

MATJHABENG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in notes 19 and 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Dr B Malakoane
Municipal Manager

12 October 2007

**MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2007**

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		227 352 232	(6 739 700)
Capitalisation reserve		15 222	4 364 764
Government grant reserve		116 316 918	108 571 080
Accumulated Surplus/(Deficit)		111 020 092	(119 675 544)
Non-current liabilities		103 993 882	96 232 382
Interest bearing borrowings	2	103 993 882	96 232 382
Current liabilities		257 188 601	265 305 247
Consumer deposits	3	23 651 541	21 614 290
Trade and other payables	4	174 717 692	163 377 067
Provisions	5	25 369 482	25 369 483
Unspent conditional grants and receipts	6	28 938 711	29 312 104
Other financial liabilities		65 528	10 191
Bank overdraft	13	4 445 647	7 773 770
Interest bearing borrowings	2	-	17 848 342
Total Net Assets and Liabilities		<u>588 534 715</u>	<u>354 797 929</u>
ASSETS			
Non-current assets		391 768 507	256 039 175
Property, plant and equipment	7	391 768 507	256 039 175
Loans and receivables	8	-	-
Current assets		196 766 208.49	98 758 754
Inventory	9	842 950	688 391
Consumer debtors	10	150 958 737	57 463 792
Other debtors	11	23 510 941	1 267 689
Call investment deposits	12	14 064 046	31 871 739
Bank balances and cash	13	7 389 535	7 467 143
Total Assets		<u>588 534 715</u>	<u>354 797 929</u>

**MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
REVENUE			
Property rates	14	156 553 477	154 587 773
Service charges	15	456 555 409	291 927 083
Rental of facilities and equipment		14 271 499	9 466 110
Interest earned - external investments		1 748 141	1 167 885
Interest earned - outstanding debtors		71 331 476	50 309 411
Dividends received		50 588	
Fines		6 910 032	1 539 067
Licences and permits		40 403	7 645
Income for agency services		430 341	2 915 656
Government grants and subsidies	16	222 761 626	122 200 161
Other income		32 755 477	139 177 068
Gain on disposal of property, plant and equipment		3 036 022	
Total Revenue		<u>966 444 491</u>	<u>773 297 860</u>
EXPENDITURE			
Employee related costs	17	235 514 635	227 738 500
Remuneration of Councillors	18	15 986 056	9 964 344
Bad debts		183 113 947	1 191
Depreciation		8 519 011	19 499 960
Repairs and maintenance		21 877 950	27 248 174
Interest paid	19	15 211 738	18 556 530
Bulk purchases	20	216 786 942	163 663 725
Contracted services		2 388 552	2 127 891
General expenses		103 628 729	137 927 272
Total Expenditure		<u>803 027 560</u>	<u>606 727 587</u>
SURPLUS FOR THE YEAR		<u>163 416 931</u>	<u>166 570 273</u>

**MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2007**

	<u>Housing Develop. Fund</u>	<u>Capital Replacement Reserve</u>	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Self- Insurance Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
2006							
Balance at 1 July 2005	2 054 787	185 949 518	-	-	11 216 082	(34 064 557)	165 155 830
Implementation of GAMAP	-	-	4 364 764	108 571 080	-	(423 544 225)	(310 608 381)
Correction of error (Note 21.6)	(2 054 787)	(185 949 518)	-	-	(11 216 082)	181 912 339	(17 308 048)
Restated balance	-	-	4 364 764	108 571 080	-	(275 696 443)	(162 760 599)
Surplus/(deficit) for the year						166 570 273	166 570 273
Balance at 30 June 2006	-	-	4 364 764	108 571 080	-	(109 126 170)	3 809 674
2007							
Correction of error (Note 21.13)	-	-	-	-	-	(10 549 376)	(10 549 376)
Restated balance	-	-	4 364 764	108 571 080	-	(119 675 546)	(6 739 702)
Surplus/(deficit) for the year						163 416 931	163 416 931
Correction of error (Note 21.18)						35 578 555	35 578 555
Adjustment to accounting records (Note 21.19)						24 171 521	24 171 521
PPE purchased			(4 346 758)				(4 346 758)
Capital grants used to purchase PPE				15 271 685			15 271 685
Offsetting of depreciation			(2 785)	(7 525 847)		7 528 631	-
Balance at 30 June 2007	-	-	15 222	116 316 918	-	111 020 092	227 352 232

