**2012
%**

i) Rate of interest

Discount rate	7.91%	7.91%
Health Care Cost Inflation Rate	6.96%	6.96%
Net Effective Discount Rate	0.89%	0.89%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

2013

2012

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	10 183 572	10 463 606
Net liability	10 183 572	10 463 606

The liability is not supported by any plan assets.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	10 463 606	8 978 495
Transfer of function - Water and Sanitation	(1 056 218)	-
Total expenses	723 609	870 009
Current service cost	369 796	422 508
Interest Cost	731 336	764 696
Benefits Paid	(377 523)	(317 195)
Actuarial losses	52 575	615 102
Present value of fund obligation at the end of the year	10 183 572	10 463 606
Less: Transfer of Current Portion - Note 6	(347 553)	(324 948)
Balance 30 June	9 836 019	10 138 658

Sensitivity Analysis on the Accrued Liability

Central Assumptions

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5.902	4.562		
Health care inflation	1%	7.192	5.040	12.232	17%
Health care inflation	-1%	4.885	4.148	9.033	-14%
Post-retirement mortality	-1 year	6.117	4.750	10.867	4%
Average retirement age	-1 year	6.429	4.562	10.991	5%
Withdrawal Rate	-50%	6.424	4.562	10.986	5%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		483 900	814 900	1 298 800	
Health care inflation	1%	603 600	954 700	1 558 300	20%
Health care inflation	-1%	392 000	701 700	1 093 700	-16%
Post-retirement mortality	-1 year	501 000	846 800	1 347 800	4%
Average retirement age	-1 year	519 400	856 600	1 376 000	6%
Withdrawal Rate	-50%	564 100	856 200	1 420 300	9%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

The number of officials eligible for Long Service Bonuses	252	252
---	-----	-----

The following are estimates for the 2013/2014 financial year:

	2013	2012
Future Service Cost		295 672
Interest Cost		83 336

Key actuarial assumptions used:

i) Rate of interest

	2013	2012
Discount rate	6.04%	6.04%
General Salary Inflation (long-term)	5.97%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.07%	0.07%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

	2013	2012
	R	R

The amounts recognised in the Statement of Financial Position are as follows:

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Present value of fund obligations		1 527 309	1 587 460
Net liability		1 527 309	1 587 460

The liability is not supported by any plan assets.

	2011	2010	2009
	R	R	R

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

Total Liability	1 469 844	1 385 423	1 147 073
-----------------	-----------	-----------	-----------

Experience adjustments were calculated as follows:

	2013	2012	2011
	R	R	R
Liabilities: (Gain) / loss	-	(50 428)	(113 164)
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

	2013	2012
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 587 460	1 469 844
Transfer of function - Water and Sanitation	(269 917)	-
Total expenses	292 397	262 081
Current service cost	278 826	335 298
Interest Cost	75 305	95 986
Benefits Paid	(61 734)	(169 203)
Actuarial gains	(82 631)	(144 465)
Present value of fund obligation at the end of the year	1 527 309	1 587 460
Less: Transfer of Current Portion - Note 6	(300 357)	(163 865)
Balance 30 June	1 226 952	1 423 595

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.527	
General salary inflation	1%	1.670	5%
General salary inflation	-1%	1.511	-5%
Average retirement age	-2 yrs	1.539	-3%
Average retirement age	2 yrs	1.672	5%
Withdrawal rates	-50%	1.884	19%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		321 825	91 032	412 857	
General Salary Inflation	1%	339 198	96 004	435 202	5%
General Salary Inflation	-1%	306 131	86 465	392 596	-5%
Average retirement age	-2 years	313 315	88 098	401 413	-3%
Average retirement age	+2 years	331 901	96 154	428 055	4%
Withdrawal Rate	-50%	396 771	108 958	505 729	22%

3.3 Retirement funds

DEFINED CONTRIBUTION FUNDS

Council contribute to the SALA Pension Fund, Cape Joint Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	2 170 115	2 079 674
-------------------	-----------	-----------

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Cape Joint Retirement Fund	785 768	594 274
SAMWU National Provident Fund	1 557 683	1 601 162
	<u>4 513 565</u>	<u>4 275 110</u>

4 **NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	3 468 289	3 084 091
Total Non-current Provisions	<u>3 468 289</u>	<u>3 084 091</u>

The municipality has 2 Landfill sites. The sites are situated in Jamestown and Aliwal North.

Landfill Sites

Balance 1 July	3 084 091	2 714 354
Additions	229 993	226 211
Unwinding of discounted interest	154 205	143 526
Total provision 30 June	<u>3 468 289</u>	<u>3 084 091</u>
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	<u>3 468 289</u>	<u>3 084 091</u>

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site and the assumptions used are as follows (30 June 2012):

	<u>Aliwal North</u>	<u>Jamestown</u>	<u>Total</u>
Shaping and finishing (R3/m ²)	33 300	30 000	63 300
Fence (R350/m)	220 500	203 000	423 500
Storm water Diversion Measures (R60/m)	19 200	16 800	36 000
Final Landfill Cover (R150/m ²)	1 665 000	1 500 000	3 165 000
Preliminary and general (Rand)	51 000	51 000	102 000
Professional Fees and contingencies (Rand)	455 800	434 780	890 580
	<u>2 444 800</u>	<u>2 235 580</u>	<u>4 680 380</u>

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. The following rate was used - 4.53% (2012 - 5%)

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. Based on a technical opinion obtained from the Auditor General, the provision at year end was recognised based on the % of the sites utilised. Total estimated costs to rehabilitate the existing sites are as follows:

The portion of each landfill site utilised, represents managements best estimate on 30 June of each respective financial reporting period.

<u>Location</u>	<u>Estimated decommission date</u>	<u>% utilised</u>	<u>% utilised</u>	<u>Cost of rehabilitation</u>	<u>Cost of rehabilitation</u>
		2013	2012	2013 R	2012 R
Aliwal North	2023	90%	85%	2 299 907	2 078 080
Jamestown	2029	50%	45%	1 168 381	1 006 011
				<u>3 468 289</u>	<u>3 084 091</u>

5 **CONSUMER DEPOSITS**

Consumer Deposits	1 846 515	1 745 426
Total Consumer Deposits	<u>1 846 515</u>	<u>1 745 426</u>

Guarantees held in lieu of Electricity and Water Deposits

-	-
---	---

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

6 **CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 3	347 553	324 948
Current Portion of Long-Service Provisions - Note 3	300 357	163 865
Staff Leave	5 056 248	4 322 074
Total Current Employee Benefits	<u>5 704 158</u>	<u>4 810 887</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Attributable to:

Continued Operations	5 704 158	4 169 297
Discontinued Operations	-	641 590
	5 704 158	4 810 887

Refer to note 21 for further disclosures regarding discontinued operations.

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	4 322 074	4 718 457
Contribution to current portion	1 596 047	809 495
Transfer of function - Water and Sanitation	(622 090)	-
Expenditure incurred	(239 783)	(1 205 878)
Balance at end of year	5 056 248	4 322 074

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

7

PROVISIONS

Compensation for injuries on duty contribution	583 237	289 703
	583 237	289 703

The movement in current provisions are reconciled as follows:

Compensation for injuries on duty contribution

	2013 R	2012 R
Balance at beginning of year	289 703	285 664
Contribution to current portion	293 534	305 850
Penalties incurred	-	29 992
Expenditure incurred	-	(331 802)
Balance at end of year	583 237	289 703

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

8

PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	18 441 747	18 501 445
Balance Previously Reported		8 559 999
Correction of error - Refer to note 37.03		9 941 446
Retentions	2 665 498	2 092 864
Balance Previously Reported		-
Correction of error - Refer to note 37.03		2 092 864
Interest Accrued	75 683	64 374
Pre-paid electricity	850 857	894 722
Payments received in advance	552 240	1 083 234
Joe Gqabi District Municipality (Water and Sanitation)	4 634 390	-
Other Creditors	2 920 561	2 324 763
Balance Previously Reported		570 117
Correction of error - Refer to note 37.03		1 754 646
Sundry deposits	1 843 547	338 241
Balance Previously Reported		342 687
Correction of error - Refer to note 37.03		(4 446)
Total Trade Payables	31 984 523	25 299 642

Payables are being recognised net of any discounts.

The credit period granted on payables is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Sundry deposits include hall, housing and unidentified deposits.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	3 469 025	6 832 555
National Government Grants	61 749	1 748 383
Provincial Government Grants	3 407 276	5 079 405
District Municipality	-	4 767
Less: Unpaid Grants	944 927	315 080
National Government Grants	179 064	63 640
Provincial Government Grants	765 863	251 439
Total Conditional Grants and Receipts	2 524 098	6 517 475
Balance Previously reported		6 021 689
Correction of error - Refer to note 37.06		495 786
		6 517 475

Refer to appendix D and note 23 for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Not all unspent grants are cash-backed at year end - Refer to note 44.1

10 TAXES	2013 R	2012 R
10.1 VAT Payable		
VAT Payable (In suspense)	775 116	514 500
	775 116	514 500
10.2 VAT Receivable		
VAT Receivable (In suspense)	1 283 320	261 307
VAT Receivable from SARS	251 701	59 747
	1 535 021	321 055
Net VAT Payable/(Receivable)	(759 905)	193 446
Balance previously reported		186 435
Correction of error - Refer to note 37.04		7 010
		193 446
Attributable to:		
Continued Operations	(759 905)	(134 885)
Discontinued Operations	-	328 331
	(759 905)	193 446

Refer to note 21 for further disclosures regarding discontinued operations. VAT is payable and receivable on the cash basis.

PROPERTY PLANT AND EQUIPMENT

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
11.2 PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COSTS		
Net Carrying amount at 1 July	-	-
Acquisitions	229 993	226 211
Impairments	(229 993)	(226 211)
Net Carrying amount at 30 June	-	-
Cost	2 003 612	1 773 619
Accumulated Impairments	(2 003 612)	(1 773 619)
Landfill-sites financed by way of a provision recognised previously not recognised - Refer to note 4		-

	2013 R	2012 R
12 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	44 301 144	42 263 406
Cost	45 096 674	42 859 509
Balance Previously reported		38 544 603
Correction of error - Refer to note 37.02		4 314 905
Accumulated Depreciation	(795 530)	(596 102)
Balance Previously reported		(402 464)
Correction of error - Refer to note 37.02		(193 638)
Acquisitions	-	2 237 165
Depreciation for the year	(198 882)	(199 427)
Balance Previously reported		(134 645)
Correction of error - Refer to note 37.02		(64 782)
Net Carrying amount at 30 June	44 102 262	44 301 144
Cost	45 096 674	45 096 674
Accumulated Depreciation	(994 412)	(795 530)
Included in Investment property balance at year end, are the following work in progress balances:		
Upgrading of Aliwal SPA	4 302 769	4 302 769

There are no restrictions on the disposal of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	2013 R	2012 R
13 INTANGIBLE ASSETS		
Net Carrying amount at 1 July	437 527	681 888
Cost	1 407 658	1 372 456
Accumulated Amortisation	(970 131)	(690 568)
Acquisitions	22 935	35 202
Amortisation	(109 341)	(279 562)
Net Carrying amount at 30 June	351 120	437 527
Cost	1 430 592	1 407 658
Accumulated Amortisation	(1 079 472)	(970 131)

The decrease in amortisation in the current year is due to extension of the useful life of the SEBATA financial system from 5 to 10 years. This change in useful life will have the following impact on the current year and the 2 ensuing years.

