

Maletswai

LOCAL MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

MALETSWAI LOCAL MUNICIPALITY

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MALETSWAI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Maletswai Municipality (EC143) is a local municipality performing the functions as set out in the Constitution. (Act no 108 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

PRINCIPAL 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 for the year ended 30 June 2014, which are set out on pages 1 to 89 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 2015 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 2014

	Notes	2014 (Actual) R	2013 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		196 446 858	205 964 280
Accumulated Surplus		196 446 858	205 964 280
Non-Current Liabilities		21 100 078	20 901 325
Annuity Loans	3.1	2 354 698	2 431 772
Hire Purchases	3.2	1 856 991	2 744 702
Capitalised Lease Liability	3.3	638 348	1 121 300
Employee benefits	4	12 362 330	11 135 263
Non-Current Provisions	5	3 887 711	3 468 289
Current Liabilities		69 207 673	46 659 810
Consumer Deposits	6	2 019 593	1 846 515
Current Employee benefits Provisions	7	6 243 656	6 134 696
Payables from exchange transactions	8	328 172	583 237
Unspent Conditional Government Grants and Receipts	9	51 252 417	33 092 423
Annuity Loans	10	7 697 500	3 469 025
Hire Purchases	3.1	210 863	200 649
Capitalised Lease Liability	3.2	889 936	897 410
	3.3	565 536	435 856
Total Net Assets and Liabilities		286 754 609	273 525 414
ASSETS			
Non-Current Assets		261 005 590	261 316 491
Property, Plant and Equipment		208 135 060	208 553 597
Property, Plant and Equipment (Excluding Capitalised Restoration Costs)	12.1	208 135 060	208 553 597
Capitalised Restoration Costs	12.2	-	-
Investment Property	13	49 931 264	50 225 071
Intangible Assets	14	303 386	351 120
Heritage Assets	15	-	-
Non-Current Investments	16	740 904	702 902
Biological Assets	17	1 894 976	1 483 800
Current Assets		25 749 019	12 208 923
Inventory	18	755 524	930 695
Receivables from exchange transactions	19	8 456 471	6 551 798
Receivables from non-exchange transactions	20	2 436 628	1 907 606
Unpaid Conditional Government Grants and Receipts	10	3 030 721	944 927
Taxes	11	2 174 194	759 905
Cash and Cash Equivalents	22	8 895 481	1 113 993
Total Assets		286 754 609	273 525 414

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 (Actual) R	2013 (Restated) R
<u>CONTINUED OPERATIONS</u>			
REVENUE			
Revenue from Non-exchange Transactions		58 212 272	56 667 772
Taxation Revenue		11 455 176	9 555 067
Property taxes	23	11 455 176	9 555 067
Transfer Revenue		41 701 075	46 576 811
Government Grants and Subsidies - Capital	24	11 119 115	15 677 662
Government Grants and Subsidies - Operating	24	30 581 960	30 899 149
Other Revenue		5 056 021	535 894
Actuarial Gains	4	93 118	282 077
Third Party Payments		82 164	-
Fines		246 348	253 817
Other Income	26	4 634 390	-
Revenue from Exchange Transactions		68 218 138	61 690 939
Service Charges	25	55 821 408	49 621 679
Rental of Facilities and Equipment		2 071 520	1 830 326
Interest Earned - external investments		478 002	153 641
Interest Earned - outstanding debtors		346 949	259 772
Licences and Permits		2 073 733	2 357 808
Agency Services		4 705 050	4 563 206
Other Income	26	2 139 949	2 760 406
Gain on disposal of Property, Plant & Equipment		170 352	29 001
Fair Value Adjustments	27	411 176	115 100
Total Revenue		126 430 410	118 358 711
EXPENDITURE			
Employee related costs	28	40 453 823	39 604 803
Remuneration of Councillors	29	3 269 323	2 789 258
Debt Impairment	30	4 279 860	2 248 667
Depreciation and Amortisation	31	11 880 052	14 782 987
Impairments	32	262 447	229 993
Repairs and Maintenance	33	4 118 696	4 464 367
Actuarial losses	4	48 482	-
Finance Charges	34	4 763 086	3 338 493
Bulk Purchases	35	45 015 920	42 107 330
Other Operating Grant Expenditure		4 065 735	2 662 539
General Expenses	37	17 182 899	17 498 440
Loss on disposal of Property, Plant and Equipment		607 510	323 069
Total Expenditure		135 947 832	130 049 946
Operating Deficit from continued operations		(9 517 422)	(11 691 234)
<u>DISCONTINUED OPERATIONS</u>			
EXPENDITURE			
Transfer of function		-	3 500 267
Total Expenditure		-	3 500 267
Operating Deficit from discontinued operations		-	(3 500 267)
NET DEFICIT FOR THE YEAR		(9 517 422)	(15 191 502)

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus	Total
	R	R
Balance at 1 JULY 2012 - Previously stated	217 925 747	217 925 747
Prior Period Adjustments - See Note 38.08	3 230 034	3 230 034
Restated Balance at 1 JULY 2012	221 155 781	221 155 781
Net Deficit for the year	(15 191 502)	(15 191 502)
Balance at 30 JUNE 2013	205 964 280	205 964 280
Net Deficit for the year	(9 517 422)	(9 517 422)
Balance at 30 JUNE 2014	196 446 858	196 446 858

MALETSWAI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 (Actual) R	30 JUNE 2013 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		73 957 894	78 960 393
Government		44 987 756	42 583 434
Interest		824 951	413 413
Payments			
Suppliers		(56 009 682)	(65 723 130)
Employees		(39 621 833)	(37 832 431)
Finance charges		(3 486 438)	(2 146 356)
Cash generated by operations	40	20 652 648	16 255 323
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	41	(11 649 229)	(15 048 854)
Proceeds on Disposal of Fixed Assets		260 986	29 001
Increase in Intangible Assets	14	(64 458)	(22 935)
Increase in Non-current Investments		(38 001)	(37 594)
Net Cash from Investing Activities		(11 490 702)	(15 080 381)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 553 537)	(1 318 070)
Increase in Consumer Deposits		173 078	101 088
Net Cash from Financing Activities		(1 380 459)	(1 216 982)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7 781 488	(42 040)
Cash and Cash Equivalents at the beginning of the year		1 113 993	1 156 033
Cash and Cash Equivalents at the end of the year	42	8 895 481	1 113 993
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7 781 488	(42 040)

Refer to note 41 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 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	1 113 993	8 895 481	(7 781 488)	Grant Fund set aside for Municipal Infrastructure Grant (MIG) projects amounting to R7,145,202. A separate bank account was opened on which all capital expenditure payment are made.
Consumer debtors	8 606 125	10 893 099	(2 286 973)	Decline in payment percentage due to challenges experienced in collecting debt such as increasing unemployment rate, unfavourable economic situation and lack of growth.
Other Receivables	1 704 832	5 204 915	(3 500 083)	This amount includes Value Added Tax (VAT) that is receivable from SARS of R2 174 194 which is directly related to the extent of total expenditure incurred. Grant expenditure incurred on Waste Recycling project funded by Department of Environmental Affairs and Tourism. The expected tendered amount of R3 434 675 was not received in full from the DEAT and is expected. DEAT only paid R2 000 000 and the balance is to be recovered from DEAT. Initial Infrastructure National Electrification Program (INEP) grant allocated as per DoRA was R3 900 000 and have only received R2 000 000 and
Inventory	930 695	755 524	175 170	Stock on hand was utilised much quicker than anticipated or budgeted for
Total current assets	12 355 645	25 749 019	(13 393 374)	
Non current assets				
Investments	702 902	740 904	(38 001)	Interest earned on the investments exceeded the expectation and was capitalised
Investment property	44 102 262	49 931 264	(5 829 002)	Total review of investment properties resulting in material adjustment. Investment Properties were reclassified in accordance with the standards of Generally Recognised Accounting Practice 16 and restated
Property, plant and equipment	210 488 522	208 135 060	2 353 461	Total review of land and buildings resulting in material adjustment. Land and Buildings Properties were reclassified in accordance with the standards of Generally Recognised Accounting Practice 17 and restated
Biological Assets	1 299 800	1 894 976	(595 176)	Total review of biological assets resulting in material adjustment. The valuation of all species have been revised upward. Buffaloes values were also revised to reflect market values and there was an additional buffalo in the current year.
Intangible Assets	351 120	303 386	47 734	The need for computers was less than anticipated at the time of budgeting
Total non current assets	256 944 606	261 005 590	(4 060 984)	
TOTAL ASSETS	269 300 251	286 754 609	(17 454 358)	
LIABILITIES				
Current liabilities				
Borrowing	1 533 915	1 666 336	(132 421)	The increase in the repo rate by 0.50% and resulted in an increase in the interest rate applicable to the loans and thus increasing the amount payable in future.
Consumer deposits	1 846 515	2 019 593	(173 078)	New connections on the new buildings especially in Birds' Eyeview, a new middle income suburb
Trade and other payables	36 406 088	58 949 917	(22 543 829)	Significant increase in Eskom and Joe Qqabi payables and insufficient funds to make payment timely.
Provisions and Employee Benefits	6 219 400	6 571 828	(352 428)	
Total current liabilities	46 005 917	69 207 673	(23 201 756)	
Non current liabilities				
Borrowing	6 297 774	4 850 036	1 447 737	The increase in the repo rate by 0.50% and resulted in an increase in the interest rate applicable to the loans. More capital redemption or repayment on NRG lease liability than in the previous years. The lease period on NRG is almost halfway through.
Provisions and Employee Benefits	14 603 552	16 250 041	(1 646 489)	Budget was paid on the previous year information obtained from the Actuarial Valuers and the amount has increased due to new assessment in the current year and therefore insufficient budget allocation.
Total non current liabilities	20 901 325	21 100 077	(198 752)	
TOTAL LIABILITIES	66 907 243	90 307 750	(23 400 508)	
NET ASSETS	202 393 008	196 446 857	5 946 151	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	202 393 008	196 446 858	5 946 150	
TOTAL COMMUNITY WEALTH/EQUITY	202 393 008	196 446 858	5 946 150	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	106 812	1 007 180	1 113 993	The expenditure was revised downwards with an expectation of more savings
Consumer debtors	14 137 813	(5 531 688)	8 606 125	Decline in payment percentage due to challenges experienced in collecting debt such as increasing unemployment rate, unfavourable economic situation and lack of growth.
Other Receivables	15 000 000	(13 295 168)	1 704 832	Budget amount aligned with prior year financial statements
Inventory	520 000	410 695	930 695	Budget amount aligned with prior year financial statements. The budget was revised to accommodate the breakdown of transformers due to ageing and adverse winter weather conditions.
Total current assets	29 764 625	(17 408 981)	12 355 645	
Non current assets				
Investments	736 996	(34 093)	702 902	Realignment of balances to agree with the amount set aside for the redemption of the DBSA loan/security on the loan as per the agreement.
Investment property	40 244 659	3 857 602	44 102 262	Budget amount aligned with prior year financial statements
Property, plant and equipment	253 590 443	(43 101 922)	210 488 522	Budget amount aligned with prior year financial statements
Biological Assets	2 138 700	(838 900)	1 299 800	Budget amount aligned with prior year financial statements
Intangible Assets	437 527	(86 407)	351 120	Budget amount aligned with prior year financial statements
Total non current assets	297 148 326	(40 203 720)	256 944 606	
TOTAL ASSETS	326 912 951	(57 612 701)	269 300 251	
LIABILITIES				
Current liabilities				
Bank overdraft	18 046 272	(18 046 272)	-	The budget was revise to be in line with the requirements of MFMA and Circular 70 and 72
Borrowing	1 139 557	394 358	1 533 915	Budget amount aligned with prior year financial statements to include the NRG lease agreement that was initially excluded from the budget.
Consumer deposits	1 933 496	(86 981)	1 846 515	
Trade and other payables	21 832 555	14 573 533	36 406 088	Cash flow constraints resulting in an increase in arrear payables. Anticipated increase in the consumption of electricity from Eskom. The none payment of the Joe Gqabi Municipality water and sanitation account.
Provisions and Employee Benefits	5 100 590	1 118 810	6 219 400	The alignment of the balance to agree with the key assumptions made by the Actuarial Valuers. Review of the calculations of the Valuers to agree with the Provisions made.
Total current liabilities	48 052 470	(2 046 552)	46 005 917	
Non current liabilities				
Borrowing	3 285 056	3 012 718	6 297 774	Budget amount aligned with prior year financial statements. Budget amount aligned with prior year financial statements to include the NRG lease agreement that was initially excluded from the budget.
Provisions and Employee Benefits	16 033 069	(1 429 518)	14 603 552	Budget amount aligned with prior year financial statements. The alignment of the balance to agree with the key assumptions made by the Actuarial Valuers. Review of the calculations of the Valuers to agree with the Provisions made.
Total non current liabilities	19 318 125	1 583 200	20 901 325	
TOTAL LIABILITIES	67 370 595	(463 352)	66 907 243	
NET ASSETS	259 542 357	(57 149 349)	202 393 008	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	259 542 357	(57 149 349)	202 393 008	
TOTAL COMMUNITY WEALTH/EQUITY	259 542 357	(57 149 349)	202 393 008	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	11 621 020	11 455 176	165 844	
Service charges	63 908 880	55 821 408	8 087 472	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	2 181 830	2 071 520	110 310	
Interest earned - external investments	245 000	478 002	(233 002)	More Interest earned on Grand Funding Investment than anticipated. The opening of a dedicated grant funding bank account which attracts a higher interest rate. The balance on grant funding was high due the unspent conditional grant (MIG).
Interest earned - outstanding debtors	370 000	346 949	23 051	
Fines	223 800	246 348	(22 548)	The fines are recognised when the payment is received together with the estimate of the spot fines as per the accounting policy. The budget was based on the anticipated payment as well as the estimate of the spot fines from the prior year statistics.
Licences and permits	2 680 000	2 073 733	606 267	The budget was based on the statistics from the prior year actuals with anticipation that there will be an increased number of licence renewals, learners licence applications, renewal of permits, etc. The factors on the increase such as licences are not within the control of the municipality.
Agency services	5 111 000	4 705 050	405 950	The services rendered on behalf of the Department of Transport which attracts agency fees did not yield as per the anticipated budget. These services include the learners , drivers licensces, etc which are not within the control of the municipality.
Government Grants and Subsidies - Operating	31 393 170	30 581 960	811 210	The budget was based on the assumption that the MIG will be fully spent and therefore the entire VAT was recognised as revenue. Due to underspending the VAT was recognised to the extent of MIG expenditure. Training grant Local Government SETA was not received in full as budgeted amount of R324 000.
Other revenue	2 291 630	7 360 798	(5 069 168)	The write off of the JGDM debt of R4 634 390 as per the council resolution passed by the District Municipality.
Gains on disposal of PPE	89 000	170 352	(81 352)	The disposal of assets is entirely dependent on the auction prices and at the time of compiling the budget estimates were based on the prior year statistics.
Total Operating Revenue	120 115 330	115 311 295	4 804 035	
EXPENDITURE BY TYPE				
Employee related costs	45 213 920	40 453 823	4 760 097	Salary Adjustment due to salary curve not implemented and a few vacancies not filled. The increase on salaries was based on 8% and the Local Bargaining Council only awarded a 6.80%
Remuneration of councillors	3 265 440	3 269 323	(3 883)	
Debt impairment	350 000	4 279 860	(3 929 860)	Increase due to decline in payment percentage. The budget was predominantly based on cash basis and this is a non cash flow item influenced by the economic conditions within the municipal jurisdiction.
Depreciation & asset impairment	2 151 940	12 142 498	(9 990 558)	Increase due to deterioration on assets. The budget was predominantly based on cash basis and this is a non cash flow item influenced by the conditions of the asset.
Finance charges	1 538 650	4 763 086	(3 224 436)	Significant expenditure incurred due to late payment of creditors (ie ESKOM). No budget allocation for Employee Benefit Provisions.
Bulk purchases	42 500 000	45 015 920	(2 515 920)	Winter account of Eskom higher than anticipated due to the extended freezing weather conditions that were more not anticipated
Other expenditure	25 074 740	25 415 812	(341 072)	
Loss on disposal of PPE	-	607 510	(607 510)	
Total Operating Expenditure	120 094 690	135 947 832	(15 853 142)	
Operating Surplus/(Deficit) for the year	20 640	(20 636 537)	20 657 177	
Government Grants and Subsidies - Capital	18 999 700	11 119 115	7 880 585	Revenue on conditional grant (MIG, etc) expenditure is recognised on when the grant is spent and the MIG projects were not completed at year end. INEP and DEAT programe not completed at year end which was budgeted for.
Net Surplus/(Deficit) for the year	19 020 340	(9 517 422)	28 537 762	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	13 675 391	(2 054 371)	11 621 020	Rebates on rates was initially underprovided
Service charges	60 897 908	3 010 972	63 908 880	Anticipated higher electricity consumption due to adverse weather conditions.
Rental of facilities and equipment	1 708 923	472 907	2 181 830	Budget allocation increased due to completion of upgrade on Aliwal SPA in anticipation of more visitors during the festive period.
Interest earned - external investments	159 615	85 385	245 000	More interest provided due to investment of grant funding. More Interest earned on Grand Funding Investment than anticipated. The opening of a dedicated grant funding bank account which attracts a higher interest rate. The balance on grant funding was high due the unspent conditional grant (MIG).
Interest earned - outstanding debtors	3 306 762	(2 936 762)	370 000	Decrease on expectation that the credit control policies will be enforced rigorously resulting in more consumers settling their account timely
Fines	198 425	25 375	223 800	
Licences and permits	2 551 187	128 813	2 680 000	
Agency services	1 529 853	3 581 147	5 111 000	Review of the budget to accommodate the commission from Joe Gqabi District Municipality on collection of revenue as per Agency Agreement.
Government Grants and Subsidies - Operating	29 942 100	1 451 070	31 393 170	Review of the budget to be inline with DORA
Other revenue	7 212 600	(4 920 970)	2 291 630	
Gains on disposal of PPE	64 800	24 200	89 000	
Total Operating Revenue	121 247 563	(1 132 233)	120 115 330	
EXPENDITURE BY TYPE				
Employee related costs	45 401 301	(187 381)	45 213 920	Vacant positions not filled at time of budget
Remuneration of councillors	3 443 064	(177 624)	3 265 440	
Debt impairment	324 773	25 227	350 000	
Depreciation & asset impairment	3 467 773	(1 315 833)	2 151 940	The budget was predominantly based on cash basis and this is a non cash flow item influenced by the conditions of the asset.
Finance charges	614 403	924 247	1 538 650	Adjustment for lease interest on NRG leased machines which was not previously available as well as the increase in the interest rate charged by the bank.
Bulk purchases	41 257 561	1 242 439	42 500 000	Anticipated higher electricity consumption due to adverse weather conditions.
Other expenditure	26 024 487	(949 747)	25 074 740	The interest NRG lease liability was transferred from other expenditure to finance charges. The curtailment of expenditure through budget restrictions.
Total Operating Expenditure	120 533 362	-438 672	120 094 690	
Operating Surplus/(Deficit) for the year	714 201	(693 561)	20 640	
Government Grants and Subsidies - Capital	17 875 700	1 124 000	18 999 700	The VAT on INEP Grant removed and recognised as revenue under operating government grants
Net Surplus for the year	18 589 901	430 439	19 020 340	

**MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	91 638 350	73 957 894	17 680 456	Decline in payment percentage
Government	48 232 800	44 987 756	3 245 044	MIG grant not fully utilised
Interest	615 000	824 951	(209 951)	Interest on grant investment more than anticipated
Payments				
Suppliers and Employees	(120 938 160)	(95 631 515)	(25 306 645)	Cash flow constraints leading to decrease in payments to Eskom, not all staff vacancies were filled and salary curve not budget was not implemented
Finance charges	(538 650)	(3 486 438)	2 947 789	Significant payment made on arrear interest to creditors especially Eskom
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>19 009 340</u>	<u>20 652 648</u>	<u>(1 643 308)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	89 000	260 986	(171 986)	Assets sold at a price higher than anticipated
Decrease/(increase) in non-current investments	-	(38 001)	38 001	
Payments				
Capital assets	(19 289 700)	(11 713 687)	(7 576 013)	MIG Grant and INEP capital grant not fully spent
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(19 200 700)</u>	<u>(11 490 702)</u>	<u>(7 709 998)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	100 798	173 078	(72 280)	More consumer deposits received than anticipated especially on the new account opened by the Birds' Eyeview consumers
Payments				
Repayment of borrowing	(962 732)	(1 553 537)	590 805	Repayment on borrowings especially NRG leases more than anticipated
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(861 934)</u>	<u>(1 380 459)</u>	<u>518 525</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>(1 053 294)</u>	<u>7 781 488</u>	<u>(8 834 781)</u>	
Cash and Cash Equivalents at the beginning of the year	(6 662 733)	1 113 993	(7 776 726)	
Cash and Cash Equivalents at the end of the year	(7 716 027)	8 895 481	(16 611 507)	

**MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	87 774 290	3 864 060	91 638 350	
Government	47 817 800	415 000	48 232 800	
Interest	3 466 377	(2 851 377)	615 000	Interest aligned to actual expectation.
Payments				
Suppliers and Employees	(116 126 417)	(4 811 743)	(120 938 160)	Reduction in aligned with increase in payables
Finance charges	(614 403)	75 753	(538 650)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>22 317 647</u>	<u>(3 308 307)</u>	<u>19 009 340</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	64 800	24 200	89 000	
Payments				
Capital assets	(17 950 700)	(1 339 000)	(19 289 700)	Capital aligned with budget expectation.
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(17 885 900)</u>	<u>(1 314 800)</u>	<u>(19 200 700)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	100 798	-	100 798	
Payments				
Repayment of borrowing	(962 732)	-	(962 732)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(861 934)</u>	<u>-</u>	<u>(861 934)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	3 569 813	(4 623 107)	(1 053 294)	
Cash and Cash Equivalents at the beginning of the year	(6 662 733)	-	(6 662 733)	
Cash and Cash Equivalents at the end of the year	(3 092 920)	(4 623 107)	(7 716 027)	

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

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

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements The objective of this Standard is to prescribe the circumstances in which consolidated and separate	Unknown

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<p>financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	
<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p>Unknown</p>
<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<p>1 April 2015</p>
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 108 (Original – Sept 2013)</p>	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p>Unknown</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is</p>	<p>Unknown</p>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<p>to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.7.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability should always be cash-backed, but due to temporary operational requirements, this is not always possible. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash, if available, which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are attached to this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.12. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Other Short-term Employee Benefits

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

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

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13. CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	100
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and Equipment	10-15
<u>Community</u>		Other plant and Equipment	2-5
Buildings	30	Landfill sites	15
Recreational Facilities	20-30	Quarries	25
Security	5	Emergency equipment	10
Halls	20-30	Computer equipment	3
Libraries	20-30		
Parks and gardens	15-20		
Other assets	15-20		
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

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

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

1.15.4 De-recognition

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Site Restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. The cost of an item of property, plant and equipment includes the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period

Subsequently the asset is measured as follows:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount may not be fully recoverable. If it is such an indication, and any impairment loss is recognised in accordance with the accounting policy on impairments.

1.15.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
SEBATA Financial Software	10

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100

1.17.4 De-recognition

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Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18 BIOLOGICAL ASSETS

1.18.1 Initial Recognition

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

1.18.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

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

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

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

1.19.2 Subsequent Measurement – Cost Model

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After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.2 Subsequent Measurement – Revaluation Model

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.19.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5 Application of Directive 4

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 is currently in process of measuring all identified Heritage Assets.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower,

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less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

1.21. NON-CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it

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is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.23.1 Initial Recognition

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

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.2 Receivables

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Receivables are classified as financial assets at amortised cost, and are subsequently measured at cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery

and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.3 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.4 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

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unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue shall be measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

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

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates

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revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

As a minimum, the following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. As a minimum, a person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- a) all members of the governing body of the Municipality;
- b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity;
- c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity; and
- d) the senior management team of the entity, including the chief executive officer or permanent head of the entity, unless already included in (a).

Management personnel include:

- a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

1.26. UNAUTHORISED EXPENDITURE

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

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where

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recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

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

1.32. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements relates to errors.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

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

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

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

Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component,

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Impairments of assets – Capitalised Restoration Cost

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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LONG-TERM LIABILITIES

3.1 Annuity Loans

	2014 R	2013 R
Annuity Loans - At amortised cost	3 945 703	4 146 352
Less: Current Portion transferred to Current Liabilities	(210 863)	(200 649)
	<u>3 734 840</u>	<u>3 945 703</u>
Plus: Unamortised charges on loans	(1 380 142)	(1 513 932)
Balance 1 July	(1 513 932)	(1 645 970)
Unwinding of unamortised discount on non-current liabilities	133 790	132 038
	<u><u>2 354 698</u></u>	<u><u>2 431 772</u></u>

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2027. The loan is secured by an investment and call investment deposit disclosed in notes 16 and 22

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	3 445 181	3 850 740
	<u>5 472 977</u>	<u>5 878 536</u>
Less: Future finance obligations	(1 527 273)	(1 732 184)
Present value of annuity obligations	<u><u>3 945 703</u></u>	<u><u>4 146 352</u></u>

3.2 Hire Purchases

Hire Purchase	2 746 927	3 642 113
Less: Current Portion transferred to Current Liabilities	(889 936)	(897 410)
	<u><u>1 856 991</u></u>	<u><u>2 744 702</u></u>

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	1 122 768	1 205 095
Payable within two to five years	2 094 193	3 189 724
	<u>3 216 961</u>	<u>4 394 819</u>
Less: Future finance obligations	(470 034)	(752 706)
Present value of hire purchase obligations	<u><u>2 746 927</u></u>	<u><u>3 642 113</u></u>

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

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2014 R	2013 R	2014 R	2013 R
ABSA (Telephone system)	10.00%	01/11/2014	45 130	202 012	63 482	205 840
ABSA (TATA Truck)	10.00%	05/08/2016	272 012	315 431	220 114	311 061
ABSA (Isuzu KB200I LWB)	10.00%	15/02/2016	79 611	93 925	56 907	86 900
ABSA (2011 Rear Tipping Trailer)	10.00%	15/02/2016	49 727	54 812	29 814	45 527
ABSA (2010 Vibrating Roller)	10.00%	15/02/2016	69 927	84 745	53 367	81 495
ABSA (Isuzu KB200I Fleetside)	10.00%	15/02/2016	96 066	115 399	72 503	110 715
ABSA (Sonalinka Tractor)	10.00%	15/02/2016	155 884	164 140	81 605	124 615
ABSA (Mazda CX 7)	10.00%	01/05/2016	248 339	268 807	158 236	229 906
ABSA (TATA Water Truck)	10.00%	15/12/2017	605 069	664 981	598 241	735 152
ABSA (Nissan UD 330)	10.00%	01/03/2018	1 223 068	1 360 197	1 280 632	1 551 002
ABSA (Isuzu KB 200I)	10.00%	01/03/2018	129 331	141 076	132 027	159 900
			<u><u>2 974 163</u></u>	<u><u>3 465 527</u></u>	<u><u>2 746 927</u></u>	<u><u>3 642 113</u></u>

Hire Purchases are secured by property, plant and equipment - Note 12.1

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
3.3 Capitalised Lease Liability		
Capitalised Lease Liability - At amortised cost	1 203 884	1 557 156
Less: Current Portion transferred to Current Liabilities	(565 536)	(435 856)
	638 348	1 121 300

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	729 048	663 158
Payable within two to five years	697 822	1 326 316
	1 426 870	1 989 474
Less: Future finance obligations	(222 986)	(432 318)
Present value of lease obligations	1 203 884	1 557 156

The outstanding finance lease liability is made up of the following agreements:

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2014 R	2013 R	2014 R	2013 R
NRG Rental (Copiers)	16.67%	30/06/2016	895 796	1 343 694	1 122 207	1 557 156
MTN Ltd (Tablets)	17.82%	31/12/2015	83 210	-	81 678	-
			979 006	1 343 694	1 203 884	1 557 156

Leases are secured by property, plant and equipment - Note 12.1

4 EMPLOYEE BENEFITS

Post Retirement Medical Benefits - Refer to Note 4.1	10 902 499	9 857 251
Long Service Awards - Refer to Note 4.2	1 459 831	1 278 012
Total Non-current Employee Benefit Liabilities	12 362 330	11 135 263