**MATJHABENG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		857 340 062	613 324 549
Cash paid to suppliers and employees		<u>(768 055 408)</u>	<u>(615 930 163)</u>
Cash generated from/ (utilised in) operations	22	89 284 654	(2 605 614)
Dividends received		50 588	-
Interest received		1 748 141	51 477 297
Interest paid		<u>(15 211 738)</u>	<u>(18 556 530)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>75 871 645</u>	<u>30 315 153</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(85 725 306)	(83 366 655)
Proceeds on disposal of property, plant and equipment		3 036 022	-
Decrease in loans and receivables		-	71 455 175
Increase in non-current investments		-	12 975 910
Decrease/increase in current investments		17 807 693	(17 139 534)
NET CASH FROM INVESTING ACTIVITIES		<u>(64 881 591)</u>	<u>(16 075 104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid		(9 776 788)	(18 004 467)
Increase in consumer deposits		2 037 249	1 994 482
NET CASH FROM FINANCING ACTIVITIES		<u>(7 739 539)</u>	<u>(16 009 985)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>3 250 515</u>	<u>(1 769 936)</u>
Cash and cash equivalents at the beginning of the year		<u>(306 627)</u>	<u>1 463 309</u>
Cash and cash equivalents at the end of the year	23	<u>2 943 888</u>	<u>(306 627)</u>

**MATJHABENG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007**

1. SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards.

The municipality has not complied with AC105 (leases) as the municipality has insufficient records to comply with this standard.

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

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

1.4 OFFSETTING

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

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1.5 RESERVES

1.5.1 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation in respect of buildings only. All other items of property, plant and equipment, are stated at cost less accumulated depreciation.

Heritage assets, which are culturally significant resources are either shown at cost where known or at a nominal value where cost is not known. Heritage assets are not depreciated owing to the uncertainty regarding their estimated useful lives.

Where an item of property, plant and equipment has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The cost of an item of property, plant and equipment acquired in exchange for a dissimilar non-monetary asset or a monetary asset, or a combination thereof was measured at its fair value.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset, will flow to the municipality. All other subsequent expenditure is recognised as a repairs and maintenance expense in the period in which it is incurred.

Property, plant and equipment under the course of construction is carried at cost. Depreciation on these assets commences when the assets are ready for their intended use.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. The annual depreciation rates are based on the following estimated asset lives:-

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Electricity	20 – 30	Bins and Containers	5 – 10
Pedestrian Malls	20 – 30	Motor Vehicles	3 – 7
Roads and Pedestrian Malls	15 – 30	Furniture and Fittings	7 – 10
Sewerage	15 – 20	Specialist Vehicles	10 – 15
Water	15 - 20	Office Equipment	3 – 7
		Plant and Equipment	2 -5
		Specialised equipment	10 – 15
<u>Community</u>	<u>Years</u>		
Airports	20		
Recreational Facilities	20 - 30		
Buildings	30		
Security	3 - 5		

Land is not depreciated as it is deemed to have an indefinite life.

The residual value of land and buildings is re-estimated on the date of the revaluation of the assets. The residual value for all other items of property, plant and equipment is determined only once on the date of acquisition and is not subsequently increased for changes in prices.

An item of property, plant and equipment is eliminated from the Statement of Financial Position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Any 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.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1.7 FINANCIAL ASSETS

1.7.1 Held to maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to maturity are recognised on a trade date basis and are measured at cost.

1.7.2 Available for sale investments

Unlisted equities are stated at cost.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.7.3 Loans and receivables

Loans and receivables are recognised on a transaction date basis and are initially measured at cost.