	2013 R	2014 R	2015 R
Increase/(Decrease) in amortisation	(173 394)	43 541	43 541

	2013 R	2012 R
14 NON-CURRENT INVESTMENTS		
Fixed Deposits	702 902	665 309
Total Non-Current Investments	702 902	665 309

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.40 % to 5.64 % per annum. (2012 - 5.39% to 6.02%)

Fixed deposits consist out of the following accounts

ABSA Fixed Deposit - Account number 20-6626-7402	674 681	638 535
ABSA Fixed Deposit - Account number 20-4791-9733	28 221	26 774
	702 902	665 309

Included in Non-Current investments are balances ring-fenced for the following specific purposes:

Security for DBSA loan - Refer note 2	674 681	638 535
	674 681	638 535

15

BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2013 R	2012 R
Springbuck	245	400	98 000	102 600
Blesbuck	99	700	69 300	67 500
Black Wildebeest	40	1 600	64 000	63 000
Gems buck	30	3 200	96 000	87 000
Red Hartebeest	40	2 400	96 000	72 000
Eland	25	4 400	110 000	93 600
Zebra	24	5 000	120 000	96 000
Ostrich	43	500	21 500	12 000
Buffalo	16	39 063	625 000	775 000
			1 299 800	1 368 700
Balance previously reported				2 138 700
Correction of error - Refer to note 37.05				(770 000)
				1 368 700

Fair value of biological assets is based on selling prices less costs to sell in an open active market.

Reconciliation of fair value:

Opening Fair Value		1 368 700	1 243 900
Decrease in fair value due to disposals		(57 400)	(54 350)
Fair value adjustments - Physical changes and death		278 514	51 250
Fair value adjustments - Price adjustments		(290 014)	127 900
Closing Fair Value		1 299 800	1 368 700

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

16

INVENTORY

	2013 R	2012 R
Consumable Stores - Tar Premix	-	3 994
Consumable Stores - Electrical Stock	930 695	460 605
Water	-	6 106
	930 695	470 705

Attributable to:

Continued Operations	930 695	464 599
Discontinued Operations	-	6 106

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	930 695	470 705
Refer to note 21 for further disclosures regarding discontinued operations.		
17 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	-	6 635 840
Electricity	6 470 303	6 846 847
Balance previously reported		6 847 412
Correction of error - Refer to note 37.08		(565)
Refuse	1 680 120	1 911 256
Sewerage	-	2 533 195
Other Arrears	718 993	949 372
Balance previously reported		981 350
Correction of error - Refer to note 37.08		(31 978)
Total Service Receivables	8 869 416	18 876 511
Less: Allowance for Doubtful Debts	(2 333 534)	(6 763 658)
Net Service Receivables	6 535 883	12 112 853
Other Receivables		
Joe Gqabi District Municipality (Water and Sanitation)	-	8 026 962
Net Other Receivables	-	8 026 962
Total Receivables from exchange transactions	6 535 883	20 139 815
Attributable to:		
Continued Operations	6 535 883	14 369 098
Discontinued Operations	-	5 770 717
	6 535 883	20 139 815
Refer to note 21 for further disclosures regarding discontinued operations.		
Ageing of Receivables from Exchange Transactions		
(Water): Ageing		
Current (0 - 30 days)	-	3 572 108
31 - 60 Days	-	616 449
61 - 90 Days	-	357 923
+ 90 Days	-	2 089 361
Total	-	6 635 840
(Electricity): Ageing		
Current (0 - 30 days)	5 491 606	5 492 645
31 - 60 Days	274 632	543 979
61 - 90 Days	216 406	110 510
+ 90 Days	487 659	699 713
Total	6 470 303	6 846 847
	2013	2012
	R	R
(Refuse): Ageing		
Current (0 - 30 days)	257 907	231 230
31 - 60 Days	76 766	95 149
61 - 90 Days	46 692	73 340
+ 90 Days	1 298 755	1 511 537
Total	1 680 120	1 911 256
(Sewerage): Ageing		
Current (0 - 30 days)	-	254 364
31 - 60 Days	-	136 046
61 - 90 Days	-	106 595
+ 90 Days	-	2 036 189
Total	-	2 533 195
(Other arrears): Ageing		

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Current (0 - 30 days)	172 056	131 331
31 - 60 Days	60 667	99 337
61 - 90 Days	24 685	48 340
+ 90 Days	461 585	670 364
Total	718 993	949 372

(Total): Ageing

Current (0 - 30 days)	5 921 570	9 681 678
31 - 60 Days	412 064	1 490 960
61 - 90 Days	287 783	696 709
+ 90 Days	2 247 999	7 007 165
Total	8 869 416	18 876 511

Reconciliation of Provision for Bad Debts

Balance at beginning of year	6 763 658	5 544 012
Contribution to provision	1 171 236	4 678 524
Transfer of function - Water and Sanitation	(3 398 318)	-
Bad Debts Written Off	(2 203 042)	(3 458 878)
Balance at end of year	2 333 534	6 763 658

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	655 634	1 517 393
Water	-	1 547 463
Refuse	1 232 705	1 294 176
Sewerage	-	1 850 855
Other	445 194	553 772
	2 333 534	6 763 658

Refer to note 47 d) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

The fair value of trade and other receivables approximates their carrying amounts.

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Rates	1 998 931	2 247 469
Balance previously reported		1 534 636
Correction of error - Refer to note 37.09		712 833

Other Receivables

	1 176 207	1 058 762
Accrued Interest	24 748	25 204
Staff	257 007	32 514
Deposits	109 275	107 446
Government	217 031	540 082
Other Debtors	568 146	353 515
Balance Previously Reported		378 954
Correction of error - Refer to note 37.09		(25 439)

Total Service Receivables	3 175 138	3 306 231
Less: Allowance for Doubtful Debts	(1 104 895)	(1 693 755)
Total Net Receivables from Non-Exchange Transactions	2 070 243	1 612 476

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	648 089	554 225
-----------------------	---------	---------

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

31 - 60 Days	173 093	135 290
61 - 90 Days	46 442	94 838
+ 90 Days	1 131 307	1 463 116
Total	1 998 931	2 247 469

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1 693 755	2 042 664
Contribution to provision	897 732	847 493
Bad Debts Written Off	(1 486 592)	(1 196 402)
Balance at end of year	1 104 895	1 693 755

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Rates	1 104 895	1 245 924
Other	447 831	447 831
	1 552 726	1 693 755

Refer to note 47 d) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts.

19

OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	-	32 049
Movement during the year	-	(32 049)
Balance on 30 June	-	-

From the 2012 financial year, the lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2012 and 30 June 2013. The lease agreement for rented flats has a clause indicating that rent will be increased annually on 01 July.

2013	2012
R	R

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	199 540	173 887
1 to 5 Years	152 730	158 248
More than 5 Years	9 180	24 443
Total Operating Lease Arrangements	361 450	356 578

20

CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	571 659	106 812
Primary Bank Account	536 782	1 043 669
Balance previously reported		89 556
Correction of error - Refer to note 37.07		954 113
Cash Floats	5 552	5 552
Total Cash and Cash Equivalents - Assets	1 113 993	1 156 033

Liabilities

Primary Bank Account	-	-
Balance previously reported		12 755 663
Correction of error - Refer to note 37.07		12 134 487
Total Cash and Cash Equivalents - Liabilities	-	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Call Investments Deposits to an amount of R 494 937 (2012 - R 106 812) is held to ensure sufficient cash resources are available when capital and interest payments on the DBSA loan becomes payable. Refer note 2

No overdraft facility exist.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194 (Primary Account)

Cash book balance at beginning of year	954 113	(728 767)
Cash book balance at end of year	<u>446 323</u>	<u>954 113</u>
Bank statement balance at beginning of year	1 289 690	2 176 571
Bank statement balance at end of year	<u>537 082</u>	<u>1 289 690</u>

ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352

Cash book balance at beginning of year	12 110	12 887
Cash book balance at end of year	<u>11 220</u>	<u>12 110</u>
Bank statement balance at beginning of year	12 110	12 887
Bank statement balance at end of year	<u>11 220</u>	<u>12 110</u>

ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125

Cash book balance at beginning of year	74 140	71 904
Cash book balance at end of year	<u>76 745</u>	<u>74 140</u>
Bank statement balance at beginning of year	74 140	71 904
Bank statement balance at end of year	<u>76 745</u>	<u>74 140</u>

	2013 R	2012 R
<i>ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037</i>		
Cash book balance at beginning of year	3 306	4 057
Cash book balance at end of year	<u>2 494</u>	<u>3 306</u>
Bank statement balance at beginning of year	3 306	4 057
Bank statement balance at end of year	<u>2 494</u>	<u>3 306</u>

Call Investment Deposits

Call investment deposits consist out of the following accounts:

<u>Institution</u>	<u>Account Nr</u>	<u>Type</u>		
ABSA	92-7883-5880	32 Days Notice	76 722	-
ABSA	92-7435-2868	Call Account	494 937	106 812
			<u>571 659</u>	<u>106 812</u>

21

DISCONTINUED OPERATIONS

The municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.

The following assets and liabilities were transferred on 1 July 2012.