Post Retirement Medical Benefits

Balance 1 July	10 188 679	10 463 606
Contribution for the year	1 392 259	1 298 724
Transfer of function - Water and Sanitation	-	(1 056 218)
Expenditure for the year	(351 412)	(377 523)
Actuarial (Gain)/Loss	48 482	(139 910)
Total post retirement benefits 30 June	11 278 008	10 188 679
Less: Transfer of Current Portion - Note 7	(375 509)	(331 428)
Balance 30 June	10 902 499	9 857 251

Long Service Awards

Balance 1 July	1 526 499	1 587 460
Contribution for the year	341 025	412 857
Transfer of function - Water and Sanitation	-	(269 917)
Expenditure for the year	(116 231)	(61 734)
Actuarial Gain	(93 118)	(142 167)
Total long service 30 June	1 658 175	1 526 499
Less: Transfer of Current Portion - Note 7	(198 344)	(248 487)
Balance 30 June	1 459 831	1 278 012

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	11 715 178	12 051 066
Contribution for the year	1 733 284	1 711 581
Transfer of function - Water and Sanitation	-	(1 326 135)
Expenditure for the year	(467 643)	(439 257)
Actuarial Loss	(44 636)	(282 077)
Total employee benefits 30 June	12 936 183	11 715 178
Less: Transfer of Current Portion - Note 7	(573 853)	(579 915)
Balance 30 June	12 362 330	11 135 263

4.1 Post Retirement Benefits

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

	2014 R	2013 R
In-service (employee) members	65	71
In-service (employee) non-members	132	135
Continuation members (e.g. Retirees, widows, orphans)	13	13
Total Members	210	219

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

	2014 R	2013 R
In-service employees and	7 139 409	5 922 486
Continuation members	4 138 599	4 266 193
Total Liability	11 278 008	10 188 679

	2012 R	2011 R	2010 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
Total Liability	10 463 606	8 978 495	4 900 328

	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	(0.412)	(1.018)	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

	2015 R
The following are estimates for the 2014/2015 financial year:	
Future Service Cost	567 520
Interest Cost	1 003 541

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Key actuarial assumptions used:	2014	2013
	%	%
i) Rate of interest		
Discount rate	9.03%	8.86%
Health Care Cost Inflation Rate	8.24%	7.79%
Net Effective Discount Rate	0.74%	0.99%

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.

	2014	2013
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	11 278 008	10 188 679
Net liability	11 278 008	10 188 679

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	10 188 679	10 463 606
Transfer of function - Water and Sanitation	-	(1 056 218)
Total expenses	1 040 847	921 201
Current service cost	504 093	483 862
Interest Cost	888 166	814 862
Benefits Paid	(351 412)	(377 523)
Actuarial losses	48 482	(139 910)
Present value of fund obligation at the end of the year	11 278 008	10 188 679
Less: Transfer of Current Portion - Note 7	(375 509)	(331 428)
Balance 30 June	10 902 499	9 857 251

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		7.139	4.139		
Effect of changes in assumptions:					
Health care inflation	1%	8.678	4.513	13.191	17%
Health care inflation	-1%	5.922	3.809	9.731	-14%
Discount Rate	1%	5.939	3.814	9.753	-14%
Discount Rate	-1%	8.682	4.514	13.196	17%
Post-retirement mortality	-1 year	7.404	4.329	11.733	4%
Average retirement age	-1 year	7.737	4.139	11.875	5%
Continuation of membership at retirement	-10%	5.305	4.139	9.443	-16%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		504 100	888 200	1 392 300	
Effect of changes in assumptions:					
Health care inflation	1%	629 800	1 042 500	1 672 300	20%
Health care inflation	-1%	407 700	763 400	1 171 100	-16%
Post-retirement mortality	-1 year	521 800	923 100	1 444 900	4%
Average retirement age	-1 year	538 900	935 900	1 474 800	6%
Withdrawal Rate	-50%	591 800	936 700	1 528 500	10%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

The number of officials eligible for Long Service Bonuses

2014	2013
197	207

The following are estimates for the 2014/2015 financial year:

	2015 R
Future Service Cost	237 149
Interest Cost	120 859

Key actuarial assumptions used:

i) Rate of interest

	2014 %	2013 %
Discount rate	7.74%	6.96%
General Salary Inflation (long-term)	7.01%	6.69%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.68%	0.25%

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

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

	2014 R	2013 R
Present value of fund obligations	1 658 175	1 526 499
Net liability	1 658 175	1 526 499

The liability is not supported by any plan assets.

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

	2012 R	2011 R	2010 R
Total Liability	1 587 460	1 469 844	1 385 423

Experience adjustments were calculated as follows:

	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	85 739	(288 316)	(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

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 526 499	1 587 460
Transfer of function - Water and Sanitation	-	(269 917)
Total expenses	224 794	351 123
Current service cost	243 309	321 825
Interest Cost	97 716	91 032
Benefits Paid	(116 231)	(61 734)
Actuarial gains	(93 118)	(142 167)
Present value of fund obligation at the end of the year	1 658 175	1 526 499
Less: Transfer of Current Portion - Note 7	(198 344)	(248 487)
Balance 30 June	1 459 831	1 278 012

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.658	
Effect of changes in assumptions:			
General salary inflation	1%	1.748	5%
General salary inflation	-1%	1.576	-5%
Discount Rate	1%	1.571	-5%
Discount Rate	-1%	1.756	6%
Average retirement age	-2 yrs	1.604	-3%
Average retirement age	2 yrs	1.726	4%
Withdrawal rates	-50%	1.995	20%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		243 300	97 700	341 000	
Effect of changes in assumptions:					
General Salary Inflation	1%	260 300	103 400	363 700	7%
General Salary Inflation	-1%	228 000	92 500	320 500	-6%
Average retirement age	-2 years	235 600	94 700	330 300	-3%
Average retirement age	+2 years	251 900	102 900	354 800	4%
Withdrawal Rate	-50%	319 100	119 500	438 600	29%

4.3 Retirement funds

	2014 R	2013 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contributes 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	2 138 503	2 170 115
Cape Joint Retirement Fund	817 076	785 768
SAMWU National Provident Fund	1 367 748	1 557 683
Less: Amounts recovered from Joe Gqabi District Municipality	-	(463 053)
	4 323 327	4 050 512

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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NON-CURRENT PROVISIONS

	2014 R	2013 R
Provision for Rehabilitation of Landfill-sites	3 887 711	3 468 289
Total Non-current Provisions	3 887 711	3 468 289

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

Landfill Sites

Balance 1 July	3 468 289	3 084 091
Additions	262 447	229 993
Unwinding of discounted interest	156 976	154 205
Total provision 30 June	3 887 711	3 468 289
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	3 887 711	3 468 289

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 rate as determined by the municipality to illustrate the inflationary risks associated with the rehabilitation provision. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution and is also within the inflation target range of the South African Reserve Bank of between 3% to 6%. The following rate was used - 4.71% (2013 - 4.53%).

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. 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>Cost of rehabilitation</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
				<u>R</u>	<u>R</u>
Aliwal North	2023	95%	90%	2 541 980	2 299 907
Jamestown	2029	55%	50%	1 345 731	1 168 381
				<u>3 887 711</u>	<u>3 468 289</u>

6

CONSUMER DEPOSITS

Consumer Deposits	2 019 593	1 846 515
Total Consumer Deposits	2 019 593	1 846 515
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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Refer to note 4	375 509	331 428
Current Portion of Long-Service Bonuses - Refer to note 4	198 344	248 487
Staff Leave	4 871 237	4 713 747
Balance Previously Reported		5 056 248
Correction of error - Refer to note 38.03		(342 501)
Bonuses	798 565	841 033
Balance Previously Reported		-
Correction of error - Refer to note 38.03		841 033
Total Current Employee Benefits	6 243 656	6 134 696

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	4 713 747	4 322 074
Contribution to current portion	613 088	1 253 546
Transfer of function - Water and Sanitation	-	(622 090)
Expenditure incurred	(455 598)	(239 783)
Balance at end of year	4 871 237	4 713 747

Staff leave accrues 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.

Bonuses

Balance at beginning of year	841 033	742 389
Contribution to current portion	1 859 601	1 859 558
Expenditure incurred	(1 902 069)	(1 760 913)
Balance at end of year	798 565	841 033

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

8 PROVISIONS

Compensation for injuries on duty contribution	328 172	583 237
	328 172	583 237

The movement in current provisions are reconciled as follows:

Compensation for injuries on duty contribution

Balance at beginning of year	583 237	289 703
Contribution to current portion	437 209	293 534
Penalties incurred	34 209	-
Expenditure incurred	(726 483)	-
Balance at end of year	328 172	583 237

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 of the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	34 534 210	19 487 109
Balance Previously Reported		19 397 619
Correction of error - Refer to note 38.04		89 490
Retentions	2 872 009	2 777 885
Balance Previously Reported		2 665 498
Correction of error - Refer to note 38.04		112 388
Interest Accrued	67 697	75 683
Pre-paid electricity	854 370	847 525
Payments received in advance	742 034	552 240
Joe Gqabi District Municipality (Water and Sanitation)	11 437 109	4 634 390
Other Creditors	500 148	2 974 486
Balance Previously Reported		2 920 561
Correction of error - Refer to note 38.04		53 924
Sundry deposits	244 840	1 743 104
Balance Previously Reported		1 843 547
Correction of error - Refer to note 38.04		(100 442)
Total Trade Payables	51 252 417	33 092 423

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.

Due to cash flow constraints, a significant increase in payables is evident when compared to the prior year

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

Sundry deposits include hall, housing and unidentified deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	7 697 500	3 469 025
National Government Grants	4 290 225	61 749
Provincial Government Grants	3 407 276	3 407 276
Less: Unpaid Grants	3 030 721	944 927
National Government Grants	1 120 341	179 064
Provincial Government Grants	1 910 380	765 863
Total Conditional Grants and Receipts	4 666 779	2 524 098

Refer to appendix D and note 24 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 45.1

	2014 R	2013 R
11 TAXES		
11.1 VAT Payable		
VAT Payable (In suspense)	795 719	809 577
VAT Payable to SARS	44 307	-
	840 026	809 577
11.2 VAT Receivable		
VAT Receivable (In suspense)	3 014 220	1 317 781
VAT Receivable from SARS	-	251 701
	3 014 220	1 569 482
Net VAT Payable/(Receivable)	(2 174 194)	(759 905)

VAT is payable and receivable on the cash basis.

12 PROPERTY, PLANT AND EQUIPMENT

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

30 JUNE 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	30 042 296	-	-	-	30 042 296	525 187	117 053	-	642 240	29 400 055
Land	18 337 010	-	-	-	18 337 010	-	-	-	-	18 337 010
Buildings	11 705 286	-	-	-	11 705 286	525 187	117 053	-	642 240	11 063 045
Infrastructure	213 149 110	11 264 188	-	(662 347)	223 750 951	53 107 142	8 859 181	(506 866)	61 459 457	162 291 494
Roads and Stormwater	148 027 767	8 186 511	(218 221)	(564 817)	155 431 241	43 563 628	6 527 985	(495 422)	49 596 190	105 835 051
Electricity	63 020 358	2 082 862	218 221	(97 531)	65 223 909	9 517 813	2 325 638	(11 444)	11 832 007	53 391 902
Other	2 100 986	994 815	-	-	3 095 800	25 702	5 558	-	31 260	3 064 540
Community Assets	7 842 083	-	-	-	7 842 083	290 931	313 683	-	604 614	7 237 469
Recreation Grounds and Facilities	5 465 757	-	-	-	5 465 757	90 550	218 630	-	309 181	5 156 576
Cemetery	2 376 326	-	-	-	2 376 326	200 381	95 053	-	295 434	2 080 893
Lease Assets	2 250 062	104 431	-	-	2 354 493	902 756	470 176	-	1 372 932	981 561
Office Equipment	2 250 062	104 431	-	-	2 354 493	902 756	470 176	-	1 372 932	981 561
Other Assets	17 718 481	385 041	-	(2 479 061)	15 624 462	7 622 418	1 713 960	(1 936 398)	7 399 980	8 224 482
Office Equipment and tools	5 881 883	385 041	-	(1 054 683)	5 212 241	3 238 124	759 022	(961 615)	3 035 531	2 176 711
Motor vehicles and implements	11 836 598	-	-	(1 424 378)	10 412 220	4 384 294	954 938	(974 783)	4 364 449	6 047 771
	271 002 032	11 753 660	-	(3 141 408)	279 614 284	62 448 434	11 474 053	(2 443 264)	71 479 223	208 135 060

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	30 042 296	-	-	-	30 042 296	408 134	117 053	-	525 187	29 517 108
Land	18 337 010	-	-	-	18 337 010	-	-	-	-	18 337 010
Buildings	11 705 286	-	-	-	11 705 286	408 134	117 053	-	525 187	11 180 098
Infrastructure	200 424 886	13 194 641	-	(470 417)	213 149 110	41 881 483	11 557 418	(331 758)	53 107 142	160 041 968
Roads and Stormwater	137 127 777	11 370 407	-	(470 417)	148 027 767	34 669 034	9 226 352	(331 758)	43 563 628	104 464 140
Electricity	63 020 358	-	-	-	63 020 358	7 192 305	2 325 508	-	9 517 813	53 502 545
Other	276 752	1 824 234	-	-	2 100 986	20 144	5 558	-	25 702	2 075 284
Community Assets	6 050 862	1 791 221	-	-	7 842 083	115 740	175 191	-	290 931	7 551 152
Recreation Grounds	3 674 536	1 791 221	-	-	5 465 757	10 413	80 138	-	90 550	5 375 206
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
Other Assets	15 487 180	2 634 190	-	(402 889)	17 718 481	5 855 216	1 985 681	(218 479)	7 622 418	10 096 063
Office Equipment and tools	5 826 143	378 323	-	(322 583)	5 881 883	2 495 197	954 956	(212 029)	3 238 124	2 643 759
Motor vehicles and implements	9 661 038	2 255 867	-	(80 306)	11 836 598	3 360 019	1 030 725	(6 450)	4 384 294	7 452 304
	256 311 285	17 620 052	-	(2 929 306)	271 002 032	50 631 805	14 422 866	(2 606 237)	62 448 434	208 553 597
Balance previously reported	258 431 049	17 620 052	-	(2 929 306)	273 121 796	50 707 565	14 531 946	(2 606 237)	62 633 274	210 488 522
Prior Period Adjustment - Refer to note 38.01	(2 119 764)	-	-	-	(2 119 764)	(75 760)	(109 080)	-	(184 840)	(1 934 924)
	256 311 285	17 620 052	-	(2 929 306)	271 002 032	50 631 805	14 422 866	(2 606 237)	62 448 434	208 553 597

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.