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

1.8 INVENTORIES

Inventories are measured at cost on the date of their purchase.

The cost of inventories acquired at no cost, or for a nominal amount, is its fair value as at the date of acquisition.

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value (or current replacement cost in the case of inventories held for distribution at no or for a nominal charge or inventories held for consumption in the production process of goods to be distributed at no or for a nominal charge). The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value/ net replacement cost with regard to their estimated economic or realisable values.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1.9 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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. The amount at which cash and cash equivalents are recorded approximates their carrying amounts.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.10 LEASES

1.10.1 The Municipality as Lessee

Operating and finance lease rentals are expensed on a straight-line basis over the term of the relevant lease.

1.10.2 The Municipality as Lessor

Revenue from operating and finance leases is recognised in terms of the relevant lease.

1.11 EMPLOYEE BENEFITS

1.11.1 Short-term employee benefits

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the financial year during which the payment is made.

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

1.11.2 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Municipality's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating councillors and employees.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The Municipality belongs to a defined benefit joint retirement fund, which is administered on a provincial basis.

The joint fund is actuarially valued triennially on the projected unit credit method basis. Deficits identified are allocated on a proportional basis to all participating municipalities. The Municipality recognises its proportionate share as a liability, which is settled through lump sum payments or increased future contributions.

1.12 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. A provision for restructuring costs is recognised when the recognition criteria for provisions are met.

Provisions are raised on the nominal amount expected to be paid on settlement of the amount owing taking any risk and uncertainties associated with the transaction into account. Future events that may affect the amount required to settle the obligation is reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Any gains from the expected disposal of assets are not taken into account in measuring a provision.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate. 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 is reversed.

1.13. REVENUE RECOGNITION

1.13.1 Revenue from Exchange Transactions

Rendering of services

Revenue arising from the rendering of services and the application of the approved tariff of charges is recognised by reference to the percentage of completion as at the reporting date. Where the percentage of completion cannot be measured reliably, revenue from the rendering of services and the application of the approved tariff of charges is recognised to the extent of expenses are recoverable.

Sale of goods

Revenue from the sale of goods is recognised when the risk and rewards of ownership is passed to the consumer.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

Service charges

Service charges relating to electricity and water are based on consumption metered and an estimate of consumption between the latest meter reading date and the reporting date.

In respect of consumption metered, meters are read on a monthly basis and are recognised as revenue when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed. 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.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Agency services

Revenue from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Interest

Interest is recognised on a time proportion basis.

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

Other grants and donations

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable. Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1.13.2 Revenue from non-exchange transactions

Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Other

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

1.14 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.15 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

1.17 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1.18 CHANGES IN ACCOUNTING POLICIES

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

1.19 COMPARATIVE INFORMATION

1.19.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.19.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
2 INTEREST BEARING BORROWINGS		
Annuity Loans	103 993 882	114 080 725
Less : Current portion transferred to current liabilities	<u> </u>	<u>(17 848 342)</u>
Total Interest Bearing Borrowings	<u>103 993 882</u>	<u>96 232 383</u>

Refer to Appendix A for more detail on interest bearing borrowin

3 CONSUMER DEPOSITS		
Electricity and Water	23 651 541	21 614 290
Total Consumer Deposits	<u>23 651 541</u>	<u>21 614 290</u>

Guarantees held in lieu of Electricity and Water Deposits	<u>1 905 811</u>	<u>1 905 811</u>
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4 TRADE AND OTHER PAYABLES		
Trade creditors	19 551 391	49 066 151
Payments received in advance	22 844 228	21 700 971
VAT	120 785 530	46 686 068
Other	11 536 544	26 947 055
Hall deposits	-	18 976 822
Total Trade and Other Payables	<u>174 717 692</u>	<u>163 377 067</u>

VAT is payable to SARS on the receipts basis. Only when payment is received from debtors is output VAT paid to SARS.