21.1 ASSETS ASSOCIATED WITH DISCONTINUED OPERATIONS

Receivable from non-exchange transactions (Water and sanitation)	-	5 770 717
Inventory (Water)	-	6 106
	<u>-</u>	<u>5 776 823</u>

21.2 LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS

Employee Benefits	-	1 306 635
Current Employee Benefits	-	641 590
Taxes	-	328 331
	<u>-</u>	<u>2 276 556</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22

PROPERTY RATES

Actual

Rateable Land and Buildings	13 510 880	10 413 294
Residential, Commercial Property, State	13 510 880	10 413 294
Less: Rebates	(3 933 198)	(1 947 100)
Total Assessment Rates	9 577 682	8 466 194

Valuations

Rateable Land and Buildings		
Aliwal Residential	1 159 962 700	1 160 432 600
Sectional Title	28 277 000	28 277 000
Jamestown	39 162 900	37 266 400
Dukathole	250 095 000	249 468 000
Aliwal Agricultural	528 987 370	527 371 370
Dordrecht Agricultural	373 701 000	373 697 500
Total Assessment Rates	2 380 185 970	2 376 512 870

Valuations on land and buildings are performed every four years. However, the municipality was granted permission to extend the general valuation date from being conducted in 2012/13, to it being conducted in 2013/14. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted. On registered indigent households rebate was approved up to a value of R65 000 per household. Further rebates were approved for agricultural properties that were phased in according to the Property Rates Act.

Rebates on Income - Basic Rate:

Residential Properties	0.7711c/R	0.7010c/R
Commercial/Business and Industrial Properties	0.9251c/R	0.8410c/R
Public Service Infrastructure properties	0.2310c/R	0.2100c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.1925c/R	0.1750c/R
Agricultural Properties used for Commercial/Industrial purposes	0.3861c/R	0.3510c/R
Agricultural Properties used for Hunting/Trading of Game	0.3861c/R	0.3510c/R
State Owned properties	0.7711c/R	0.7010c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	1.5422c/R	1.4020c/R
Vacant Properties	1.5422c/R	1.4020c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

23

GOVERNMENT GRANTS AND SUBSIDIES

	2013 R	2012 R
Unconditional Grants	22 944 000	20 224 000
Equitable Share	22 944 000	20 224 000
Conditional Grants	23 632 811	20 218 888
Grants and Donations	23 632 811	20 218 888
Total Government Grants and Subsidies	46 576 811	40 442 888
Government Grants and Subsidies - Capital	15 677 662	14 090 028
Government Grants and Subsidies - Operating	30 899 149	26 352 860
	46 576 811	40 442 888

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	22 944 000	20 224 000
Executive & Council	132 032	230 000
Planning and Development	1 979 899	350 198
Budget and Treasury	4 458 837	4 095 184
Road Transport	14 090 956	7 607 538
Sport and Recreation	1 148 228	5 459 372
Community and Social Services	708 767	1 170 683
Housing	31 458	39 000
Electricity	1 082 634	1 266 912

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46 576 811	40 442 888
-------------------	-------------------

The municipality does not expect any significant changes to the level of grants.

23.01 Equitable share

Opening balance	-	-
Grants received	22 944 000	20 224 000
Conditions met - Operating	(22 944 000)	(20 224 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

23.02 Finance Management Grant (FMG)

2013	2012
R	R

Opening balance	-	(175 932)
Grants received	1 500 000	1 500 000
Conditions met - Operating	(1 500 000)	(1 149 125)
Conditions met - Capital	-	(174 942)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

23.03 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	800 000	790 000
Conditions met - Operating	(721 743)	(790 000)
Conditions met - Capital	(78 257)	-
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

23.04 Municipal Infrastructure Grant (MIG)

Opening balance	(63 640)	(420 022)
Grants received	15 300 000	12 614 000
Conditions met - Operating	(2 545 239)	(2 058 523)
Conditions met - Capital	(12 870 184)	(10 199 095)
Grant expenditure to be recovered	(179 064)	(63 640)

The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.

23.05 Housing Grants

Opening balance	2 253 929	2 253 929
Conditions met - Operating	(31 458)	-
Conditions still to be met	2 222 471	2 253 929

Housing grants was utilised for the development of erven and the erection of top structures.

23.06 Integrated National Electrification Grant

Opening balance	1 144 384	(411 336)
Grants received	-	3 000 000
Conditions met - Operating	-	(177 368)
Conditions met - Capital	(1 082 634)	(1 266 912)
Conditions still to be met	61 749	1 144 384

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The National Electrification Grant was used to upgrade the sub-station and electrification network.

23.07 Expanded Public Works Program (EPWP)

Opening balance	604 000	-
Grants received	1 000 000	604 000
Conditions met - Operating	(1 604 000)	-
Conditions still to be met	-	604 000

This program is aimed at providing poverty and income relief through the creation of temporary work opportunities.

	2013 R	2012 R
23.08 Department of Environmental Affairs and Tourism (DEAT)		
Opening balance	1 636 697	4 501 535
Conditions met - Operating	(504 534)	(462 079)
Conditions met - Capital	(1 646 587)	(2 402 759)
Conditions still to be met/(Grant expenditure to be recovered)	(514 424)	1 636 697

The grant is utilised to protect, conserve and enhance our environment, natural and heritage assets and resources.

23.09 Other Grants

Opening balance	942 103	1 592 041
Grants received	247 444	888 147
Conditions met - Operating	(256 184)	(1 491 765)
Conditions met - Capital	-	(46 320)
Conditions still to be met	933 363	942 103

Various grants were received from other spheres of government and includes for example the following: Spatial Development Framework, Skills Development Grant, Ukhahlamba Library Equipment Fund etc.

23.10 Total Grants

Opening balance	6 517 475	7 340 215
Grants received	41 791 444	39 620 147
Conditions met - Operating	(30 107 159)	(26 352 860)
Conditions met - Capital	(15 677 662)	(14 090 028)
Conditions still to be met	2 524 098	6 517 475

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	3 469 025	6 832 555
Unpaid Conditional Government Grants and Receipts	(944 927)	(315 080)
	2 524 098	6 517 475

24

SERVICE CHARGES

Electricity	52 859 866	46 710 597
Refuse Removal	6 743 163	6 017 992
Sewerage	-	6 715 297
Water	-	11 082 342
	59 603 029	70 526 228
Less: Rebates	(9 953 665)	(15 940 134)
Total Service Charges	49 649 364	54 586 094

Attributable to:

Continued Operations	49 649 364	44 176 631
Discontinued Operations	-	10 409 463
	49 649 364	54 586 094

Refer to note 21 for further disclosures regarding discontinued operations.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

25

WATER SERVICES AUTHORITY CONTRIBUTION

Joe Gqabi District Municipality - Water and Sewerage functions	-	9 234 315
	-	9 234 315

Attributable to:

Continued Operations	-	-
Discontinued Operations	-	9 234 315
	-	9 234 315

Refer to note 21 for further disclosures regarding discontinued operations.

26

OTHER INCOME

	2013 R	2012 R
Admission Fees	139 137	231
Sundry Income	973 117	1 057 136
Lease payments recovered	625 818	-
Building Plan & Inspection Fees	83 518	63 218
Sale of Game	58 164	62 570
Electricity Re-Connection Fees	761 214	407 105
Cemetery Fees	124 140	113 895
Pound Fees	-	951
Total Other Income	2 765 108	1 705 106

Attributable to:

Continued Operations	2 765 108	1 651 784
Discontinued Operations	-	53 322
	2 765 108	1 705 106

Refer to note 21 for further disclosures regarding discontinued operations.

27

FAIR VALUE ADJUSTMENTS

Fair value changes in biological assets - Refer to note 15	(68 900)	124 800
	(68 900)	124 800

28

EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	24 963 874	26 031 550
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 703 209	6 080 340
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 233 113	3 029 595
Housing Benefits and Allowances	63 570	65 016
Overtime Payments	669 871	1 697 358
Bonuses	1 760 913	1 958 702
Performance Bonuses	366 395	-
Provision for leave	1 596 047	809 495
Contribution for training	375 310	385 628
Industrial Council Levy	15 625	14 235
Provision for compensation for injuries on duty	293 534	305 850
Long Service Awards	278 826	335 298
Post Retirement Medical	369 796	422 508
Total Employee Related Costs	39 690 082	41 135 576

Attributable to:

Continued Operations	39 690 082	35 705 469
Discontinued Operations	-	5 430 107
	39 690 082	41 135 576

Refer to note 21 for further disclosures regarding discontinued operations.

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - MP Nonjola

Annual Remuneration	985 498	945 877
Performance bonus	112 424	-
Other Allowance	36 000	30 000
Total	1 133 922	975 877

Remuneration of the Manager - Technical Services - TE Molefe

Annual Remuneration	772 886	749 238
Acting Allowance	-	27 755

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Performance bonus	81 838	-
Other Allowance	10 800	10 800
Total	865 524	787 793

	2013 R	2012 R
Remuneration of the Manager - Community and Social Services - NBB Mokhantso		
Annual Remuneration	667 816	628 195
Performance bonus	66 970	-
Other Allowance	10 800	10 800
Total	745 586	638 995

Remuneration of the Manager - Corporate and Support Services - TE Wonga (1 July 2012 to 30 September 2012)		
Annual Remuneration	190 896	672 753
Leave Encashment	79 132	-
Performance bonus	45 643	-
Other Allowance	2 700	10 800
Total	318 371	683 553

Remuneration of the Manager - Corporate and Support Services - ZE Pungwani (1 November 2013 to 30 June 2013)		
Annual Remuneration	456 000	-
Other Allowance	7 200	-
Total	463 200	-

Remuneration of the Manager - Financial Services - BJ Rautenbach		
Annual Remuneration	-	640 641
Other Allowance	-	9 000
Total	-	649 641

Remuneration of the Manager - Financial Services - T Maseko		
Annual Remuneration	772 886	127 560
Acting Allowance	20 470	-
Other Allowance	10 800	1 800
Total	804 156	129 360

29

REMUNERATION OF COUNCILLORS

Councillors	2 299 613	2 021 852
Travelling allowance	305 881	409 419
Telephone allowance	183 765	144 588
Total Councillors' Remuneration	2 789 258	2 575 860

Remuneration per Councillor

Cllr N S Mathetha	Mayor (2013)/PR Councillor	484 399	183 632
Cllr ZE Pungwani	Mayor (2012)/PR Councillor	209 311	555 907
Cllr E S Mbana	PR Councillor	197 334	183 632
Cllr G D Fourie	PR Councillor	197 334	183 632
Cllr H du Preez	PR Councillor	197 334	183 632
Cllr M Jan	PR Councillor	197 334	183 632
Cllr MB Mtshingana	PR Councillor	121 245	-
Cllr KS Lange	Ward 1 Councillor	197 334	183 632
Cllr MW Mokhoabane	Ward 2 Councillor	197 334	183 632
Cllr ZE Betana	Ward 3 Councillor	198 297	183 632
Cllr P Williams	Ward 4 Councillor	197 334	183 632
Cllr M Mdumisa	Ward 5 Councillor	197 334	183 632
Cllr M Tsolanku	Ward 6 Councillor	197 334	183 632
		2 789 258	2 575 860