	2014 R	2013 R
Infrastructure - Roads and Stormwater	6 309 767	10 729 065
Infrastructure - Electricity	1 784 112	-
Infrastructure - Other	2 984 642	1 989 827
	11 078 521	12 718 892

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 note 2 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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
12.2 PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COSTS		
Net Carrying amount at 1 July	-	-
Acquisitions	262 447	229 993
Impairments	(262 447)	(229 993)
Net Carrying amount at 30 June	-	-
Cost	2 266 058	2 003 612
Accumulated Impairments	(2 266 058)	(2 003 612)

Landfill-sites financed by way of a provision - Refer to note 5 for further disclosures.

	50 225 071	50 475 851
13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	50 225 071	50 475 851
Cost	51 478 969	51 478 969
Balance Previously reported		45 096 674
Correction of error - Refer to note 38.02		6 382 295
Accumulated Depreciation	(1 253 898)	(1 003 118)
Balance Previously reported		(795 530)
Correction of error - Refer to note 38.02		(207 588)
Depreciation for the year	(293 807)	(250 780)
Balance Previously reported		(198 882)
Correction of error - Refer to note 38.02		(51 897)
Net Carrying amount at 30 June	49 931 264	50 225 071
Cost	51 478 969	51 478 969
Accumulated Depreciation	(1 547 705)	(1 253 898)

Included in Investment property balance at year end, are the following work in progress balances:

Upgrading of Aliwal Spa	-	4 302 769
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The upgrading of the Aliwal Spa was completed in the current year.

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.

	351 120	437 527
14 INTANGIBLE ASSETS		
Net Carrying amount at 1 July	351 120	437 527
Cost	1 430 592	1 407 658
Accumulated Amortisation	(1 079 472)	(970 131)
Acquisitions	64 458	22 935
Amortisation	(112 192)	(109 341)
Net Carrying amount at 30 June	303 386	351 120
Cost	1 495 050	1 430 592
Accumulated Amortisation	(1 191 664)	(1 079 472)

15 HERITAGE ASSETS		
Net Carrying amount at 30 June	-	-
Cost	-	-
Accumulated Impairment	-	-

Heritage assets are currently measured at R 0. The municipality opted to make use of the Transitional Provision disclosed in note 56

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

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

There are no Heritage Assets pledged as security for liabilities

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

16	NON-CURRENT INVESTMENTS	2014 R	2013 R
	Fixed Deposits	740 904	702 902
	Total Non-Current Investments	740 904	702 902
	Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.38 % to 5.50 % per annum. (2013 - 5.40% to 5.64%)		
	Fixed deposits consist out of the following accounts		
	ABSA Fixed Deposit - Account number 20-6626-7402	711 314	674 681
	ABSA Fixed Deposit - Account number 20-4791-9733	29 590	28 221
		740 904	702 902
	Included in Non-Current investments are balances ring-fenced for the following specific purposes:		
	Security for DBSA loan - Refer note 3	711 314	674 681
		711 314	674 681

17	BIOLOGICAL ASSETS	Quantity (Units)	Fair Value R	2014 R	2013 R
	Springbuck	286	450	128 700	98 000
	Blesbuck	84	800	67 200	69 300
	Black Wildebeest	38	1 900	72 200	64 000
	Gems buck	28	4 000	112 000	96 000
	Red Hartebeest	36	2 250	81 000	96 000
	Eland	32	6 100	195 200	110 000
	Zebra	23	5 000	115 000	120 000
	Ostrich	26	526	13 676	21 500
	Buffalo	17	65 294	1 110 000	809 000
				1 894 976	1 483 800
	Balance previously reported				1 299 800
	Correction of error - Refer to note 38.06				184 000
					1 483 800
	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			1 483 800	1 368 700
	Decrease in fair value due to disposals			(286 125)	(57 400)
	Fair value adjustments - Physical changes and death			340 688	278 514
	Fair value adjustments - Price adjustments			356 614	(106 014)
	Closing Fair Value			1 894 976	1 483 800

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 of 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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
18 INVENTORY		
Consumable Stores - Tar Premix	76 570	-
Consumable Stores - Electrical Stock	678 954	930 695
	755 524	930 695
Inventory recognised as an expense during the year	777 976	454 246
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Electricity	7 962 873	6 480 289
Balance Previously reported		6 470 303
Correction of error - Refer to note 38.05		9 986
Refuse	2 621 489	1 680 462
Balance Previously reported		1 680 120
Correction of error - Refer to note 38.05		342
Other Arrears	1 093 569	724 581
Balance Previously reported		718 993
Correction of error - Refer to note 38.05		5 587
Total Service Receivables	11 677 931	8 885 331
Less: Allowance for Doubtful Debts	(3 221 460)	(2 333 534)
Total Receivables from exchange transactions	8 456 471	6 551 798
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	5 791 019	5 501 592
31 - 60 Days	747 936	274 632
61 - 90 Days	438 718	216 406
+ 90 Days	985 200	487 659
Total	7 962 873	6 480 289
(Refuse): Ageing		
Current (0 - 30 days)	354 688	258 249
31 - 60 Days	181 612	76 766
61 - 90 Days	149 208	46 692
+ 90 Days	1 935 980	1 298 755
Total	2 621 489	1 680 462
(Other arrears): Ageing		
Current (0 - 30 days)	184 582	177 644
31 - 60 Days	67 729	60 667
61 - 90 Days	133 017	24 685
+ 90 Days	708 241	461 585
Total	1 093 569	724 581
(Total): Ageing		
Current (0 - 30 days)	6 330 289	5 937 485
31 - 60 Days	997 277	412 064
61 - 90 Days	720 943	287 783
+ 90 Days	3 629 422	2 247 999
Total	11 677 931	8 885 331
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	2 333 534	6 763 658
Contribution to provision	3 198 760	1 171 236
Transfer of function - Water and Sanitation	-	(3 398 318)
Bad Debts Written Off	(2 310 833)	(2 203 042)
Balance at end of year	3 221 460	2 333 534

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	1 044 692	655 634
Refuse	1 587 920	1 232 705
Other	588 849	445 194
	<u>3 221 460</u>	<u>2 333 534</u>

Refer to note 48 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.

20

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Rates	2 757 339	1 966 962
Balance Previously reported		1 998 931
Correction of error - Refer to note 38.07		(31 969)

Other Receivables

	1 051 453	1 045 540
Accrued Interest	33 249	24 748
Staff	362 508	257 007
Deposits	146 403	109 275
Government	192 475	217 031
Other Debtors	316 819	437 479
Balance Previously reported		568 146
Correction of error - Refer to note 38.07		(130 667)

Total Service Receivables

	3 808 792	3 012 502
Less: Allowance for Doubtful Debts	(1 372 164)	(1 104 895)

Total Net Receivables from Non-Exchange Transactions

	<u>2 436 628</u>	<u>1 907 606</u>
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Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	794 346	616 120
31 - 60 Days	190 775	173 093
61 - 90 Days	138 556	46 442
+ 90 Days	1 633 662	1 131 307
Total	<u>2 757 339</u>	<u>1 966 962</u>

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1 104 895	1 693 755
Contribution to provision	1 180 515	897 732
Bad Debts Written Off	(913 246)	(1 486 592)
Balance at end of year	<u>1 372 164</u>	<u>1 104 895</u>

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

Rates	1 372 164	1 104 895
	<u>1 372 164</u>	<u>1 104 895</u>

Refer to note 48 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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
21	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor		
	Balance on 1 July	-	-
	Movement during the year	-	-
	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 2013 and 30 June 2014. The lease agreement for rented flats has a clause indicating that rent will be increased annually on 01 July.		
	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	273 406	199 540
	1 to 5 Years	109 633	152 730
	More than 5 Years	8 142	9 180
	Total Operating Lease Arrangements	391 181	361 450
22	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	8 082 369	571 659
	Primary Bank Account	809 309	536 782
	Cash Floats	3 802	5 552
	Total Cash and Cash Equivalents - Assets	8 895 481	1 113 993
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	Call Investments Deposits to an amount of R 937 168 (2013 - R 494 937) is held to ensure sufficient cash resources are available when capital and interest payments on the DBSA loan becomes payable. Refer note 3		
	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	446 323	954 113
	Cash book balance at end of year	716 605	446 323
	Bank statement balance at beginning of year	537 082	1 289 690
	Bank statement balance at end of year	516 785	537 082
	First National Bank - Aliwal North Branch - Account Number 6247 6326 965 (Primary Account)		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	2 770	-
	Bank statement balance at beginning of year	-	-
	Bank statement balance at end of year	2 770	-
	ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352		
	Cash book balance at beginning of year	11 220	12 110
	Cash book balance at end of year	10 327	11 220
	Bank statement balance at beginning of year	11 220	12 110
	Bank statement balance at end of year	10 327	11 220

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125		
Cash book balance at beginning of year	76 745	74 140
Cash book balance at end of year	77 923	76 745
Bank statement balance at beginning of year	76 745	74 140
Bank statement balance at end of year	77 923	76 745

ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037		
Cash book balance at beginning of year	2 494	3 306
Cash book balance at end of year	1 683	2 494
Bank statement balance at beginning of year	2 494	3 306
Bank statement balance at end of year	1 683	2 494

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Institution	Account Nr	Type	2014 R	2013 R
ABSA	92-7883-5880	32 Days Notice	7 145 202	76 722
ABSA	92-7435-2868	Call Account	937 168	494 937
			8 082 369	571 659

23

PROPERTY RATES

Actual

Rateable Land and Buildings	15 149 622	13 488 265
Residential, Commercial Property, State	15 149 622	13 488 265
Less: Rebates	(3 694 446)	(3 933 198)
Total Assessment Rates	11 455 176	9 555 067

Valuations

Rateable Land and Buildings		
Aliwal Residential	1 170 581 400	1 159 962 700
Sectional Title	27 902 000	28 277 000
Jamestown	39 074 400	39 162 900
Dukathole	252 209 500	250 095 000
Aliwal Agricultural	528 984 870	528 987 370
Dordrecht Agricultural	373 703 500	373 701 000
Total Assessment Rates	2 392 455 670	2 380 185 970

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 a 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	0.8482c/R	0.7711c/R
Commercial/Business and Industrial Properties	1.0761c/R	0.9251c/R
Public Service Infrastructure properties	0.2541c/R	0.2310c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.2117c/R	0.1925c/R
Agricultural Properties used for Commercial/Industrial purposes	0.4247c/R	0.3861c/R
Agricultural Properties used for Hunting/Trading of Game	0.4247c/R	0.3861c/R
State Owned properties	0.8482c/R	0.7711c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	1.6964c/R	1.5422c/R
Vacant Properties	1.6964c/R	1.5422c/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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
24 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	24 074 000	22 944 000
Equitable Share	24 074 000	22 944 000
Conditional Grants	17 627 075	23 632 811
Grants and Donations	17 627 075	23 632 811
Total Government Grants and Subsidies	41 701 075	46 576 811
Government Grants and Subsidies - Capital	11 119 115	15 677 662
Government Grants and Subsidies - Operating	30 581 960	30 899 149
	41 701 075	46 576 811
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	24 074 000	22 944 000
Executive & Council	119 000	132 032
Planning and Development	10 000	1 979 899
Budget and Treasury	4 076 741	4 458 837
Road Transport	9 912 811	14 090 956
Sport and Recreation	-	1 148 228
Community and Social Services	704 000	708 767
Housing	-	31 458
Electricity	1 809 708	1 082 634
	41 701 075	46 576 811

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

24.01 Equitable share

Opening balance	-	-
Grants received	24 074 000	22 944 000
Conditions met - Operating	(24 074 000)	(22 944 000)
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.

24.02 Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1 650 000	1 500 000
Conditions met - Operating	(1 631 790)	(1 500 000)
Conditions met - Capital	(18 210)	-
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).

24.03 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	890 000	800 000
Conditions met - Operating	(780 129)	(721 743)
Conditions met - Capital	(109 871)	(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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
24.04 Municipal Infrastructure Grant (MIG)		
Opening balance	(179 064)	(63 640)
Grants received	14 526 000	15 300 000
Conditions met - Operating	(1 870 200)	(2 545 239)
Conditions met - Capital	(8 186 511)	(12 870 184)
Grant expenditure to be recovered	<u>4 290 225</u>	<u>(179 064)</u>

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

24.05 Housing Grants		
Opening balance	2 222 471	2 253 929
Conditions met - Operating	-	(31 458)
Conditions still to be met	<u>2 222 471</u>	<u>2 222 471</u>

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

24.06 Integrated National Electrification Grant		
Opening balance	61 749	1 144 384
Grants received	2 000 000	-
Paid Back to National Treasury	(1 144 000)	-
Conditions met - Operating	(228 382)	-
Conditions met - Capital	(1 809 708)	(1 082 634)
Conditions still to be met	<u>(1 120 341)</u>	<u>61 749</u>

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

24.07 Expanded Public Works Program (EPWP)		
Opening balance	-	604 000
Grants received	1 000 000	1 000 000
Conditions met - Operating	(1 000 000)	(1 604 000)
Conditions still to be met	<u>-</u>	<u>-</u>

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

24.08 Department of Environmental Affairs and Tourism (DEAT)		
Opening balance	(514 424)	1 636 697
Conditions met - Operating	(149 702)	(504 534)
Conditions met - Capital	(994 815)	(1 646 587)
Conditions still to be met/(Grant expenditure to be recovered)	<u>(1 658 941)</u>	<u>(514 424)</u>

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

24.09 Other Grants		
Opening balance	933 363	942 103
Grants received	847 756	1 039 434
Conditions met - Operating	(847 756)	(1 048 174)
Conditions met - Capital	-	-
Conditions still to be met	<u>933 363</u>	<u>933 363</u>