5 PROVISIONS		
Staff leave	25 369 483	25 369 483
Total Provisions	<u>25 369 483</u>	<u>25 369 483</u>

6 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Financial Management Grant	1 711 045	1 847 191
MIG - PMU	42 727	298 851
Municipal Infrastructure Grant	24 165 643	27 518 108
Municipal Systems Improvement Grant	2 085 001	1 014 559
District Municipality Grant	-	(2 071 568)
Tenders - MIG Funding	3 500	-
Provincial Housing Grant	416 769	-
LED Grant	13 525	-
Parks Lotto	500 500	-
Other	-	(1 366 605)
Debit balances transferred to debtors	-	2 071 568
Total Conditional Grants and Receipts	<u>28 938 711</u>	<u>29 312 104</u>

See note 16 for reconciliation of grants from other spheres of government.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Work-in Progress	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2006	206 556 204	106 374 050	621 284	1 010	1 009 663	-	314 562 211
Cost	468 813 697	474 438 815	9 867 583	1 010	107 457 768		1 060 578 873
Accumulated depreciation:							-
- Cost	(262 257 493)	(368 064 765)	(9 246 299)		(106 448 105)		(746 016 662)
Acquisitions	-	3 892 447		-	2 650 368	-	6 542 815
Capital under Acquisition						79 182 491	79 182 491
Depreciation:	(35 206)	(7 625 719)	(26 915)	-	(831 171)	-	(8 519 011)
- based on cost	(35 206)	(7 625 719)	(26 915)		(831 171)		(8 519 011)
Carrying value of disposals:	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	(12 233 597)	-	(12 233 597)
Accumulated depreciation	-	-	-	-	(12 233 597)	-	(12 233 597)
Carrying values at 30 June 2007	206 520 998	102 640 778	594 369	1 010	2 828 860	79 182 491	391 768 506
Cost	468 813 697	478 331 262	9 867 583	1 010	97 874 539	79 182 491	1 134 070 582
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation:	(262 292 699)	(375 690 484)	(9 273 214)		(95 045 679)		(742 302 076)
- Cost	(262 292 699)	(375 690 484)	(9 273 214)		(95 045 679)		(742 302 076)

MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

30 June 2006

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Work-in Progress	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2005	143 692 428	40 118 617	1 726 370	-	6 635 065	-	192 172 480
Cost	216 685 682	397 843 480	249 550 937	1 010	112 497 578	-	976 578 688
Accumulated depreciation:	(72 993 255)	(357 724 863)	(247 824 567)	(1 010)	(105 862 513)	-	(784 406 208)
- Cost	(72 993 255)	(357 724 863)	(247 824 567)	(1 010)	(105 862 513)	-	(784 406 208)
Acquisitions	4 649 929	78 505 799	-	-	904 796	-	84 060 524
Depreciation:	-	(12 619 695)	(341 485)	-	(6 538 780)	-	(19 499 960)
Based on cost	-	(12 619 695)	(341 485)	-	(6 538 780)	-	(19 499 960)
Carrying value of disposals:	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Correction of error (see note below)	58 213 848	369 329	(763 601)	1 010	8 582	-	57 829 168
Cost	247 478 086	(1 910 464)	(239 683 354)	-	(5 944 606)	-	(60 338)
Accumulated depreciation	(189 264 238)	2 279 793	238 919 753	1 010	5 953 188	-	57 889 506
Carrying values at 30 June 2006	206 556 205	106 374 050	621 285	1 010	1 009 663	-	314 562 213
Cost	468 813 697	474 438 815	9 867 583	1 010	107 457 768	-	1 060 578 874
Accumulated depreciation	(262 257 493)	(368 064 765)	(9 246 299)	(0)	(106 448 105)	-	(746 016 661)
- Cost	(262 257 493)	(368 064 765)	(9 246 299)	(0)	(106 448 105)	-	(803 906 167)