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
30 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 17	1 171 236	4 678 524
Other Receivables from non-exchange transactions - Note 18	897 732	847 493
Total Contribution to Impairment Provision	2 068 968	5 526 017
VAT included in contribution for the year	179 699	35 825
Debt impairment recognised in statement of financial performance	2 248 667	5 561 842
Attributable to:		
Continued Operations	2 248 667	3 026 970
Discontinued Operations	-	2 534 872
	2 248 667	5 561 842
Refer to note 21 for further disclosures regarding discontinued operations.		
31 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	14 520 078	14 295 406
Investment Property	198 882	199 427
Intangible Assets	109 341	279 562
	14 828 302	14 774 395
32 IMPAIRMENTS		
Landfill Sites	229 993	226 211
	229 993	226 211
33 REPAIRS AND MAINTENANCE		
Land and Buildings	777 799	890 316
Tools and equipment	81 118	135 253
Furniture and office equipment	124 578	206 522
Vehicles and Implements	842 470	815 935
Water Reticulation	5 500	345 710
Streets and stormwater	2 025 794	1 809 654
Landfill Site	87 415	101 958
Electricity Reticulation	390 142	436 966
Fencing	16 204	221 283
Street Lights	64 104	387 716
Sewerage Reticulation	-	92 605
Other	30 020	1 305
	4 445 145	5 445 223
Attributable to:		
Continued Operations	4 445 145	4 922 246
Discontinued Operations	-	522 978
	4 445 145	5 445 223
Refer to note 21 for further disclosures regarding discontinued operations.		
34 FINANCE CHARGES		
DBSA loan	212 358	222 083
Unamortised Discount - Interest (DBSA Loan)	132 038	161 757
Hire Purchases	236 862	171 056
Finance leases	303 338	461 708
Overdraft Facilities	20	-
Post Retirement Medical	731 336	764 696
Long Service Awards	75 305	95 986
Interest on Creditors	1 311 075	209 193
Landfill Sites	154 205	143 526
Total finance charges	3 156 536	2 230 004
35 BULK PURCHASES		
Electricity	42 107 330	36 725 368
Total Bulk Purchases	42 107 330	36 725 368
	2013 R	2012 R
36 GENERAL EXPENSES		
Advertisements	149 980	141 804
Audit Fees	2 793 807	2 300 934
Bank Charges	539 683	453 933
Books, Publications and magazines	54 663	59 122

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Chemicals	-	786 173
Commission Prepaid Vendors	887 221	672 027
Insurance	791 097	1 187 232
Integrated development planning	66 292	53 750
Legal Costs	965 971	363 641
License Fees	958 184	827 626
Local Government Activities	320 182	245 591
Membership Fees	423 388	296 632
Printing and Stationary	511 876	518 659
Professional Services	440 235	344 824
Projects from own funds	1 748 665	2 025 351
Security Services	795 522	569 832
Subsistence and Travelling	1 235 550	1 379 193
Telephone Charges	909 146	1 052 889
Training	1 199 736	824 036
Vehicle: Fuel & Oil	1 188 319	1 382 743
Other	1 465 988	1 809 055
General Expenses	17 445 505	17 295 047
Attributable to:		
Continued Operations	17 445 505	15 648 822
Discontinued Operations	-	1 646 225
	17 445 505	17 295 047

Refer to note 21 for further disclosures regarding discontinued operations.

**2012
R**

37

PRIOR PERIOD ERRORS IN TERMS OF GRAP 3

37.01 Property Plant and Equipment (Excluding Capitalised Restoration Costs)

Balance previously reported

Correction of classification between gravel and tar roads	233 592 997
Effect on cost on 30 June 2008 - Refer to note 37.1	1 728 319
Effect on accumulated depreciation up to 30 June 2011 - Refer to note 37.10	1 254 976
Effect on depreciation during 2011/2012 - Refer to note 38	354 764
	118 579

During the review of infrastructure projects, the municipality identified classification errors between tar and gravel roads. This resulted in an adjustment of deemed cost allocated to these roads as well as an adjustment in the depreciation charges.

First time recognition of loose assets - Refer to note 37.10	285 825
Effect on Office Equipment and Tools	207 562
Effect on Motor Vehicles and Implements	78 263

During the review of loose assets the municipality identified loose assets previously not recognised on 30 June 2008.

Correction of assets previously incorrectly included in fixed asset register - Refer to note 37.10	(2 777)
Effect on Office Equipment and Tools	(2 777)

The municipality identified asset in the current year belonging to Social Development. These assets were incorrectly included in the asset register.

Correction of assets incorrectly not removed from asset register during 2011/2012 - Refer to note 38	(6 830)
Effect on Office Equipment and Tools (Cost)	(14 408)
Effect on Office Equipment and Tools (Accumulated Depreciation)	7 578

During the current year, the municipality identified certain assets disposed of during the prior year auction that were still included on the Fixed Asset register.

**2012
R**

Correction of depreciation on loose assets up to 30 June 2011 - Refer to note 37.10	57 747
Effect on Office Equipment and Tools	59 857
Effect on Leased Office Equipment	4 360
Effect on Motor Vehicles and Implements	(6 470)

Correction of depreciation on loose assets during 2012/2013 - Refer to note 38	22 368
Effect on Office Equipment and Tools	21 438
Effect on Leased Office Equipment	1 934
Effect on Motor Vehicles and Implements	(1 004)

These corrections on the depreciation of loose assets were the result of all first time recognitions on 30 June 2008 as well as assets incorrectly included in the asset register that were subsequently removed.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Correction of Land and Buildings on 30 June 2008	(27 954 164)
Effect on land (30 June 2008) - Refer to note 37.10	(19 762 098)
Effect on buildings (30 June 2008) - Refer to note 37.10	(8 533 402)
Effect on Accumulated Depreciation up to 30 June 2011 - Refer to note 37.10	255 768
Effect on Depreciation during 2011/2012 - Refer to note 38	85 568
	207 723 484
<p>During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on these assets.</p>	
37.02 Investment Property	
Balance previously reported	40 244 659
Correction of Investment Properties on 30 June 2008	4 056 485
Effect on cost (30 June 2008) - Refer to note 37.10	4 314 905
Effect on Accumulated Depreciation up to 30 June 2011 - Refer to note 37.10	(193 638)
Effect on Depreciation during 2011/2012 - Refer to note 38	(64 782)
	44 301 144
<p>During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on Investment Properties.</p>	
37.03 Payables from Exchange Transactions	
Balance previously reported	11 515 132
Retentions incorrectly included under trade payables	-
Effect on trade payables	(2 092 864)
Effect on retentions	2 092 864
<p>During the review of payables, it was identified that retentions were incorrectly included under trade payables.</p>	
Sundry Deposits incorrectly included under trade payables and other creditors	-
Effect on Trade Payables	(40 000)
Effect on Other Creditors	(10 000)
Effect on sundry Deposits	50 000
<p>During the review of payables, it was identified that deposits held by the municipality relating to pre-paid vendors were incorrectly included under trade payables and other creditors.</p>	
Correction of overtime not provided for on 30 June 2012 - Refer to note 38	58 868
<p>During the review of payments made during July 2012, the municipality identified overtime not provided for on 30 June 2012</p>	
Correction of Cash suspense balance on 30 June 2011 - Refer to note 38	91 468
<p>The municipality identified errors on their cash suspense balances and these were subsequently corrected.</p>	
Correction of trade payables on 30 June 2012 - Refer to note 38	(40 666)
<p>During the review of trade payables, the municipality identified payables incorrectly provided for.</p>	
	2012
	R
Correction of sundry deposits on 30 June 2011 - Refer to note 37.10	(54 446)
<p>During the review of sundry deposits, the municipality identified payables incorrectly not provided for.</p>	
Reallocation of outstanding payments on bank reconciliation to payables - Refer to note 37.07	13 729 287
Effect on Trade Payables	12 114 976
Effect on Other Creditors (Payroll related payments)	1 614 311
<p>During the review of cash and cash equivalents, the municipality identified outstanding EFT's and cheques not presented for payment before year-end. Only cheque payments where the physical cheque was presented to to the third party on or before year end are disclosed as outstanding payments on the bank reconciliation.</p>	
	25 299 642
37.04 Taxes	
Balance previously reported	141 896
Correction of VAT on 30 June 2012 - Refer to note 38	(7 010)

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Correction of VAT relating to payables corrected in note 37.03

	<u><u>134 885</u></u>
37.05 Biological Assets	
Balance previously reported	2 138 700
Correction of incorrect valuation allocated to buffalo - Refer to note 38	(770 000)
The municipality incorrectly based the valuations of their buffalo on the Zambezi Buffalo instead of the Eastern Cape/Addo Buffalo, which has a much lower fair value.	
	<u><u>1 368 700</u></u>
37.06 Unspent Conditional Grants and Receipts	
Balance previously reported	6 021 689
Correction of overspent balance on conditional grants - Refer to note 38	495 786
Finance Management Grant (FMG)	419 609
Municipal Systems Improvement Grant (MSIG)	76 178
The municipality incorrectly recognised a debit balance on the FMG and MSIG grant where it was never the intention to recover the overspent balance from the current year allocation from National Treasury.	
	<u><u>6 517 475</u></u>
37.07 Cash and Cash Equivalents	
Balance previously reported	(12 553 743)
Correction of bank balance on 30 June 2012	19 511
Effect on 30 June 2011 - Refer to note 37.10	1 466
Effect on 30 June 2012 - Refer to note 38	18 045
During the review of cash and cash equivalents, the municipality identified entries incorrectly treated up to 30 June 2012.	
Reallocation of outstanding payments on bank reconciliation to payables - Refer to note 37.03	13 729 287
Effect on Cash and Cash Equivalents (Liability)	12 775 174
Effect on Cash and Cash Equivalents (Asset)	954 113
During the review of cash and cash equivalents, the municipality identified outstanding EFT's and cheques not presented for payment before year-end. Only cheque payments where the physical cheque was presented to to the third party on or before year end are disclosed as outstanding payments on the bank reconciliation.	
	<u><u>1 195 055</u></u>
	2012
	R
37.08 Receivables from exchange transactions	
Balance previously reported	14 401 641
Correction of receivables on 30 June 2012 - Refer to note 38	(32 543)
Effect on Electricity	(565)
Effect on Other Arrears	(31 978)
During the review of receivables, the municipality identified entries incorrectly treated up to 30 June 2012.	
	<u><u>14 369 098</u></u>
37.09 Receivables from non-exchange transactions	
Balance previously reported	925 082
Correction of receivables on 30 June 2011 - Refer to note 37.10	(25 439)
Effect on Other Debtors	(25 439)
During the review of receivables, the municipality identified entries incorrectly treated up to 30 June 2011.	
Correction of rates receivable	712 833
Effect on 30 June 2011 - Refer to note 37.10	695 672
Effect on 30 June 2012 - Refer to note 38	17 161
During the review of property taxes, the municipality identified corrections relating to prior years.	
	<u><u>1 612 476</u></u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

37.10 Accumulated Surplus

Balance previously reported

Correction of bank balance on 30 June 2012 - Refer to note 37.07 (1 466)

During the review of cash and cash equivalents, the municipality identified entries incorrectly treated up to 30 June 2012.