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.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
24.10 Total Grants		
Opening balance	2 524 098	6 517 475
Grants received	44 987 756	42 583 434
Paid Back to National Treasury	(1 144 000)	-
Conditions met - Operating	(30 581 960)	(30 899 149)
Conditions met - Capital	(11 119 115)	(15 677 662)
Conditions still to be met	4 666 779	2 524 098
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	7 697 500	3 469 025
Unpaid Conditional Government Grants and Receipts	(3 030 721)	(944 927)
	4 666 779	2 524 098
25 SERVICE CHARGES		
Electricity	56 965 459	52 831 802
Refuse Removal	8 490 759	6 743 542
	65 456 217	59 575 344
Less: Rebates	(9 634 809)	(9 953 665)
Total Service Charges	55 821 408	49 621 679
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.		
26 OTHER INCOME		
Admission Fees	164 282	139 137
Sundry Income	641 314	964 724
Lease payments recovered	-	630 381
Building Plan & Inspection Fees	103 987	83 156
Sale of Game	245 656	58 164
Electricity Re-Connection Fees	806 832	760 968
Cemetery Fees	173 863	123 877
Pound Fees	4 014	-
Joe Gqabi Municipality Debt Waiver	4 634 390	-
Total Other Income	6 774 339	2 760 406
<u>Disclosed as:</u>		
Revenue from Non-exchange Transactions	4 634 390	-
Revenue from Exchange Transactions	2 139 949	2 760 406
	6 774 339	2 760 406
27 FAIR VALUE ADJUSTMENTS		
Fair value changes in biological assets - Refer to note 17	411 176	115 100
	411 176	115 100
28 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	26 437 857	24 963 874
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 906 163	5 704 721
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 494 820	3 233 113
Housing Benefits and Allowances	63 470	63 570
Overtime Payments	490 235	669 871
Bonuses	1 859 601	1 859 558
Performance Bonuses	-	366 395
Provision for leave	613 088	1 253 546
Contribution for training	387 372	375 310
Industrial Council Levy	16 605	15 625
Provision for compensation for injuries on duty	437 209	293 534
Long Service Awards	243 309	321 825
Post Retirement Medical	504 093	483 862
Total Employee Related Costs	40 453 823	39 604 803

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
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			
<i>Remuneration of the Municipal Manager - MP Nonjola</i>			
Annual Remuneration	1 052 563	985 498	
Performance bonus	-	112 424	
Other Allowance	36 000	36 000	
Total	1 088 563	1 133 922	
<i>Remuneration of the Manager - Technical Services - TE Molefe</i>			
Annual Remuneration	820 378	772 886	
Performance bonus	-	81 838	
Other Allowance	10 800	10 800	
Total	831 178	865 524	
<i>Remuneration of the Manager - Community and Social Services - NBB Mokhantso</i>			
Annual Remuneration	711 792	667 816	
Performance bonus	-	66 970	
Other Allowance	10 800	10 800	
Total	722 592	745 586	
<i>Remuneration of the Manager - Corporate and Support Services - TE Wonga</i>			
Annual Remuneration	-	190 896	
Leave Encashment	-	79 132	
Performance bonus	-	45 643	
Other Allowance	-	2 700	
Total	-	318 371	
<i>Remuneration of the Manager - Corporate and Support Services - ZE Pungwani</i>			
Annual Remuneration	753 288	456 000	
Other Allowance	10 800	7 200	
Total	764 088	463 200	
<i>Remuneration of the Manager - Financial Services - T Maseko</i>			
Annual Remuneration	820 378	772 886	
Acting Allowance	-	20 470	
Other Allowance	10 800	10 800	
Total	831 178	804 156	
29	REMUNERATION OF COUNCILLORS		
Councillors	2 664 611	2 299 613	
Travelling allowance	311 095	305 881	
Telephone allowance	293 616	183 765	
Total Councillors' Remuneration	3 269 323	2 789 258	
Remuneration per Councillor			
Clr N S Mathetha	Mayor	659 151	484 399
Clr ZE Pungwani	Mayor (Up to October 2012))	-	209 311
Clr E S Mbana	PR Councillor	264 325	197 334
Clr G D Fourie	PR Councillor	214 873	197 334
Clr H du Preez	PR Councillor	264 325	197 334
Clr M Jan	PR Councillor	214 873	197 334
Clr MB Mtshingana	PR Councillor	214 873	121 245
Clr KS Lange	Ward 1 Councillor	214 873	197 334
Clr MW Mokhoabane	Ward 2 Councillor	264 325	197 334
Clr ZE Betana	Ward 3 Councillor	263 633	198 297
Clr P Williams	Ward 4 Councillor	214 873	197 334
Clr M Mfumisa	Ward 5 Councillor	264 325	197 334
Clr M Tsolanku	Ward 6 Councillor	214 873	197 334
		3 269 323	2 789 258

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
30 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 19	3 198 760	1 171 236
Other Receivables from non-exchange transactions - Note 20	1 180 515	897 732
Total Contribution to Impairment Provision	4 379 275	2 068 968
VAT included in contribution for the year	(99 414)	179 699
Debt impairment recognised in statement of financial performance	4 279 860	2 248 667
31 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	11 474 053	14 422 866
Investment Property	293 807	250 780
Intangible Assets	112 192	109 341
	11 880 052	14 782 987
32 IMPAIRMENTS		
Landfill Sites	262 447	229 993
	262 447	229 993
33 REPAIRS AND MAINTENANCE		
Land and Buildings	339 609	777 799
Tools and equipment	87 241	81 118
Furniture and office equipment	116 202	124 578
Vehicles and Implements	860 845	843 835
Water Reticulation	6 800	5 500
Streets and stormwater	1 781 791	2 025 794
Landfill Site	127 883	104 983
Electricity Reticulation	708 098	390 431
Fencing	4 607	16 204
Street Lights	69 878	64 104
Other	15 743	30 020
	4 118 696	4 464 367
34 FINANCE CHARGES		
DBSA loan	202 743	212 358
Unamortised Discount - Interest (DBSA Loan)	133 790	132 038
Hire Purchases	308 149	236 862
Finance leases	238 114	303 338
Overdraft Facilities	-	20
Post Retirement Medical	888 166	814 862
Long Service Awards	97 716	91 032
Interest on Creditors	2 737 432	1 393 778
Landfill Sites	156 976	154 205
Total finance charges	4 763 086	3 338 493
35 BULK PURCHASES		
Electricity	45 015 920	42 107 330
Total Bulk Purchases	45 015 920	42 107 330
36 OTHER OPERATING GRANT EXPENDITURE		
Expanded Public Works Program	1 000 000	-
Waste Recycling Project	-	63 702
Financial and Systems Management	1 896 823	2 514 774
Valuation Costs	1 168 912	84 063
	4 065 735	2 662 539

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

37	GENERAL EXPENSES	2014 R	2013 R
	Advertisements	208 404	157 225
	Audit Fees	3 461 621	2 809 664
	Bank Charges and other related costs	615 671	539 683
	Books, Publications and magazines	46 211	61 426
	Cleaning Materials and Chemicals	100 485	136 353
	Commission Prepaid Vendors	981 757	887 221
	Electricity (Eskom)	229 786	228 083
	Insurance	689 635	791 097
	Integrated development planning	43 210	66 292
	Legal Costs	149 006	979 111
	License Fees	1 105 192	962 118
	Local Government Activities	109 122	320 182
	Membership Fees	461 913	423 388
	Postage	134 266	167 196
	Printing and Stationary	391 886	511 876
	Professional Services	221 011	440 235
	Projects from own funds	1 077 877	1 748 665
	Protective Clothing	179 993	62 925
	Security Services	999 113	795 522
	Subsistence and Travelling	1 495 220	1 237 254
	Telephone Charges	865 339	909 146
	Training	1 117 345	1 199 736
	Transport Costs	86 060	20 300
	Vehicle: Fuel & Oil	1 400 251	1 185 921
	Water Purchases	579 916	412 880
	Other	432 607	444 943
	General Expenses	17 182 899	17 498 440

2013
R

38 **PRIOR PERIOD ERRORS IN TERMS OF GRAP 3**

38.01 **Property Plant and Equipment (Excluding Capitalised Restoration Costs)**

Balance previously reported	210 488 522
First time recognition of assets previously not recognised - Refer to note 38.08	2 661 502
Effect on Vehicles and Implements	508 882
Effect on Office Equipment and Tools	323 503
Effect on Infrastructure Roads and Stormwater	1 829 117
Recognise depreciation up to 30 June 2012 on First Time Recognitions - Refer to 38.08	(582 114)
Effect on Vehicles and Implements	(203 946)
Effect on Office Equipment and Tools	(125 703)
Effect on Infrastructure Roads and Stormwater	(252 465)
Recognise depreciation for 2012/2013 on First Time Recognitions - Refer to 39	(145 485)
Effect on Vehicles and Implements	(50 987)
Effect on Office Equipment and Tools	(31 426)
Effect on Infrastructure Roads and Stormwater	(63 073)
During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation up to 30 June 2013 is also disclosed.	
Recognise retentions previously not recognised on 30 June 2012 - Refer to note 38.04	112 388
The municipality identified that the retention outstanding to Ikageng Electrical were not fully provided for on 30 June 2012.	
Remove infrastructure assets incorrectly included in fixed asset register - Refer to note 38.08	(1 840 653)
Effect on Infrastructure Electricity	(1 802 247)
Effect on Infrastructure Roads and Stormwater	(38 406)
The municipality identified various duplications as well as assets incorrectly not disposed off now removed from Asset register.	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013
	R
Correction of depreciation up to 30 June 2012 on Infrastructure Assets - Refer to 38.08	496 761
Effect on Infrastructure Electricity	491 764
Effect on Infrastructure Roads and Stormwater	4 997
Correction of depreciation up to 30 June 2013 on Infrastructure Assets - Refer to 39	214 287
Effect on Infrastructure Electricity	212 849
Effect on Infrastructure Roads and Stormwater	1 438
During the review of assets the municipality identified certain infrastructure assets that were incorrectly stated and included in the asset register (including the correction of retentions). These assets were corrected and the effect on depreciation is disclosed above.	
Correction of land and buildings previously recognised on 30 June 2008	(2 851 610)
Effect on cost (Land) - Refer to note 38.08	974 808
Effect on cost (Buildings) - Refer to note 38.08	(4 027 808)
Effect on accumulated depreciation up to 30 June 2012 - Refer to note 38.08	161 112
Effect on depreciation during 2012/2013 - Refer to note 39	40 278
During the review of land and buildings, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.	
	208 553 597
38.02 Investment Property	
Balance previously reported	44 102 262
Correction of investment properties previously recognised on 30 June 2008	6 122 809
Effect on cost - Refer to note 38.08	6 382 295
Effect on accumulated depreciation up to 30 June 2012 - Refer to note 38.08	(207 588)
Effect on depreciation during 2012/2013 - Refer to note 39	(51 897)
During the review of investment property, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.	
	50 225 071
38.03 Current Employee Benefits	
Balance previously reported	5 636 163
Recognise staff bonuses previously not accounted for at year-end	841 033
Effect up to 30 June 2012 - Refer to note 38.08	742 389
Effect up to 30 June 2013 - Refer to note 39	98 645
During the review of employee benefits, the municipality identified that no provision for staff bonuses accruing up to year-end was provided for.	
Correction of the contribution to leave during 2012/2013 - Refer to note 39	(342 501)
The municipality corrected a calculation error on staff leave in the current year. The correction affected only the contribution to the provision during 2012/2013.	
	6 134 696
38.04 Payables from Exchange Transactions	
Balance previously reported	32 937 063
Recognise retentions previously not recognised on 30 June 2012 - Refer to note 38.01	112 388
The municipality identified that the retention outstanding to Ikageng Electrical were not fully provided for on 30 June 2012.	
Correction of payables incorrectly accounted for on 30 June 2013	89 490
Effect up to 30 June 2012 - Refer to note 38.08	15 668
Effect up to 30 June 2013 - Refer to note 39	73 823
The municipality identified various entries incorrectly not accrued for on 30 June 2013. These corrections were subsequently corrected retrospectively.	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013 R
Correction of cash suspense account on 30 June 2013 - Refer to note 39	53 924
During the year, the municipality identified a duplicated journal incorrectly passed in 2013.	
Correction of sundry deposits on 30 June 2013 - Refer to note 38.08	(100 442)
During the year, the municipality identified deposits incorrectly not recognised as revenue in the year of receipt.	
	<u><u>33 092 423</u></u>
38.05 Receivables from Exchange Transactions	
Balance previously reported	6 535 883
Correction of Receivables incorrectly levied during 2012/2013 - Refer to note 39	15 915
Effect on Electricity	9 986
Effect on Refuse	342
Effect on Other	5 587
The municipality identified various transactions incorrectly levied on consumer accounts. These corrections were subsequently corrected retrospectively.	
	<u><u>6 551 798</u></u>
38.06 Biological Assets	
Balance previously reported	1 299 800
Correction of unsupported values used for buffalo - Refer to note 39	184 000
The municipality obtained values from an wildlife auctioneer in the current year to support values allocated to buffalo. These values were previously not supported by an external confirmation.	
	<u><u>1 483 800</u></u>
38.07 Receivables from Non-Exchange Transactions	
Balance previously reported	2 070 243
Correction of Receivables incorrectly levied during 2012/2013 - Refer to note 39	(31 969)
Effect on Rates	(31 969)
The municipality identified various transactions incorrectly levied on consumer accounts. These corrections were subsequently corrected retrospectively.	
Write off Suspense account on 30 June 2012 - Refer to note 38.08	(130 667)
The municipality wrote off suspense accounts incorrectly carried forward for a number of years. As these balances do not represent a valid receivable at year end, the municipality opted to write off the balance.	
	<u><u>1 907 606</u></u>
38.08 Accumulated Surplus	
Balance previously reported	
First time recognition of assets previously not recognised - Refer to note 38.01	2 661 502
Recognise depreciation up to 30 June 2012 on First Time Recognitions - Refer to 38.01	(582 114)
During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation up to 30 June 2012 is also disclosed.	
Recognise staff bonuses previously not accounted for at year-end - Refer to note 38.03	(742 389)
During the review of employee benefits, the municipality identified that no provision for staff bonuses accruing up to year-end was provided for.	
Correction of depreciation up to 30 June 2012 on Infrastructure Assets - Refer to 38.01	496 761
During the review of assets the municipality identified certain infrastructure assets that were incorrectly stated and included in the asset register (including the correction of retentions). These assets were corrected and the effect on depreciation is disclosed above.	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013
	R
Remove infrastructure assets incorrectly included in fixed asset register - Refer to note 38.01	(1 840 653)
The municipality identified various duplications as well as assets incorrectly not disposed off now removed from Asset register.	
Correction of investment properties previously recognised on 30 June 2008	6 174 706
Effect on cost - Refer to note 38.02	6 382 295
Effect on accumulated depreciation up to 30 June 2012 - Refer to note 38.02	(207 588)
During the review of investment property, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.	
Correction of land and buildings previously recognised on 30 June 2008	(2 891 888)
Effect on cost (Land) - Refer to note 38.01	974 808
Effect on cost (Buildings) - Refer to note 38.01	(4 027 808)
Effect on accumulated depreciation up to 30 June 2012 - Refer to note 38.01	161 112
During the review of land and buildings, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.	
Correction of payables incorrectly accounted for on 30 June 2012 - Refer to note 38.04	(15 668)
The municipality identified various entries incorrectly not accrued for on 30 June 2013. These corrections were subsequently corrected retrospectively.	
Correction of sundry deposits on 30 June 2013 - Refer to note 38.04	100 442
During the year, the municipality identified deposits incorrectly not recognised as revenue in the year of receipt.	
Write off Suspense account on 30 June 2012 - Refer to note 38.07	(130 667)
The municipality wrote off suspense accounts incorrectly carried forward for a number of years. As these balances do not represent a valid receivable at year end, the municipality opted to write off the balance.	
	3 230 034