Correction of Cash suspense balance on 30 June 2011 - Refer to note 37.03 (91 468)

The municipality identified errors on their cash suspense balances and these were subsequently corrected.

Correction of sundry deposits on 30 June 2011 - Refer to note 37.03 54 446

During the review of sundry deposits, the municipality identified payables incorrectly not provided for.

Correction of receivables on 30 June 2011 - Refer to note 37.09 (25 439)

During the review of receivables, the municipality identified entries incorrectly treated up to 30 June 2011.

Correction of rates receivable on 30 June 2011 - Refer to note 37.09 695 672

During the review of property taxes, the municipality identified corrections relating to prior years.

Correction of classification between gravel and tar roads 1 609 740

Effect on cost on 30 June 2008 - Refer to note 37.01

1 254 976

Effect on accumulated depreciation up to 30 June 2011 - Refer to note 37.01

354 764

During the review of infrastructure projects, the municipality identified classification errors between tar and gravel roads. This resulted in an adjustment of deemed cost allocated to these roads as well as an adjustment in the depreciation charges.

First time recognition of loose assets - Refer to note 37.01 285 825

During the review of loose assets the municipality identified loose assets previously not recognised on 30 June 2008.

**2012
R**

Correction of assets previously incorrectly included in fixed asset register - Refer to note 37.01 (2 777)

The municipality identified asset in the current year belonging to the Social Development. These assets were incorrectly included in the asset register.

Correction of depreciation on loose assets up to 30 June 2011 - Refer to note 37.01 57 747

These corrections on the depreciation of loose assets were the result of all first time recognitions on 30 June 2008 as well as assets incorrectly included in the asset register that were subsequently removed. Corrections were also made for incorrect useful lives attached to certain loose assets.

Correction of Investment Properties on 30 June 2008 4 121 267

Effect on cost (30 June 2008) - Refer to note 37.02

4 314 905

Effect on Accumulated Depreciation up to 30 June 2011 - Refer to note 37.02

(193 638)

During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on Investment Properties.

Correction of Land and Buildings on 30 June 2008 (28 039 732)

Effect on cost (30 June 2008) - Refer to note 37.01

(28 295 500)

Effect on Accumulated Depreciation up to 30 June 2011 - Refer to note 37.01

255 768

During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on these assets.

(21 336 185)

38

RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR

Balance previously reported

(6 294 754)

Licences and permits incorrectly included under general expenses

-

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Effect on General Expenses	(83 049)
Effect on Licences and Permits	83 049
<hr/>	
<p>During the review of income and expenditure, it was identified that revenue relating to Special Temporary Permits were incorrectly included under general expenses.</p>	
Correction of incorrect valuation allocated to buffalo - Refer to note	(770 000)
<p>The municipality incorrectly based the valuations of their buffalo on the Zambezi Buffalo instead of the Eastern Cape/Addo Buffalo, which has a much lower fair value.</p>	
Correction of overspent balance on conditional grants - Refer to note 37.06	(495 786)
Effect on Government Grants and Subsidies (Operating) - Finance Management Grant (FMG)	(419 609)
Effect on Government Grants and Subsidies (Operating) - Municipal Systems Improvement Grant (MSIG)	(76 178)
<hr/>	
<p>The municipality incorrectly recognised a debit balance on the FMG and MSIG grant where it was never the intention to recover the overspent balance from the current year allocation from National Treasury.</p>	
Correction of bank balance on 30 June 2012 - Refer to note 37.07	(18 045)
Effect on Service Charges	851
Effect on Employee Related Costs	(2 192)
Effect on Repairs and Maintenance	195
Effect on General Expenses	(17 065)
Effect on Other income (Discontinued)	75
Effect on Repairs and Maintenance (Discontinued)	93
<hr/>	
<p>During the review of cash and cash equivalents, the municipality identified entries incorrectly treated up to 30 June 2012.</p>	
Correction of overtime not provided for on 30 June 2012 - Refer to note 37.03	(58 868)
<p>During the review of payments made during July 2012, the municipality identified overtime not provided for on 30 June 2012</p>	
	2012
	R
Correction of trade payables on 30 June 2012 - Refer to note 37.03	40 666
Effect on Finance Charges	(1 003)
Effect on Repairs and Maintenance	5 674
Effect on General Expenses	7 113
Effect on General Expenses (Discontinued)	28 883
<hr/>	
<p>During the review of trade payables, the municipality identified payables incorrectly provided for.</p>	
Correction of receivables on 30 June 2012 - Refer to note 37.08	(32 543)
Effect on Rental of facilities and equipment	(24 232)
Effect on Interest earned - outstanding debtors	(1 224)
Effect on Other income	(3 206)
Effect on Service Charges	(3 486)
Effect on Service Charges (Discontinued)	(565)
Effect on Other income (Discontinued)	170
<hr/>	
Correction of rates receivable on 30 June 2012 - Refer to note 37.09	17 161
<p>During the review of property taxes, the municipality identified corrections relating to prior years.</p>	
Correction of VAT on 30 June 2012 - Refer to note 37.04	(7 010)
Effect on Repairs and Maintenance	(1 122)
Effect on General Expenses	(2 341)
Effect on General Expenses (Discontinued)	(3 547)
<hr/>	
<p>Correction of VAT relating to payables corrected in note 37.03</p>	
Correction of classification between gravel and tar roads	118 579
Effect on depreciation during 2011/2012 - Refer to note 37.01	118 579
<hr/>	
<p>During the review of infrastructure projects, the municipality identified classification errors between tar and gravel roads. This resulted in an adjustment of deemed cost allocated to these roads as well as an adjustment in the depreciation charges.</p>	
Correction of depreciation on loose assets during 2012/2013 - Refer to note 37.01	22 368

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

These corrections on the depreciation of loose assets were the result of all first time recognitions on 30 June 2008 as well as assets incorrectly included in the asset register that were subsequently removed. Corrections were also made for incorrect useful lives attached to certain loose assets.

Correction of assets incorrectly not removed from asset register during 2011/2012 - Refer to note 37.01	(6 830)
Effect on Loss on Disposal of Property Plant and Equipment	<u>(6 830)</u>
During the current year, the municipality identified certain assets disposed of during the prior year auction that were still included on the Fixed Asset register.	
Correction of Investment Properties on 30 June 2008	(64 782)
Effect on Depreciation during 2011/2012 - Refer to note 37.02	<u>(64 782)</u>
During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on Investment Properties.	
Correction of Land and Buildings on 30 June 2008	85 568
Effect on Depreciation during 2011/2012 - Refer to note 37.01	<u>85 568</u>
During the year, the municipality reviewed and restructured its land and buildings register resulting in adjustments to the cost and accumulated depreciation on these assets.	
	<u><u>(7 464 277)</u></u>

39

RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2013 R	2012 R
Surplus/(Deficit) for the year from continued operations	(15 437 356)	(17 027 195)
Adjustments for:		
Depreciation and Amortisation	14 828 302	14 774 395
Gain on disposal of property, plant and equipment	(29 001)	(42 320)
Loss on disposal of property, plant and equipment	323 069	8 366
Impairments	229 993	226 211
Contribution to employee benefits - non-current	1 455 263	1 618 488
Expenditure incurred - Employee Benefits	(439 257)	(486 398)
Actuarial losses	52 575	615 102
Actuarial gains	(82 631)	(144 465)
Contribution to - Current Employee Benefits	1 596 047	809 495
Contribution to employee benefits – current - expenditure incurred	(239 783)	(1 205 878)
Contribution to - Current Provisions	293 534	335 842
Contribution to Current Provisions - expenditure incurred	-	(331 802)
Contribution to provisions – non current	154 205	143 526
Bad debts	(3 689 634)	(2 373 885)
Contribution to provisions – bad debt	2 248 667	3 026 970
Fair Value Adjustments	68 900	(124 800)
Unamortised discount - Interest - Expenditure	132 038	161 757
Operating lease income accrued	-	32 049
Grants received	42 583 434	39 620 147
Grant expenditure incurred	<u>(46 576 811)</u>	<u>(40 442 888)</u>
Operating Surplus before discontinued operations and changes in working capital	(2 528 447)	(807 285)
Surplus from discontinued operations	-	9 562 918
Other adjustments associated with discontinued operations		
Bad debts	-	(2 281 395)
Contribution to provisions – bad debt	-	2 534 872
Operating Surplus before changes in working capital	(2 528 447)	9 009 111
Changes in working capital	17 910 448	9 409 568
Increase/(Decrease) in Payables from exchange transactions	6 684 880	14 126 737
Increase in Taxes	(625 020)	222 809
Increase in Inventory	(466 096)	(48 349)
Decrease in Receivables from exchange and non-exchange transactions	8 816 416	810 341
Increase in current assets and liabilities relating to Discontinued Operations	3 500 267	(5 701 970)
Cash generated by operations	<u><u>15 382 001</u></u>	<u><u>18 418 679</u></u>

40

RECONCILIATION OF CASH FLOW STATEMENT

Due to various retrospective adjustments made on the comparative figures for the year ending 30 June 2012 as disclosed in notes 37 and 38, the comparative figures as disclosed in the Cash Flow Statement were also affected.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Other corrections also includes reclassification errors, as well as adjustments made for non-cash items incorrectly included in the Cash Flow Statements

The comparative figures were adjusted as follows:

	2012 (Previously reported) R	2012 (Adjustments) R	2012 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	70 112 409	92 209	70 204 618
Government	39 620 147	-	39 620 147
Interest	1 088 333	(1 224)	1 087 110
Payments			
Suppliers and employees	-	-	-
Suppliers	(69 528 015)	13 623 453	(55 904 562)
Employees	(35 522 402)	(2 192)	(35 524 594)
Finance charges	(1 063 036)	(1 003)	(1 064 039)
Cash generated by operations	4 707 437	13 711 242	18 418 679

	2012 (Previously reported) R	2012 (Adjustments) R	2012 (Restated) R
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(13 463 102)	-	(13 463 102)
Purchase of Investment property	(2 237 165)	-	(2 237 165)
Proceeds on Disposal of Fixed Assets	75 603	-	75 603
Increase in Intangible Assets	(35 202)	-	(35 202)
Increase in Non-current Investments	(37 878)	-	(37 878)
Net Cash from Investing Activities	(15 697 744)	-	(15 697 744)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans raised/(repaid)	(1 540 127)	-	(1 540 127)
Increase in Consumer Deposits	75 275	-	75 275
Net Cash from Financing Activities	(1 464 852)	-	(1 464 852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2 704 004	(1 447 921)	1 256 083
Cash and Cash Equivalents at the beginning of the year	(98 586)	(1 466)	(100 052)
Cash and Cash Equivalents at the end of the year	(12 553 743)	13 709 776	1 156 033
NET INCREASE IN CASH AND CASH EQUIVALENTS	(12 455 158)	13 711 242	1 256 085

41

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2013 R	2012 R
Call Investments Deposits - Note 20	571 659	106 812
Cash Floats - Note 20	5 552	5 552
Bank - Note 20	536 782	1 043 669
Total cash and cash equivalents	1 113 993	1 156 033

42

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 41	1 113 993	1 156 033
Investments - Note 14	702 902	665 309
Less:	1 816 895	1 821 342
	4 638 643	7 577 902
Unspent Committed Conditional Grants - Note 9	3 469 025	6 832 555
Secured Investments and cash	1 169 618	745 347
Resources available for working capital requirements	(2 821 748)	(5 756 560)

43

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	9 345 620	8 092 492
Used to finance property, plant and equipment - at cost	(9 345 620)	(8 092 492)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Cash invested for repayment of long-term liabilities

-	-
---	---

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5% and will be fully redeemed on 30 September 2027.

44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013 R	2012 R
44.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	28 434 781	14 077 459
	Unspent grant funding utilised to fund operating expenditure - refer Note 42	3 469 025	6 832 555
	Unauthorised expenditure current year - capital	1 195 196	1 627 817
	Unauthorised expenditure current year - operating	7 209 206	19 365 649
	Approved by Council or condoned	-	(13 468 699)
	Unauthorised expenditure awaiting authorisation	40 308 208	28 434 781

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	Variance analysis was performed and submitted to Council to condone.

Operating expenditure by Vote	2013 R	2013 R	2013 R	2013 R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	17 331 715	14 158 769	3 172 946	3 172 946
Planning and Development	1 424 565	2 680 478	(1 255 913)	-
Budget and Treasury	27 399 080	26 224 729	1 174 351	1 174 351
Public Safety	3 711 876	3 737 879	(26 003)	-
Road Transport	15 883 349	17 412 156	(1 528 807)	-
Other	187 514	209 090	(21 576)	-
Waste Management	9 240 599	9 373 421	(132 823)	-
Sport and Recreation	2 833 307	3 424 171	(590 864)	-
Community and Social Services	3 532 351	3 373 358	158 993	158 993
Housing	1 417 144	1 270 949	146 194	146 194
Electricity	50 586 669	48 029 948	2 556 721	2 556 721
	133 548 168	129 894 948	3 653 220	7 209 206

Capital expenditure by vote	2013 R	2013 R	2013 R	2013 R
	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	23 019	110 000	(86 981)	-
Planning and Development	21 921	3 703 000	(3 681 079)	-
Budget and Treasury	236 092	404 600	(168 508)	-
Public Safety	15 981	80 000	(64 019)	-
Road Transport	12 070 188	12 238 579	(168 391)	-
Other	2 472	-	2 472	2 472
Waste Management	3 612 724	2 420 000	1 192 724	1 192 724
Sport and Recreation	961 400	1 717 800	(756 400)	-
Community and Social Services	2 404	63 000	(60 596)	-
Housing	2 947	15 000	(12 053)	-
Electricity	50 511	1 285 000	(1 234 489)	-
	16 999 658	22 036 979	(5 037 321)	1 195 196

44.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	238 182	13 945
Fruitless and wasteful expenditure current year	1 311 075	238 182
Condoned or written off by Council	-	(13 945)

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Fruitless and wasteful expenditure awaiting condonement

1 549 257

238 182

Incident	Disciplinary steps/criminal proceedings
<i>Interest paid on late payment - Refer to note 34</i>	<i>Council was informed on circumstances leading to the interest charges on late payment to condone.</i>
<i>Penalties incurred (Workmens Compensation) - Refer to note 7</i>	<i>Application was made to the Compensation Commisioner on new assessment</i>

1 311 075

209 193

-

29 992

1 311 075

239 185

2013
R

2012
R

44.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance

10 184 515

3 236 052

Irregular expenditure current year

283 841

10 184 515

Condoned or written off by Council

-

(3 236 052)

Irregular expenditure awaiting condonement

10 468 355

10 184 515

2013
R

2012
R

Incident	Corrective Measures
<i>Non-Compliance with Supply Chain:</i>	
<i>Induscomm Power Projects CC (Preference point system)</i>	<i>Municipality developed a compulsory checklist to ensures that all advertisements do comply with Municpal Supply Chain Management Regulation and Preferential Procurement Regulation. Bidders who do not meet the requirements in the checklist are considered to be non-responsive and are not evaluated on.</i>
<i>Nobhembe Trading CC (Preference points not stipulated - supplier in the service of the state)</i>	<i>Municipality developed a compulsory checklist to ensures that all advertisements do comply with Municpal Supply Chain Management Regulation and Preferential Procurement Regulation. Bidders who do not meet the requirements in the checklist are considered to be non-responsive and are not evaluated on.</i>
<i>Coterells Construction (Preference points not stipulated)</i>	<i>Municipality developed a compulsory checklist to ensures that all advertisements do comply with Municpal Supply Chain Management Regulation and Preferential Procurement Regulation. Bidders who do not meet the requirements in the checklist are considered to be non-responsive and are not evaluated on.</i>
<i>Mvelase & Rethusehile JV (Preference points not stipulated - supplier in the service of the state)</i>	<i>Municipality developed a compulsory checklist to ensures that all advertisements do comply with Municpal Supply Chain Management Regulation and Preferential Procurement Regulation. Bidders who do not meet the requirements in the checklist are considered to be non-responsive and are not evaluated on. All MBD forms are thoroughly checked on evaluation to identify any suppliers in the service of the state. Information was adequately disclosed in the annual financial statements.</i>
<i>Charmaine Van Schalkwyk Consulting (Valid Procurement)</i>	<i>Council have noted the deviation from supply chain management policy. All procurement solicited through section 32 of the Supply Chain Management policy are conducted as per the requirements of the policy.</i>
<i>Mubesko Africa CC (Valid Procurement)</i>	None
<i>Jaco Snyman</i>	<i>Emergency procurement reported to council for condoning. Quarterly reports are submitted to council to condone procurement deviations.</i>
<i>Tax Matters not in order:</i>	<i>Local suppliers has been informed and requested to submit tax clearance certificate on submission of quotations and annually after expiry of the tax clearance certificate. Municipality will not consider suppliers with no tax clearance certificate.</i>
<i>Masakhane & sales</i>	
<i>Lilies Sales & Services</i>	
<i>L&R catering</i>	
<i>Metro fruit & veg</i>	
<i>Mr Lock and Key</i>	
<i>Aliwal Built IT</i>	
<i>Aliwal Dolorite</i>	
<i>Shaun Pote</i>	

-

425 552

-

300 000

-

5 506 906

-

3 673 316

-

278 741

-

-

90 653

-

13 013

-

21 445

-

17 500

-

14 865

-

18 210

-

17 045

-

30 810

-

21 299

-

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Tierhoek		18 126	-
Aqua Agri Solution		20 875	-
		283 841	10 184 515

	2013	2012
44.4 Material Losses		
Electricity distribution losses		
Units purchased (Kwh)	66 221 899	66 175 773
Units sold (Kwh)	58 609 963	53 931 427
Units lost during distribution (Kwh)	7 611 936	12 244 346
Percentage lost during distribution	11.49%	18.50%
Loss in Rand Value	2 425 163	3 515 352
Water distribution losses		
Kilo Litres Purified	-	3 829 081
Kilo Litres Sold	-	3 278 772
Kilo Litres Lost in distribution	-	550 309
Percentage lost during distribution	-	14.37%
Loss in Rand Value	-	452 890
	2013	2012
	R	R
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Council subscriptions	474 983	226 462
Amount paid - current year	(474 983)	(226 462)
Balance unpaid (included in creditors)	-	-
45.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	1 035 149	-
Current year audit fee	2 876 973	2 900 934
External Audit - Auditor-General	2 718 638	2 410 897
Internal Audit	84 996	441 359
Audit Committee	73 339	48 678
Amount paid - current year	(3 912 122)	(1 865 786)
Balance unpaid (included in creditors)	-	1 035 149
45.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	59 747	776 686
Amounts received - current year	(2 213 039)	(2 313 081)
Amounts received - previous years	(59 747)	(776 686)
Amounts claimed - current year	2 213 039	2 372 828
Amounts payable - current year	(490 402)	(54 084)
Amounts paid - current year	742 103	54 084
Closing balance	251 701	59 747
Vat in suspense due to cash basis of accounting	508 204	(253 193)
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
All VAT returns have been submitted by the due date throughout the year.		
Refer to note 10 for further disclosure regarding the balances receivable from and payable to SARS		
45.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	5 117 031	4 914 418
Amount paid - current year	(4 732 888)	(4 914 418)
Balance unpaid (included in creditors)	384 143	-
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	9 360 578	8 986 183
Amount paid - current year	(8 662 109)	(8 986 183)
Balance unpaid (included in creditors)	698 469	-
45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following Councillors had arrear accounts for more than 90 days during the financial year and on 30 June 2013:

None

45.7 Non-Compliance with Supply Chain Management Regulations

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.