39

RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR

Balance previously reported	(15 532 739)
Recognise depreciation for 2012/2013 on First Time Recognitions - Refer to 38.01	(145 485)
During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation during 2012/2013 is disclosed.	
Recognise staff bonuses previously not accounted for at year-end - Refer to note 38.03	(98 645)
During the review of employee benefits, the municipality identified that no provision for staff bonuses accruing up to year-end was provided for.	
Correction of the contribution to leave during 2012/2013 - Refer to note 38.03	342 501
The municipality corrected a calculation error on staff leave in the current year. The correction affected only the contribution to the provision during 2012/2013.	
Correction of depreciation up to 30 June 2013 on Infrastructure Assets - Refer to 38.01	214 287
During the review of assets the municipality identified certain infrastructure assets that were incorrectly stated and included in the asset register (including the correction of retentions). These assets were corrected and the effect on depreciation is disclosed above.	
Correction of investment properties previously recognised on 30 June 2008	(51 897)
Effect on depreciation during 2012/2013 - Refer to note 38.02	(51 897)
During the review of investment property, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.	

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013 R
Correction of land and buildings previously recognised on 30 June 2008	40 278
Effect on depreciation during 2012/2013 - Refer to note 38.01	40 278
<p>During the review of land and buildings, the municipality identified properties incorrectly included, properties incorrectly excluded as well as properties stated at incorrect values. These errors were corrected including the effect on depreciation.</p>	
Correction of Receivables incorrectly levied during 2012/2013 - Refer to note 38.05 and 38.07	(16 054)
Effect on Property Taxes	(29 316)
Effect on Fines	1 956
Effect on Service Charges	10 856
Effect on Interest Earned - outstanding debtors	(2 659)
Effect on Other Income	3 109
<p>The municipality identified various transactions incorrectly levied on consumer accounts. These corrections were subsequently corrected retrospectively.</p>	
Correction of payables incorrectly accounted for on 30 June 2012 - Refer to note 38.04	(73 823)
Effect on Employee related costs	(1 512)
Effect on Repairs and Maintenance	(19 222)
Effect on Finance Charges	(154)
Effect on General Expenses	(52 934)
<p>The municipality identified various entries incorrectly not accrued for on 30 June 2013. These corrections were subsequently corrected retrospectively.</p>	
Correction of cash suspense account on 30 June 2013	(53 924)
Effect on Property Taxes	6 701
Effect on Fines	(7)
Effect on Service Charges	(41 873)
Effect on Rental of Facilities and Equipment	(2 192)
Effect on Licences and Permits	(5 787)
Effect on Agency Services	(2 955)
Effect on Other Income	(7 811)
<p>During the year, the municipality identified a duplicated journal incorrectly passed in 2013.</p>	
Correction of unsupported values used for buffalo - Refer to note 38.06	184 000
Effect on Fair Value Adjustments (Expense)	68 900
Effect on Fair Value Adjustments (Income)	115 100
<p>The municipality obtained values from an wildlife auctioneer in the current year to support values allocated to buffalo. These values were previously not supported by an external confirmation.</p>	
	(15 191 502)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year from continued operations	(9 517 422)	(11 691 234)
Adjustments for:		
Depreciation and Amortisation	11 880 052	14 782 987
Gain on disposal of property, plant and equipment	(170 352)	(29 001)
Loss on disposal of property, plant and equipment	607 510	323 069
Impairments	262 447	229 993
Contribution to employee benefits - non-current	1 733 284	1 711 581
Expenditure incurred - Employee Benefits	(467 643)	(439 257)
Actuarial losses	48 482	-
Actuarial gains	(93 118)	(282 077)
Contribution to - Current Employee Benefits	2 472 689	3 113 104
Contribution to employee benefits – current - expenditure incurred	(2 357 667)	(2 000 696)
Contribution to - Current Provisions	471 419	293 534
Contribution to Current Provisions - expenditure incurred	(726 483)	-
Contribution to provisions – non current	156 976	154 205
Bad debts	(3 224 079)	(3 689 634)
Contribution to provisions – bad debt	4 279 860	2 248 667
Fair Value Adjustments	(411 176)	(115 100)
Unamortised discount - Interest - Expenditure	133 790	132 038
Grants received	44 987 756	42 583 434
Grant expenditure incurred	(41 701 075)	(46 576 811)
Grants paid back to National Treasury	(1 144 000)	-
Operating Surplus before discontinued operations and changes in working capital	7 221 249	748 801
Surplus from discontinued operations	-	(3 500 267)
Operating Surplus before changes in working capital	7 221 249	(2 751 466)
Changes in working capital	13 431 399	19 006 788
Increase in Payables from exchange transactions	18 159 994	7 765 166
Increase in Taxes Receivable	(1 414 290)	(625 020)
Increase/(Decrease) in Inventory	175 170	(466 096)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(3 489 476)	8 832 470
Decrease in current assets and liabilities relating to Discontinued Operations	-	3 500 267
Cash generated by operations	20 652 648	16 255 322

41 RECONCILIATION OF CASH FLOW STATEMENT

Due to various retrospective adjustments made on the comparative figures for the year ending 30 June 2013 as disclosed in notes 38 and 39, the comparative figures as disclosed in the Cash Flow Statement were also affected.

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:

	2013 (Previously reported) R	2013 (Adjustments) R	2013 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	79 011 658	(51 265)	78 960 393
Government	42 583 434	-	42 583 434
Interest	416 072	(2 659)	413 413
Payments			
Suppliers	(65 778 720)	55 590	(65 723 130)
Employees	(37 830 919)	(1 512)	(37 832 431)
Finance charges	(2 146 202)	(154)	(2 146 356)
Cash generated by operations	16 255 323	-	16 255 323

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013 (Previously reported) R	2013 (Adjustments) R	2013 (Restated) R
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(15 048 854)	-	(15 048 854)
Purchase of Investment property	-	-	-
Proceeds on Disposal of Fixed Assets	29 001	-	29 001
Increase in Intangible Assets	(22 935)	-	(22 935)
Increase in Non-current Investments	(37 594)	-	(37 594)
Net Cash from Investing Activities	(15 080 381)	-	(15 080 381)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans raised/(repaid)	(1 318 070)	-	(1 318 070)
Increase in Consumer Deposits	101 088	-	101 088
Net Cash from Financing Activities	(1 216 982)	-	(1 216 982)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(42 040)	-	(42 040)
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	1 113 993	-	1 113 993
NET INCREASE IN CASH AND CASH EQUIVALENTS	(42 040)	-	(42 040)

	2014 R	2013 R
PURCHASE OF PROPERTY PLANT AND EQUIPMENT		
Total Additions per note 12.1	11 753 660	17 620 052
Less: Hire Purchases and capitalised lease agreements entered into	(104 431)	(2 571 198)
	11 649 229	15 048 854

42 **CASH AND CASH EQUIVALENTS**

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

Call Investments Deposits - Note 22	8 082 369	571 659
Cash Floats - Note 22	3 802	5 552
Bank - Note 22	809 309	536 782
Total cash and cash equivalents	8 895 481	1 113 993

43 **RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 42	8 895 481	1 113 993
Investments - Note 16	740 904	702 902
	9 636 384	1 816 895
Less:	9 345 982	4 638 643
Unspent Committed Conditional Grants - Note 10	7 697 500	3 469 025
Secured Investments and cash	1 648 481	1 169 618
Resources available for working capital requirements	290 402	(2 821 748)

44 **UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Note 3	7 896 514	9 345 620
Used to finance property, plant and equipment - at cost	(7 896 514)	(9 345 620)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
45	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
45.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	40 606 369	28 434 781
	Unspent grant funding utilised to fund operating expenditure - refer Note 43	-	3 469 025
	Unauthorised expenditure current year - capital	176 053	1 195 196
	Unauthorised expenditure current year - operating	17 294 174	7 507 367
	Approved by Council or condoned	(40 606 369)	-
		17 470 227	40 606 369

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

	2014 R	2014 R	2014 R	2014 R
Operating expenditure by Vote	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	15 164 376	15 102 290	62 086	62 086
Planning and Development	1 382 633	1 747 830	(365 197)	-
Budget and Treasury	30 409 656	22 737 700	7 671 956	7 671 956
Public Safety	3 758 444	3 987 910	(229 466)	-
Road Transport	14 073 119	8 914 480	5 158 639	5 158 639
Other	111 025	136 190	(25 165)	-
Waste Management	9 931 918	10 259 600	(327 682)	-
Sport and Recreation	3 070 619	2 932 670	137 949	137 949
Community and Social Services	2 970 788	3 464 310	(493 522)	-
Housing	1 461 711	1 367 820	93 891	93 891
Electricity	53 613 544	49 443 890	4 169 654	4 169 654
	135 947 831	120 094 690	15 853 141	17 294 174

	2014 R	2014 R	2014 R	2014 R
Capital expenditure by vote	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	127 355	35 000	92 355	92 355
Budget and Treasury	343 698	260 000	83 698	83 698
Public Safety	2 307	20 000	(17 693)	-
Road Transport	9 197 005	13 819 700	(4 622 695)	-
Waste Management	300 965	1 640 000	(1 339 035)	-
Sport and Recreation	307	35 000	(34 693)	-
Community and Social Services	10 449	40 000	(29 551)	-
Housing	6 577	20 000	(13 423)	-
Electricity	2 091 902	3 420 000	(1 328 098)	-
	12 080 564	19 289 700	(7 209 136)	176 053

The unauthorised capital expenditure incurred is due to the finance lease asset acquired during the current year not budgeted for.

45.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1 602 971	239 185
Fruitless and wasteful expenditure current year	2 771 641	1 393 778
Condoned or written off by Council	(1 602 818)	(29 992)
	2 771 795	1 602 971
Fruitless and wasteful expenditure awaiting condonement		
Balance previously reported		1 393 625
Correction of error (Interest paid incorrectly not included) - Refer to note 39		154
		1 393 778

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>	2 737 432	1 393 778
<i>Penalties incurred (Workmens Compensation) - Refer to note 8</i>	<i>Application was made to the Compensation Commissioner on new assessment</i>	34 209	-
		2 771 641	1 393 778

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
45.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	10 507 438	10 184 515
Irregular expenditure current year	5 160	540 736
Approved or written off by Council	(10 507 438)	(217 812)
Irregular expenditure awaiting approval from Council	<u>5 160</u>	<u>10 507 438</u>

Incident	Corrective Measures		
<i>Non-Compliance with Supply Chain:</i>			
Jaco Snyman	Emergency procurement reported to council for condoning. Quarterly reports are submitted to council to condone procurement deviations.	-	90 653
<i>Tax Matters not in order:</i>			
Masakhane & sales	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.	5 160	13 013
Lilies Sales & Services		-	21 445
L&R catering		-	17 500
Metro fruit & veg		-	14 865
Mr Lock and Key		-	18 210
Aliwal Built IT		-	17 045
Aliwal Dolorite		-	30 810
Shaun Pote		-	21 299
Tierhoek		-	18 126
Aqua Agri Solution		-	20 875
Overpayment of Councillors	Six councillors were paid based on a higher band for the financial year without obtaining approval from the MEC.	-	256 895
		<u>5 160</u>	<u>540 736</u>

	2014 R	2013 R
45.4 Material Losses		
Electricity distribution losses		
Units purchased (Kwh)	65 824 150	66 221 899
Units sold (Kwh)	61 686 265	58 609 963
Units lost during distribution (Kwh)	4 137 885	7 611 936
Percentage lost during distribution	6.29%	11.49%
Loss in Rand Value	1 614 189	2 425 163

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2014 R	2013 R
46.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Council subscriptions	410 301	474 983
Amount paid - current year	(410 301)	(474 983)
Closing balance	<u>-</u>	<u>-</u>

	2014 R	2013 R
46.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	536 427	1 035 149
Current year audit fee	3 461 621	2 793 807
External Audit - Auditor-General	3 145 320	2 718 638
Internal Audit	247 515	1 830
Audit Committee	68 786	73 339
Amount paid - current year	(3 998 048)	(3 292 528)
Balance unpaid (included in creditors)	<u>-</u>	<u>536 427</u>

	2014 R	2013 R
46.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	251 701	59 747
Amounts received - current year	(1 305 090)	(2 213 039)
Amounts received - previous year	(296 660)	(59 747)
Amounts paid - current year	1 110 656	742 103
Amounts paid - previous year	44 959	-
Amounts claimed - current year	1 079 687	2 213 039
Amounts payable - current year	(1 154 963)	(490 402)
Closing balance	<u>(269 710)</u>	<u>251 701</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Vat in suspense due to cash basis of accounting	2 218 501	508 204

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 11 for further disclosure regarding the balances receivable from and payable to SARS

46.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]

Opening Balance	384 143	-
Current year payroll deductions and Council Contributions	4 722 131	5 117 031
Amount paid - current year	(5 106 274)	(4 732 888)
Balance unpaid (included in creditors)	-	384 143

46.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	698 469	-
Current year payroll deductions and Council Contributions	8 658 103	9 360 578
Amount paid - current year	(9 356 572)	(8 662 109)
Balance unpaid (included in creditors)	-	698 469

46.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days during the financial year and on 30 June 2014:

None

46.7 Supply Chain Management Regulations Deviations

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.