45.8 Other Non-Compliance

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

46	CAPITAL COMMITMENTS	2013 R	2012 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	3 214 934	4 048 939
	Infrastructure	3 214 934	4 048 939
	Total	3 214 934	4 048 939
	This expenditure will be financed from:		
	Government Grants	3 214 934	4 048 939
		3 214 934	4 048 939

47 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	(42 894)	(19 798)
0.5% (2012 - 0.5%) Decrease in interest rates	21 447	19 798

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2013 R	2012 R
Balances past due not impaired are as follows:		
Rates	245 946	447 320
Electricity	323 063	-
Water	-	1 516 269
Refuse	189 508	385 851
Sewerage	-	427 976
Other	101 742	264 270
	<u>860 259</u>	<u>3 041 686</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. The credit quality of these institutions are evaluated based on their required Securities Exchange News Services (SENS) releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

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

Receivables (Exchange and Non-Exchange)	7 712 089	15 427 860
Cash and Cash Equivalents	1 113 993	1 156 033
Non-Current Investments	702 902	665 309
Unpaid conditional grants and subsidies	944 927	315 080
	<u>10 473 912</u>	<u>17 564 281</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	1 822 945
Capital repayments	200 649	909 693	1 421 400	1 614 610
Interest	204 910	712 544	606 395	208 335
Long Term liabilities - Finance Leases	663 158	1 326 316	-	-
Capital repayments	435 856	1 121 300	-	-

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Interest	227 302	205 016	-	-
Long Term liabilities - Hire Purchases	1 205 095	3 189 724	-	-
Capital repayments	897 410	2 744 702	-	-
Interest	307 684	445 022	-	-
Provisions - Landfill Sites	-	-	3 571 685	2 374 206
Capital repayments	-	-	2 299 907	1 168 381
Interest	-	-	1 271 778	1 205 824
Trade and Other Payables	23 281 538	-	-	-
Unspent conditional government grants and receipts	3 469 025	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>29 024 374</u>	<u>6 138 277</u>	<u>5 599 481</u>	<u>4 197 150</u>
2012				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	2 228 220
Capital repayments	191 039	865 889	1 352 957	1 927 422
Interest	214 520	756 347	674 839	300 798
Long Term liabilities - Finance Leases	886 558	1 989 474	-	-
Capital repayments	583 220	1 557 156	-	-
Interest	303 338	432 318	-	-
Long Term liabilities - Hire Purchases	559 112	1 366 965	-	-
Capital repayments	416 325	1 198 486	-	-
Interest	142 787	168 478	-	-
Provisions - Landfill Sites	-	-	3 554 222	2 305 796
Capital repayments	-	-	2 078 080	1 006 011
Interest	-	-	1 476 142	1 299 785
Trade and Other Payables	21 228 823	-	-	-
Unspent conditional government grants and receipts	6 832 555	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>29 912 606</u>	<u>4 978 675</u>	<u>2 027 795</u>	<u>2 228 220</u>

48

FINANCIAL INSTRUMENTS

**2013
R**

**2012
R**

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

48.1 Financial Assets

Classification

Investments

Fixed Deposits At Amortised cost 702 902 665 309

Consumer Debtors

Receivables from exchange transactions At Amortised cost 6 535 883 14 369 098

Receivables from non-exchange transactions At Amortised cost 1 176 207 1 058 762

Unpaid Conditional Grants and Receipts

Other Spheres of Government At Amortised cost 944 927 315 080

Short-term Investment Deposits

Call Deposits At Amortised cost 571 659 106 812

**2013
R**

**2012
R**

Bank Balances and Cash

Bank Balances At Amortised cost 536 782 1 043 669

Cash Floats and Advances At Amortised cost 5 552 5 552

10 473 912 17 564 281

SUMMARY OF FINANCIAL ASSETS

At Amortised cost **10 473 912 17 564 281**

48.2 Financial Liability

Classification

Long-term Liabilities and provisions

Annuity Loans At amortised cost 2 431 772 2 500 297

Hire Purchase At amortised cost 2 744 702 1 198 486

Capitalised Lease Liability At amortised cost 1 121 300 1 557 156

Non-Current Provisions - Landfill Sites At amortised cost 3 468 289 3 084 091

Payables from Exchange transactions

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Trade creditors	At amortised cost	18 441 747	18 501 445
Accrued Interest	At amortised cost	75 683	64 374
Joe Gqabi District Municipality	At amortised cost	4 634 390	-
Other Creditors	At amortised cost	2 920 561	2 324 763
Deposits: Other	At amortised cost	1 843 547	338 241

Unspent Conditional Grants and Receipts

Other Spheres of Government	At amortised cost	3 469 025	6 832 555
-----------------------------	-------------------	-----------	-----------

Current Portion of Long-term Liabilities

Annuity Loans	At amortised cost	200 649	191 039
Hire Purchase	At amortised cost	897 410	416 325
Capitalised Lease Liability	At amortised cost	435 856	583 220
		42 684 930	37 591 991

SUMMARY OF FINANCIAL LIABILITY

At amortised cost		42 684 930	37 591 991
-------------------	--	-------------------	-------------------

49 EVENTS AFTER THE REPORTING DATE

Subsequent to year end the municipality entered into an agreement with an outsourced service provider to undertake the process of evaluation all key management personnel to determine the performance bonus. Council policy limits the performance bonus to fourteen per cent of the employee's total package.

The process was concluded and the following performance bonuses were proposed.

Municipal Manager - MP Nonjola	143 010	136 623
Manager Technical Services - TE Molefe	109 716	110 291
Manager Community and Social Services - NBB Mokhantso	95 006	89 459
Manager Corporate and Support Services - TE Wonga	27 104	95 288
Manager Financial Services - T Maseko	109 716	109 060
Manager Corporate and Support Services - ZE Pungwani	64 848	-
	549 400	540 721

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITY

	2013	2012
	R	R
Total contingent liabilities	-	500 000
Steenkamp, Botha & Botha - Litigation on the damage suffered by a child burnt by electric cables at Aliwal Spa. The matter was negotiated for an out of court settlement.	-	500 000
	-	500 000

53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

53.1 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

53.2 Other related party transactions

The following councillors were members of entities which was listed on the approved supplier database

<u>Name</u>	<u>Company</u>
-------------	----------------

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Councillor Z Betana

Bright idea Project 665CC

The municipality engaged with the following related entities:

BJ Vorster (Heinrich Vorster (child) employed by entity): Assistant Manager: Financial Services	Gariep Technologies	-	12 863
Fibhi Mvelase (Daughter of contractor): Accountant Expenditure	Mvelase and Rethusehlor JV	1 308 980	3 673 316
		<u>1 308 980</u>	<u>3 686 179</u>

The Municipal Manager of the Maletswai Local Municipality is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

Maletswai Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

54

FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The number of days it takes to collect money from consumer debtors has increased from the prior year and this has placed constraints on the cash flow resulting in delays in settling the creditors.

Although the debtors' collection period has increased compared to prior year, management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in both electricity and water usage to the value of R 3 515 352 (2012 - R2 425 163) and R0 (2012 - R452 890) respectively. This represents a loss of 11.49% (2012 - 18.50%) on electricity and 0% (2012 - 14.37%) on water consumption.

Operating Indicators

The use of conditional grants for operations increased in the current year. An unspent conditional grant amounting to R3 469 024 (2012 - R 6 832 555) was used to meet the operational expenditure requirements.

The amount of R 5 026 962 million owed by Joe Gqabi District Municipality has been outstanding for a long period of time. This total of R 5 026 962 relates to the 2008/09 financial year. The outstanding amount by the district municipality will be off-set against the debt owed by the municipality on water collections and this will alleviate the future cash flow challenges.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 44 above.

55

TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

GRAP 103 - Heritage Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in May 2010. The municipality did not measure all Heritage Assets in line with the requirements of GRAP 103.

All Heritage assets have been identified on 30 June 2013. However, the municipality is currently in a process of measuring all Heritage Assets which must be measured in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2016 financial statements.

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

7

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

]

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11 PROPERTY, PLANT AND EQUIPMENT

11.1 PROPERTY, PLANT AND EQUIPMENT (EXCLUDING CAPITALISED RESTORATION COSTS)

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	33 095 296	-	-	33 095 296	569 247	157 331	-	726 578	32 368 718
Land	17 362 202	-	-	17 362 202	-	-	-	-	17 362 202
Buildings	15 733 093	-	-	15 733 093	569 247	157 331	-	726 578	15 006 516
Infrastructure	200 324 034	13 194 641	(470 417)	213 048 259	42 125 779	11 708 632	(331 758)	53 502 653	159 545 606
Roads and Stormwater	135 337 065	11 370 407	(470 417)	146 237 056	34 421 566	9 164 717	(331 758)	43 254 525	102 982 531
Electricity	64 710 217	-	-	64 710 217	7 684 069	2 538 357	-	10 222 426	54 487 791
Other	276 752	1 824 234	-	2 100 986	20 144	5 558	-	25 702	2 075 284
Community Assets	6 050 862	917 899	-	6 968 761	115 740	163 323	-	279 063	6 689 698
Recreation Grounds and Facilities	3 674 536	917 899	-	4 592 435	10 413	68 270	-	78 683	4 513 752
Cemetery	2 376 326	-	-	2 376 326	105 328	95 053	-	200 381	2 175 946
Lease Assets	4 306 062	-	(2 056 000)	2 250 062	2 371 232	587 524	(2 056 000)	902 756	1 347 306
Office Equipment	4 306 062	-	(2 056 000)	2 250 062	2 371 232	587 524	(2 056 000)	902 756	1 347 306
Heritage Assets	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-
Other Assets	14 654 796	2 634 190	(402 889)	16 886 096	5 525 567	1 903 268	(218 479)	7 210 357	9 675 740
Office Equipment and tools	5 502 640	378 323	(322 583)	5 558 380	2 369 494	923 530	(212 029)	3 080 995	2 477 385
Motor vehicles and implements	9 152 156	2 255 867	(80 306)	11 327 716	3 156 073	979 738	(6 450)	4 129 362	7 198 354
	258 431 049	16 746 730	(2 929 306)	272 248 474	50 707 565	14 520 078	(2 606 237)	62 621 406	209 627 067

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	32 515 317	579 979	-	33 095 296	415 348	153 899	-	569 247	32 526 049
Land	17 362 202	-	-	17 362 202	-	-	-	-	17 362 202
Buildings	15 153 114	579 979	-	15 733 093	415 348	153 899	-	569 247	15 163 847
Infrastructure	191 480 323	8 843 711	-	200 324 034	30 689 917	11 435 862	-	42 125 779	158 198 255
Roads and Stormwater	127 851 158	7 485 907	-	135 337 065	25 467 528	8 954 039	-	34 421 566	100 915 499
Electricity	63 518 007	1 192 211	-	64 710 217	5 207 818	2 476 250	-	7 684 069	57 026 149
Other	111 158	165 593	-	276 752	14 571	5 573	-	20 144	256 608
Community Assets	2 598 326	3 452 536	-	6 050 862	11 523	104 218	-	115 740	5 935 122
Recreation Grounds	222 000	3 452 536	-	3 674 536	1 508	8 904	-	10 413	3 664 123
Cemetery	2 376 326	-	-	2 376 326	10 014	95 313	-	105 328	2 270 999
Lease Assets	2 077 099	2 239 490	(10 528)	4 306 062	1 518 939	861 285	(8 992)	2 371 232	1 934 830
Office Equipment	2 077 099	2 239 490	(10 528)	4 306 062	1 518 939	861 285	(8 992)	2 371 232	1 934 830
Heritage Assets	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-
Other Assets	13 757 924	990 872	(94 001)	14 654 796	3 839 313	1 740 142	(53 888)	5 525 567	9 129 229
Office Equipment and tools	4 695 969	900 672	(94 001)	5 502 640	1 572 735	850 647	(53 888)	2 369 494	3 133 146
Motor vehicles and implements	9 061 956	90 200	-	9 152 156	2 266 578	889 495	-	3 156 073	5 996 083
	242 428 990	16 106 587	(104 528)	258 431 049	36 475 039	14 295 406	(62 880)	50 707 565	207 723 484
Balance previously reported	269 186 466	16 106 587	(90 120)	285 202 933	37 143 318	14 521 920	(55 302)	51 609 936	233 592 997
Prior Period Adjustment - Refer to note 37.0	(26 757 476)	-	(14 408)	(26 771 884)	(668 279)	(226 514)	(7 578)	(902 371)	(25 869 513)
	242 428 990	16 106 587	(104 528)	258 431 049	36 475 039	14 295 406	(62 880)	50 707 565	207 723 484

GRAP 17 - Property, Plant and Equipment

Included in PPE balances at each reporting period are the following Work in Progress balances. No depreciation is charged on these balances before the project is completed.

	2013 R	2012 R
Infrastructure - Roads and Stormwater	10 729 065	5 832 168
Infrastructure - Other	1 989 827	165 593
Recreation Grounds and Facilities	-	3 452 536
	12 718 892	9 450 297

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements
A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

APPENDIX A - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	4 337 306	-	190 954	4 146 352
Total Annuity Loans				4 337 306	-	190 954	4 146 352
HIRED PURCHASES							
ABSA (Telephone system)	9.50%	70836411	15/05/2011	335 320	-	129 480	205 840
ABSA (TATA Truck)	9.50%	81205030	05/08/2016	393 907	-	82 846	311 061
ABSA (Isuzu KB200I LWB)	9.50%	80693198	15/02/2016	114 207	-	27 308	86 900
ABSA (2011 Rear Tipping Trailor)	9.50%	80693759	15/02/2016	59 834	-	14 307	45 527
ABSA (2010 Vibrating Roller)	9.50%	80693899	15/02/2016	107 104	-	25 609	81 495
ABSA (Isuzu KB200I Fleetside)	9.50%	80698530	15/02/2016	145 507	-	34 792	110 715
ABSA (Sonalinka Tractor)	9.50%	80701808	15/02/2016	163 774	-	39 159	124 615
ABSA (Mazda CX 7)	9.50%	80993701	01/05/2016	295 158	-	65 252	229 906
ABSA (TATA Water Truck)	9.50%	83338631	15/12/2017	-	797 000	61 848	735 152
ABSA (Nissan UD 330)	9.50%	83577440	01/03/2018	-	1 608 382	57 380	1 551 002
ABSA (Isuzu KB 200I)	9.50%	83520421	01/03/2018	-	165 816	5 916	159 900
Total Hire Purchases				1 614 811	2 571 198	543 897	3 642 113
LEASE LIABILITY							
ITEC Rental	21.20%		01/11/2012	213 873	-	213 873	-
NRG Rental	16.67%		30/06/2016	1 926 503	-	369 347	1 557 156
Total Lease Liabilities				2 140 375	-	583 220	1 557 156
TOTAL EXTERNAL LOANS				8 092 492	2 571 198	1 318 070	9 345 620

APPENDIX B - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
1 075 000	(9 366 673)	(8 291 673)	Council	135 446	(15 049 010)	(14 913 564)
-	(2 029 502)	(2 029 502)	Municipal Manager	-	(2 282 705)	(2 282 705)
-	(444 737)	(444 737)	Integrated Development Planning	-	(368 997)	(368 997)
500	(434 399)	(433 899)	Special Program Unit	-	(472 578)	(472 578)
888 597	(8 600 034)	(7 711 437)	Corporate Services	1 361 746	(8 890 997)	(7 529 250)
3 760 410	(3 402 828)	357 582	Traffic	3 970 151	(3 711 876)	258 275
5 773	(102 819)	(97 046)	Aerodrome	6 440	(70 858)	(64 418)
153 432	(6 272)	147 161	Commonage	158 145	(10 358)	147 787
24 265 023	(15 106 484)	9 158 540	Financial Services	30 285 309	(15 985 469)	14 299 841
8 466 194	-	8 466 194	Assessment Rates	9 577 682	-	9 577 682
-	(1 612 475)	(1 612 475)	Technical Services	-	(1 773 363)	(1 773 363)
1 210 899	(2 391 930)	(1 181 031)	Administration and Land Affairs	1 412 292	(2 522 615)	(1 110 323)
7 617 163	(14 219 193)	(6 602 030)	Public Works	14 105 827	(14 109 986)	(4 158)
2 695 951	(5 284 412)	(2 588 461)	Refuse Removal	2 598 738	(6 169 655)	(3 570 917)
-	(2 942 288)	(2 942 288)	Parks and Public Places	4 738	(3 070 944)	(3 066 206)
-	(690 947)	(690 947)	Cleansing	-	-	-
-	(1 555 230)	(1 555 230)	Community Services	-	(1 733 915)	(1 733 915)
-	(4 887)	(4 887)	Health	-	-	-
350 198	(515 828)	(165 629)	Local Economic Development	1 979 899	(582 989)	1 396 910
122 337	(56 027)	66 310	Cemetery	124 140	(11 447)	112 693
3 228 426	(15 633)	3 212 793	Sport Grounds	1 158 728	(20 794)	1 137 934
1 166 349	(1 168 112)	(1 763)	Libraries	788 319	(1 306 386)	(518 067)
2 572 924	(2 589 639)	(16 715)	Aliwal Spa	483 556	(2 812 513)	(2 328 957)
169 956	(75 249)	94 706	Conference Centre	269 172	(478 604)	(209 432)
187 601	(197 359)	(9 758)	Nature Reserve	73 630	(106 298)	(32 668)
-	(2 153)	(2 153)	Museum	-	(1 999)	(1 999)
39 000	(1 172 592)	(1 133 592)	Housing	31 458	(1 417 144)	(1 385 686)
43 659 312	(44 674 434)	(1 015 122)	Electricity	49 585 396	(50 586 669)	(1 001 273)
12 457 871	(7 262 615)	5 195 256	Water	-	-	-
121 332 146	(128 796 423)	(7 464 277)	Total	118 110 812	(133 548 168)	(15 437 356)

APPENDIX C - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
1 075 000	(11 396 174)	(10 321 174)	Executive & Council	135 446	(17 331 715)	(17 196 269)
350 698	(1 394 963)	(1 044 265)	Planning and Development	1 979 899	(1 424 565)	555 334
34 830 713	(26 098 555)	8 732 159	Budget and Treasury	42 637 030	(27 399 080)	15 237 950
3 760 410	(3 402 828)	357 582	Public Safety	3 970 151	(3 711 876)	258 275
7 617 163	(15 831 668)	(8 214 505)	Road Transport	14 105 827	(15 883 349)	(1 777 522)
346 806	(306 450)	40 356	Other	238 215	(187 514)	50 701
7 239 229	(2 871 567)	4 367 663	Waste Water Management	-	-	-
2 695 951	(8 917 647)	(6 221 696)	Waste Management	2 603 475	(9 240 599)	(6 637 124)
5 801 350	(2 605 271)	3 196 079	Sport and Recreation	1 642 284	(2 833 307)	(1 191 023)
1 458 642	(2 856 771)	(1 398 129)	Community and Social Services	1 181 631	(3 532 351)	(2 350 720)
-	(4 887)	(4 887)	Health	-	-	-
39 000	(1 172 592)	(1 133 592)	Housing	31 458	(1 417 144)	(1 385 686)
12 457 871	(7 262 615)	5 195 256	Water	-	-	-
43 659 312	(44 674 434)	(1 015 122)	Electricity	49 585 396	(50 586 669)	(1 001 273)
121 332 146	(128 796 423)	(7 464 277)	Total	118 110 812	(133 548 168)	(15 437 356)

APPENDIX D - Unaudited
MALETSWAI LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Restated balance 1 JULY 2012	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
Equitable Share	-	-	-	22 944 000	22 944 000	-	-
Skills Development Grant	-	-	-	247 444	247 444	-	-
Finance Management Act.	(419 609)	419 609	-	1 500 000	1 500 000	-	-
MSIG Funds	(76 178)	76 178	-	800 000	721 743	78 257	-
MIG Funds	(63 640)	-	(63 640)	15 300 000	2 545 239	12 870 184	(179 064)
DME Electricity Reticulation Fund	1 144 383	-	1 144 383	-	-	1 082 634	61 749
Expanded Public Works Program	604 000	-	604 000	1 000 000	1 604 000	-	-
	1 188 957	495 786	1 684 743	41 791 444	29 562 426	14 031 076	(117 315)
<u>Provincial Government Grants</u>							
Spatial Development Plan	361 000	-	361 000	-	-	-	361 000
1218 Link Houses	271 617	-	271 617	-	-	-	271 617
330 Houses	199 789	-	199 789	-	31 458	-	168 331
Area 5 Services	63 514	-	63 514	-	-	-	63 514
Hilton 89 Houses	6 746	-	6 746	-	-	-	6 746
Area 13 - Fund	254 064	-	254 064	-	-	-	254 064
Aliwal Noord 100 Houses Fund	(251 439)	-	(251 439)	-	-	-	(251 439)
318 Houses Jamestown	373 367	-	373 367	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	6 090	-	-	-	6 090
Jamestown 858 Houses	639 778	-	639 778	-	-	-	639 778
838 Wonings Fonds	690 403	-	690 403	-	-	-	690 403
DEAT - Waste Recycling Project	1 636 697	-	1 636 697	-	504 534	1 646 587	(514 424)
Land Survey Management	467 500	-	467 500	-	-	-	467 500
LED Garden Project Jamestown	108 837	-	108 837	-	3 974	-	104 863
LED	-	-	-	87 990	87 990	-	-
Library Grant	-	-	-	704 000	704 000	-	-
	4 827 963	-	4 827 963	791 990	1 331 956	1 646 587	2 641 411
<u>District Municipality Grants</u>							
Library Equipment Fund	4 767	-	4 767	-	4 767	-	-
	4 767	-	4 767	-	4 767	-	-
Total	6 021 689	495 786	6 517 475	42 583 434	30 899 149	15 677 662	2 524 098