The non-compliance noted and condoned by council were as follows:

Impractical to follow SCM process	1 663 478	2 511 057
Emergency	108 792	164 803
Total	1 772 270	2 675 860

46.8 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 (except Eskom) of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

47.9 Trading with employees in service of the state (SCM 44)

During the year under review, the municipality engaged with the following employees in service of the state.

P Bushula (Chief Operation Officer at Senqu Municipality)	Zoleka Estate: Construction	379 186	3 012 873
J Niehaus (Department of Health)	Mubesko Africa CC	638 162	815 871
		1 017 348	3 828 744

47 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:		7 097 468	4 084 923
Infrastructure		7 097 468	4 084 923
Total		7 097 468	4 084 923
This expenditure will be financed from:			
Government Grants		7 097 468	4 084 923
		7 097 468	4 084 923

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:

	2014 R	2013 R
1% (2013 - 0.5%) Increase in interest rates	31 793	(21 447)
0% (2013 - 0.5%) Decrease in interest rates	-	21 447

The South African Economy is currently in an upward interest rate cycle and there are no expectation for a decrease in interest rates on 30 June 2014 for the ensuing year.

(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.

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 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2014 R	2013 R
Balances past due not impaired are as follows:		
Rates	590 828	245 946
Electricity	1 127 163	323 063
Refuse	678 881	189 508
Other	320 139	101 742
	<u>2 717 010</u>	<u>860 259</u>

No receivables are pledged as security for financial liabilities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Due to the short term nature of receivables, the carrying value disclosed in note 19 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.

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables (Exchange and Non-Exchange)	9 507 924	7 597 337
Cash and Cash Equivalents	8 895 481	1 113 993
Non-Current Investments	740 904	702 902
	<u>19 144 308</u>	<u>9 414 232</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.

2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	1 417 386
Capital repayments	210 863	955 746	1 493 359	1 285 735
Interest	194 696	666 490	534 437	131 651
Long Term liabilities - Finance Leases	729 048	697 822	-	-
Capital repayments	565 536	638 348	-	-
Interest	163 512	59 474	-	-
Long Term liabilities - Hire Purchases	1 122 768	2 094 193	-	-
Capital repayments	889 936	1 856 991	-	-
Interest	232 832	237 202	-	-
Provisions - Landfill Sites	-	-	3 943 446	2 797 677
Capital repayments	-	-	2 541 980	1 345 731
Interest	-	-	1 401 465	1 451 947
Trade and Other Payables	49 656 013	-	-	-
Unspent conditional government grants and receipts	7 697 500	-	-	-
	<u>59 610 889</u>	<u>4 414 251</u>	<u>5 971 241</u>	<u>4 215 063</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	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	-	-
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	31 692 657	-	-	-
Unspent conditional government grants and receipts	3 469 025	-	-	-
	<u>37 435 494</u>	<u>6 138 277</u>	<u>5 599 481</u>	<u>4 197 150</u>

49

FINANCIAL INSTRUMENTS

2014
R

2013
R

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

49.1 Financial Assets

Classification

Investments

Fixed Deposits At Amortised cost 740 904 702 902

Consumer Debtors

Receivables from exchange transactions At Amortised cost 8 456 471 6 551 798
Receivables from non-exchange transactions At Amortised cost 1 051 453 1 045 540

Short-term Investment Deposits

Call Deposits At Amortised cost 8 082 369 571 659

Bank Balances and Cash

Bank Balances At Amortised cost 809 309 536 782
Cash Floats and Advances At Amortised cost 3 802 5 552

19 144 308 9 414 232

SUMMARY OF FINANCIAL ASSETS

At Amortised cost **19 144 308 9 414 232**

49.2 Financial Liability

Classification

Long-term Liabilities and provisions

Annuity Loans At amortised cost 2 354 698 2 431 772
Hire Purchase At amortised cost 1 856 991 2 744 702
Capitalised Lease Liability At amortised cost 638 348 1 121 300
Non-Current Provisions - Landfill Sites At amortised cost 3 887 711 3 468 289

Payables from Exchange transactions

Trade creditors At amortised cost 34 534 210 19 487 109
Accrued Interest At amortised cost 67 697 75 683
Joe Gqabi District Municipality At amortised cost 11 437 109 4 634 390
Other Creditors At amortised cost 500 148 2 974 486
Deposits: Other At amortised cost 244 840 1 743 104

Current Portion of Long-term Liabilities

Annuity Loans At amortised cost 210 863 200 649
Hire Purchase At amortised cost 889 936 897 410
Capitalised Lease Liability At amortised cost 565 536 435 856

57 188 087 40 214 749

SUMMARY OF FINANCIAL LIABILITY

At amortised cost **57 188 087 40 214 749**

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

50 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.

	2014 R	2013 R
Municipal Manager - MP Nonjola	147 702	143 010
Manager Technical Services - TE Molefe	114 853	109 716
Manager Community and Social Services - NBB Mokhantso	99 827	95 006
Manager Corporate and Support Services - TE Wonga	-	27 104
Manager Financial Services - T Maseko	114 853	109 716
Manager Corporate and Support Services - ZE Pungwani	105 706	64 848
	582 941	549 400

51 IN-KIND DONATIONS AND ASSISTANCE

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

52 PRIVATE PUBLIC PARTNERSHIPS

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

53 CONTINGENT LIABILITY

Total contingent liabilities

1 146 137	1 046 137
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Millicent Taylor - Claims of R1 000 000 from the municipality made on 28 November 2012 regarding an incident that had occurred on 08 February 2011 involving a tipper truck, driven by a Maletswai Municipality employee, that drove over the claimant's child injuring her fatally.

1 000 000	1 000 000
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KS Sengoatsi - The claimant suffered damages to his home after heavy rains.

46 137	46 137
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Matthews Mboobo, Amanda Mboobo and Playlink Singers - Claims of R100 000 from the municipality made on 29 May 2014 regarding the special and general damages suffered by the claimant for economic loss incurred in making 800 tickets which were sold in advance, advertising, making beamers and posters, making tickets, possible profit, possible selling of CDs and DVDs, booking, rental and deposit paid, inconvenience, humiliation, impairment of dignity and reputation resulting from an erroneous allocation or booking of the same venue to two different events at the same time. Adequate notice for cancellation was not given to the claimant for alternative arrangements. The municipality has opted to defend the case.

100 000	-
1 146 137	1 046 137

54 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.

54.1 Compensation of key management personnel

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

54.2 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>
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	21 210	-
Fibhi Mvelase (Daughter of contractor): Accountant Expenditure	Mvelase and Rethusehlir JV	-	1 308 980
		21 210	1 308 980

The municipality engaged with related entities in service of the state (SCM 44) - Refer to note 47.9

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.

55

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 electricity usage to the value of R1 614 189 (2013 - R 2 425 163). This represents a loss of 6.29% (2013 - 11.49%).

Operating Indicators

No funds were utilised for operations in the current year. In the prior year, conditional grants amounting to R 3 469 025 was used to meet the operational expenditure requirements.

A significant increase is noted in the amount of payables outstanding at year-end (R 17 900 450). This increase can mainly be attributed to Eskom and Joe Gqabi District Municipality.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 45 above.

56

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 2014. 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 2015 financial statements.

**APPENDIX A - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	4 146 352	-	200 649	3 945 703
Total Annuity Loans				4 146 352	-	200 649	3 945 703
HIRE PURCHASES							
ABSA (Telephone system)	10.00%	70836411	01/11/2014	205 840	-	142 358	63 482
ABSA (TATA Truck)	10.00%	81205030	05/08/2016	311 061	-	90 947	220 114
ABSA (Isuzu KB200I LWB)	10.00%	80693198	15/02/2016	86 900	-	29 993	56 907
ABSA (2011 Rear Tipping Trailor)	10.00%	80693759	15/02/2016	45 527	-	15 713	29 814
ABSA (2010 Vibrating Roller)	10.00%	80693899	15/02/2016	81 495	-	28 127	53 367
ABSA (Isuzu KB200I Fleetside)	10.00%	80698530	15/02/2016	110 715	-	38 213	72 503
ABSA (Sonalinka Tractor)	10.00%	80701808	15/02/2016	124 615	-	43 010	81 605
ABSA (Mazda CX 7)	10.00%	80993701	01/05/2016	229 906	-	71 670	158 236
ABSA (TATA Water Truck)	10.00%	83338631	15/12/2017	735 152	-	136 911	598 241
ABSA (Nissan UD 330)	10.00%	83577440	01/03/2018	1 551 002	-	270 370	1 280 632
ABSA (Isuzu KB 200I)	10.00%	83520421	01/03/2018	159 900	-	27 874	132 027
Total Hire Purchases				3 642 113	-	895 186	2 746 927
LEASE LIABILITY							
MTN Rental	17.82%		31/12/2015	-	104 431	22 753	81 678
NRG Rental	17.12%		30/06/2016	1 557 156	-	434 949	1 122 207
Total Lease Liabilities				1 557 156	104 431	457 702	1 203 884
TOTAL EXTERNAL LOANS				9 345 620	104 431	1 553 537	7 896 514

APPENDIX B - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL VOTES CLASSIFICATION

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
135 446	(15 076 377)	(14 940 931)	Council	6 636 390	(12 350 227)	(5 713 837)
-	(2 319 954)	(2 319 954)	Municipal Manager	-	(2 814 148)	(2 814 148)
-	(374 193)	(374 193)	Integrated Development Planning	-	(464 000)	(464 000)
-	(472 716)	(472 716)	Special Program Unit	-	(420 555)	(420 555)
1 361 746	(8 983 491)	(7 621 745)	Corporate Services	136 956	(7 881 742)	(7 744 786)
-	-	-	Occupational Health & Safety	-	(2 266)	(2 266)
3 961 409	(3 732 590)	228 819	Traffic	3 896 607	(3 758 444)	138 163
6 440	(70 858)	(64 418)	Aerodrome	11 639	(71 104)	(59 465)
158 145	(10 358)	147 787	Commonage	175 625	(10 751)	164 873
30 476 816	(15 948 790)	14 528 026	Financial Services	30 299 892	(20 003 800)	10 296 093
9 555 067	-	9 555 067	Assessment Rates	11 455 176	-	11 455 176
-	(1 773 363)	(1 773 363)	Technical Services	-	(1 632 045)	(1 632 045)
1 409 975	(2 546 883)	(1 136 908)	Administration and Land Affairs	1 770 499	(2 521 848)	(751 349)
14 105 827	(14 184 799)	(78 972)	Public Works	9 961 247	(12 441 073)	(2 479 826)
2 599 117	(6 197 540)	(3 598 423)	Refuse Removal	5 329 984	(6 560 739)	(1 230 755)
4 738	(3 076 714)	(3 071 977)	Parks and Public Places	912	(3 371 179)	(3 370 267)
-	2 626	2 626	Cleansing	-	-	-
-	(1 724 455)	(1 724 455)	Community Services	-	(1 661 783)	(1 661 783)
1 979 899	(582 989)	1 396 910	Local Economic Development	10 000	(498 077)	(488 077)
123 877	(11 447)	112 430	Cemetery	173 863	(8 048)	165 815
1 158 728	(20 794)	1 137 934	Sport Grounds	19 781	(23 275)	(3 494)
788 251	(1 306 803)	(518 552)	Libraries	709 697	(1 207 513)	(497 817)
483 556	(2 816 091)	(2 332 535)	Aliwal Spa	388 662	(3 047 344)	(2 658 682)
269 172	(478 604)	(209 432)	Conference Centre	203 327	(91 827)	111 500
188 730	(37 398)	151 332	Nature Reserve	664 218	(29 169)	635 049
-	(1 999)	(1 999)	Museum	-	(1 617)	(1 617)
31 458	(1 422 194)	(1 390 736)	Housing	-	(1 461 711)	(1 461 711)
49 560 314	(50 381 438)	(821 124)	Electricity	54 585 936	(53 613 544)	972 392
118 358 711	(133 550 213)	(15 191 502)	Sub Total	126 430 410	(135 947 831)	(9 517 421)
-	-	-	Less Inter-Departmental Charges	-	-	-
118 358 711	(133 550 213)	(15 191 502)	Total	126 430 410	(135 947 831)	(9 517 421)

APPENDIX C - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
135 446	(17 396 331)	(17 260 885)	Executive & Council	6 636 390	(15 164 376)	(8 527 986)
1 979 899	(1 429 899)	550 000	Planning and Development	10 000	(1 382 633)	(1 372 633)
42 803 604	(27 479 164)	15 324 440	Budget and Treasury	43 662 523	(30 409 656)	13 252 868
3 961 409	(3 732 590)	228 819	Public Safety	3 896 607	(3 758 444)	138 163
14 105 827	(15 958 163)	(1 852 336)	Road Transport	9 961 247	(14 073 119)	(4 111 871)
353 315	(118 614)	234 701	Other	851 482	(111 025)	740 457
2 603 855	(9 271 629)	(6 667 774)	Waste Management	5 330 896	(9 931 918)	(4 601 022)
1 642 284	(2 836 885)	(1 194 601)	Sport and Recreation	408 443	(3 070 619)	(2 662 176)
1 181 300	(3 523 307)	(2 342 007)	Community and Social Services	1 086 886	(2 970 788)	(1 883 902)
31 458	(1 422 194)	(1 390 736)	Housing	-	(1 461 711)	(1 461 711)
49 560 314	(50 381 438)	(821 124)	Electricity	54 585 936	(53 613 544)	972 392
118 358 711	(133 550 213)	(15 191 502)	Total	126 430 410	(135 947 831)	(9 517 421)

**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 2013	Correction of error	Restated balance 1 JULY 2013	Grants Received	Paid back Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Equitable Share	-	-	-	24 074 000	-	24 074 000	-	-
Skills Development Grant	-	-	-	93 756	-	93 756	-	-
Finance Management Act.	-	-	-	1 650 000	-	1 631 790	18 210	-
MSIG Funds	-	-	-	890 000	-	780 129	109 871	-
MIG Funds	(179 064)	-	(179 064)	14 526 000	-	1 870 200	8 186 511	4 290 225
DME Electricity Reticulation Fund	61 749	-	61 749	2 000 000	(1 144 000)	228 382	1 809 708	(1 120 341)
Expanded Public Works Program	-	-	-	1 000 000	-	1 000 000	-	-
	(117 315)	-	(117 315)	44 233 756	(1 144 000)	29 678 258	10 124 301	3 169 884
Provincial Government Grants								
Spatial Development Plan	361 000	-	361 000	-	-	-	-	361 000
1218 Link Houses	271 617	-	271 617	-	-	-	-	271 617
330 Houses	168 331	-	168 331	-	-	-	-	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	(514 424)	-	(514 424)	-	-	149 702	994 815	(1 658 941)
Land Survey Management	467 500	-	467 500	-	-	-	-	467 500
LED Garden Project Jamestown	104 863	-	104 863	-	-	-	-	104 863
LED	-	-	-	-	-	-	-	-
Library Grant	-	-	-	704 000	-	704 000	-	-
	2 641 411	-	2 641 411	704 000	-	853 702	994 815	1 496 894
District Municipality Grants								
LED	-	-	-	10 000	-	10 000	-	-
	-	-	-	10 000	-	10 000	-	-
Other Grant Providers								
Vuna Awards	-	-	-	40 000	-	40 000	-	-
	-	-	-	40 000	-	40 000	-	-
Total	2 524 096	-	2 524 098	44 987 756	(1 144 000)	30 581 960	11 119 115	4 666 779

APPENDIX E (1) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
Governance and administration	51 379	(5 385)	45 995	50 299	4 304	109.4%	97.9%	42 939
Executive & council	2 148	(15)	2 133	6 636	4 503	311.1%	309.0%	135
Budget and treasury	47 448	(3 587)	43 862	43 663	(199)	99.5%	92.0%	42 804
Corporate services	1 783	(1 783)	-	-	-	-	-	-
Community and public safety	5 551	603	6 154	5 392	(762)	87.6%	97.1%	6 816
Community and social services	1 004	109	1 113	1 087	(26)	97.6%	108.3%	1 181
Sport and recreation	313	(125)	188	408	221	217.4%	130.4%	1 642
Public safety	4 234	619	4 853	3 897	(957)	80.3%	92.0%	3 961
Housing	-	-	-	-	-	-	-	31
Economic and environmental services	15 687	(587)	15 100	9 971	(5 129)	66.0%	63.6%	16 086
Planning and development	146	(81)	65	10	(55)	15.4%	6.9%	1 980
Road transport	15 541	(506)	15 036	9 961	(5 074)	66.3%	64.1%	14 106
Trading services	66 506	5 360	71 866	60 768	(11 097)	84.6%	91.4%	52 517
Electricity	62 664	1 239	63 903	54 586	(9 317)	85.4%	87.1%	49 560
Waste management	3 593	3 899	7 492	5 331	(2 161)	71.2%	148.4%	2 604
Other	249	222	471	851	381	180.9%	342.1%	353
Total Revenue - Standard	139 123	(8)	139 115	126 430	(12 685)	90.9%	90.9%	118 359
Expenditure - Standard								
Governance and administration	37 082	758	37 840	45 574	7 734	120.4%	122.9%	44 875
Executive & council	13 479	1 623	15 102	15 164	62	100.4%	112.5%	17 396
Budget and treasury	13 877	8 861	22 738	30 410	7 672	133.7%	219.1%	27 479
Corporate services	9 726	(9 726)	-	-	-	-	-	-
Community and public safety	11 973	(221)	11 753	11 262	(491)	95.8%	94.1%	11 515
Community and social services	3 503	(39)	3 464	2 971	(494)	85.8%	84.8%	3 523
Sport and recreation	3 151	(219)	2 933	3 071	138	104.7%	97.4%	2 837
Public safety	4 025	(37)	3 988	3 758	(229)	94.2%	93.4%	3 733
Housing	1 294	74	1 368	1 462	94	106.9%	113.0%	1 422
Economic and environmental services	13 101	(2 439)	10 662	15 456	4 793	145.0%	118.0%	17 388
Planning and development	1 695	53	1 748	1 383	(365)	79.1%	81.6%	1 430
Road transport	11 406	(2 492)	8 914	14 073	5 159	157.9%	123.4%	15 958
Trading services	58 377	1 463	59 840	63 656	3 817	106.4%	109.0%	59 772
Electricity	48 482	962	49 444	53 614	4 170	108.4%	110.6%	50 381
Waste management	9 769	490	10 260	9 932	(328)	96.8%	101.7%	9 272
Other	125	11	136	111	(25)	81.5%	88.5%	119
Total Expenditure - Standard	120 533	(439)	120 095	135 948	15 853	113.2%	112.8%	133 550
Surplus/(Deficit) for the year	18 590	430	19 020	(9 517)	(28 538)	-50.0%	-51.2%	(15 192)

APPENDIX E (2) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive and council	2 148	(15)	2 133	6 636	4 503	311.1%	309.0%	135
Budget and Treasury Office	49 231	(5 370)	43 862	43 663	(199)	99.5%	88.7%	42 804
Community and Social Services	1 004	109	1 113	1 087	(26)	97.6%	108.3%	1 181
Sport and Recreation	313	(125)	188	408	221	217.4%	130.4%	1 642
Public Safety	4 234	619	4 853	3 897	(957)	80.3%	92.0%	3 961
Housing	-	-	-	-	-	-	-	31
Planning and Development	146	(81)	65	10	(55)	15.4%	6.9%	1 980
Road Transport	15 541	(506)	15 036	9 961	(5 074)	66.3%	64.1%	14 106
Electricity	62 664	1 239	63 903	54 586	(9 317)	85.4%	87.1%	49 560
Waste Management	3 593	3 899	7 492	5 331	(2 161)	71.2%	148.4%	2 604
Other	249	222	471	851	381	180.9%	342.1%	353
Total Revenue by Vote	139 123	(8)	139 115	126 430	(12 685)	90.9%	90.9%	118 359
Expenditure by Vote to be appropriated								
Executive and council	13 479	1 623	15 102	15 164	62	100.4%	112.5%	17 396
Budget and Treasury Office	23 603	(865)	22 738	30 410	7 672	133.7%	128.8%	27 479
Community and Social Services	3 503	(39)	3 464	2 971	(494)	85.8%	84.8%	3 523
Sport and Recreation	3 151	(219)	2 933	3 071	138	104.7%	97.4%	2 837
Public Safety	4 025	(37)	3 988	3 758	(229)	94.2%	93.4%	3 733
Housing	1 294	74	1 368	1 462	94	106.9%	113.0%	1 422
Planning and Development	1 695	53	1 748	1 383	(365)	79.1%	81.6%	1 430
Road Transport	11 406	(2 492)	8 914	14 073	5 159	157.9%	123.4%	15 958
Electricity	48 482	962	49 444	53 614	4 170	108.4%	110.6%	50 381
Waste Management	9 769	490	10 260	9 932	(328)	96.8%	101.7%	9 272
Other	125	11	136	111	(25)	81.5%	88.5%	119
Total Expenditure by Vote	120 533	(439)	120 095	135 948	15 853	113.2%	112.8%	133 550
Surplus/(Deficit) for the year	18 590	430	19 020	(9 517)	(28 538)	-50.0%	-51.2%	(15 192)

APPENDIX E (3) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	13 675	(2 054)	11 621	11 455	(166)	98.6%	83.8%	9 555
Service charges	60 898	3 011	63 909	55 821	(8 087)	87.3%	91.7%	49 622
Rental of facilities and equipment	1 709	473	2 182	2 072	(110)	94.9%	121.2%	1 830
Interest earned - external investments	160	85	245	478	233	195.1%	299.5%	154
Interest earned - outstanding debtors	3 307	(2 937)	370	347	(23)	93.8%	10.5%	260
Fines	198	25	224	246	23	110.1%	124.2%	254
Licences and permits	2 551	129	2 680	2 074	(606)	77.4%	81.3%	2 358
Agency services	1 530	3 581	5 111	4 705	(406)	92.1%	307.5%	4 563
Transfers recognised - operational	29 942	1 451	31 393	30 582	(811)	97.4%	102.1%	30 899
Other revenue	7 213	(4 921)	2 292	7 361	5 069	321.2%	102.1%	3 158
Gains on disposal of PPE	65	24	89	170	81	191.4%	262.9%	29
Total Revenue (excluding capital transfers and contributions)	121 248	(1 132)	120 115	115 311	(4 804)	-10608.7%	95.1%	102 681
Expenditure By Type								
Employee related costs	45 401	(187)	45 214	40 454	(4 760)	89.5%	89.1%	39 605
Remuneration of councillors	3 443	(178)	3 265	3 269	4	100.1%	95.0%	2 789
Debt impairment	325	25	350	4 280	3 930	1222.8%	1317.8%	2 249
Depreciation & asset impairment	3 468	(1 316)	2 152	12 142	9 991	564.3%	350.2%	15 013
Finance charges	614	924	1 539	4 763	3 224	309.6%	775.2%	3 338
Bulk purchases	41 258	1 242	42 500	45 016	2 516	105.9%	109.1%	42 107
Other expenditure	26 024	(950)	25 075	25 416	341	101.4%	97.7%	28 126
Loss on disposal of PPE	-	-	-	608	608	#DIV/0!	#DIV/0!	323
Total Expenditure	120 533	(439)	120 095	135 948	15 853	-27376.9%	112.8%	133 550
Surplus/(Deficit)	714	(694)	21	(20 637)	(20 657)	-99983.2%	-2889.5%	(30 869)
Transfers recognised - capital	17 876	1 124	19 000	11 119	(7 881)	58.5%	62.2%	15 678
Surplus/(Deficit) for the year	18 590	430	19 020	(9 517)	(28 538)	-50.0%	-51.2%	(15 192)

APPENDIX E (4) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Single-year expenditure								
Executive and council	-	35	35	127	92	363.9%	#DIV/0!	23
Budget and Treasury Office	200	60	260	344	84	132.2%	171.8%	236
Community and Social Services	-	40	40	10	(30)	26.1%	#DIV/0!	2
Sport and Recreation	40	(5)	35	0	(35)	0.9%	0.8%	961
Public Safety	-	20	20	2	(18)	11.5%	#DIV/0!	16
Housing	-	20	20	7	(13)	32.9%	#DIV/0!	3
Planning and Development	-	-	-	-	-	-	-	22
Road Transport	13 800	20	13 820	9 197	(4 623)	66.5%	66.6%	12 944
Electricity	3 876	(456)	3 420	2 092	(1 328)	61.2%	54.0%	51
Waste Management	35	1 605	1 640	301	(1 339)	18.4%	859.9%	3 613
Other	-	-	-	-	-	-	-	2
Capital single-year expenditure	17 951	1 339	19 290	12 081	(7 209)	63%	67%	17 873
Total Capital Expenditure - Vote	17 951	1 339	19 290	12 081	(7 209)	63%	67%	17 873
Capital Expenditure - Standard								
Governance and administration	200	95	295	471	176	159.7%	235.5%	259
Executive and council	-	35	35	127	92	363.9%	#DIV/0!	23
Budget and treasury office	200	40	240	344	104	143.2%	171.8%	236
Corporate services	-	20	20	-	(20)	-	-	-
Community and public safety	40	75	115	20	(95)	17.1%	49.1%	983
Community and social services	-	40	40	10	(30)	26.1%	#DIV/0!	2
Sport and recreation	40	(5)	35	0	(35)	0.9%	0.8%	961
Public safety	-	20	20	2	(18)	11.5%	#DIV/0!	16
Housing	-	20	20	7	(13)	32.9%	#DIV/0!	3
Economic and environmental services	13 800	20	13 820	9 197	(4 623)	66.5%	66.6%	12 965
Planning and development	-	-	-	-	-	-	-	22
Road transport	13 800	20	13 820	9 197	(4 623)	66.5%	66.6%	12 944
Trading services	3 911	1 149	5 060	2 393	(2 667)	47.3%	61.2%	3 663
Electricity	3 876	(456)	3 420	2 092	(1 328)	61.2%	54.0%	51
Waste management	35	1 605	1 640	301	(1 339)	18.4%	859.9%	3 613
Other	-	-	-	-	-	-	-	2
Total Capital Expenditure - Standard	17 951	1 339	19 290	12 081	(7 209)	63%	67%	17 873
Funded by:								
National Government	17 876	(476)	17 400	10 124	(7 275)	58.2%	56.6%	12 724
Provincial Government	-	1 600	1 600	995	(605)	62.2%	#DIV/0!	1 647
Transfers recognised - capital	17 876	1 124	19 000	11 119	(7 881)	59%	62%	14 370
Borrowing	-	-	-	104	104	#DIV/0!	#DIV/0!	2 255
Internally generated funds	75	215	290	857	567	295.5%	1142.7%	1 247
Total Capital Funding	17 951	1 339	19 290	12 081	(7 209)	63%	67%	17 873

**APPENDIX E (5) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	87 774	3 864	91 638	73 958	(17 680)	80.7%	84.3%	78 960
Government - operating	29 942	(709)	29 233	33 869	4 636	115.9%	113.1%	26 906
Government - capital	17 876	1 124	19 000	11 119	(7 881)	58.5%	62.2%	15 678
Interest	3 466	(2 851)	615	825	210	134.1%	23.8%	413
Payments								
Suppliers and employees	(116 126)	(4 812)	(120 938)	(95 632)	25 307	79.1%	82.4%	(103 556)
Finance charges	(614)	76	(539)	(3 486)	(2 948)	647.3%	567.5%	(2 146)
NET CASH FROM/(USED) OPERATING ACTIVITIES	22 318	(3 308)	19 009	20 653	1 643			16 255
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	65	24	89	261				29
Decrease (increase) in non-current investments	-	-	-	(38)	(38)	#DIV/0!	#DIV/0!	(38)
Payments								
Capital assets	(17 951)	(1 339)	(19 290)	(11 714)	7 576	60.7%	65.3%	(15 072)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 886)	(1 315)	(19 201)	(11 491)	7 538			(15 080)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase (decrease) in consumer deposits	101	-	101	173	72	171.7%	171.7%	101
Payments								
Repayment of borrowing	(963)	-	(963)	(1 554)	(591)	161.4%	161.4%	(1 318)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(862)	-	(862)	(1 380)	(519)			(1 217)
NET INCREASE/ (DECREASE) IN CASH HELD	3 570	(4 623)	(1 053)	7 781	8 835	-738.8%	218.0%	(42)
Cash/cash equivalents at the year begin:	(6 663)	-	(6 663)	1 114	7 777	-16.7%	-16.7%	1 156
Cash/cash equivalents at the year end:	(3 093)	(4 623)	(7 716)	8 895	16 093	-115.3%	-287.6%	1 114