The correction of error is made up as follows: -

Correction of error in the accounting records	46 526 328
Correction of mistakes in financial statements	11 302 840
Total	<u>57 829 168</u>

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
22 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	163 416 931	166 570 273
Adjustment for:-		
Restatements	(58 833 091)	-
Gain on disposal	(3 036 022)	-
Depreciation	8 519 011	19 499 960
Dividends received	(50 588)	-
Investment income	(1 748 141)	(51 477 297)
Interest paid	15 211 738	18 556 530
Other adjustments to net assets	70 675 003	(196 018 834)
Operating surplus before working capital changes:	194 154 841	(42 869 368)
(Increase)/decrease in inventories	(154 559)	6 434 652
(Increase)/decrease in consumer debtors	(93 494 945)	32 934 584
(Increase)/decrease in other debtors	(22 243 252)	32 145 322
(Decrease)/increase in conditional grants and receipts	(373 393)	(2 926 569)
Increase in provisions	-	25 369 483
Increase/(decrease) in creditors	11 340 625	(53 703 909)
Increase in other financial liabilities	55 337	10 191
Cash generated by/(utilised in) operations	89 284 654	(2 605 614)

23 CASH AND CASH EQUIVALENTS

comprise the following statement of amounts indicating financial

Bank balances and cash	7 389 535	7 467 143
Bank overdrafts	(4 445 647)	(7 773 770)
Total cash and cash equivalents	2 943 888	(306 627)

**APPENDIX A
MATJHABENG MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007**

Details	Interest	Loan	Redeemable	Balance at	Interest	Redeemed/ Written Off	Balance at
	Rate	Number		30/06/2006	accrued for the Period	during Period	30/06/2007
				R	R	R	R
ANNUITY LOANS							
ABSA	16.75%		2006	8 129 642	-	1 557 289	6 572 353
DBSA	10.00%	02130/105	2006	3 049 490	279 259	1 409 347	1 919 402
DBSA	10.00%	02131/102	2006	3 616 209	347 453	1 017 938	2 945 724
DBSA	10.00%	08110/102	2006	9 220 394	904 166	1 863 875	8 260 685
DBSA	16.00%	11013/102	2006	3 062 242	489 883	574 339	2 977 786
DBSA	16.00%	11170/101	2007	664 557	105 761	138 530	631 788
DBSA	10.05%	12431/101	2004	5 947	305	6 252	-
DBSA	10.05%	12432/101	2020	6 172	316	6 488	-
DBSA	10.25%	13025/101	2019	372	19	391	-
DBSA	12.00%	13026/101	2017	447 507	52 773	96 359	403 921
DBSA	13.45%	13027/101	2013	147 346	19 501	33 169	133 678
DBSA	17.82%	13028/101	2007	39 989	7 088	9 089	37 988
DBSA	15.57%	13095/101	2008	1 643 377	235 809	819 225	1 059 961
DBSA	15.57%	13096/101	2012	1 643 377	235 809	819 225	1 059 961
DBSA	15.57%	13097/101	2007	2 494 246	369 163	951 889	1 911 520
DBSA - Arrear loans					11 442 738		11 442 738
Free State Municipal Pension Fund	11.00%	65002		-	-	-	-
Free State Municipal Pension Fund	15.95%	65008	2010	49 411	-	9 589	39 822
Free State Municipal Pension Fund	10.00%	69016		-	-	-	-
Free State Municipal Pension Fund	10.00%	69017		-	-	-	-
Free State Municipal Pension Fund	9.25%	73001	2009	290 577	-	73 865	216 712
Free State Municipal Pension Fund	9.50%	73002	2009	330 545	-	71 511	259 034
Free State Municipal Pension Fund	13.00%	73003	2013	1 250 940	-	106 822	1 144 118
Free State Municipal Pension Fund	13.50%	73004	2013	1 274 531	-	106 899	1 167 633
INCA	16.50%	MATJ-00-0003	2005	11 744 630	-	2 259 219	9 485 411
INCA	12.10%	OLS105Z-S	2005	0	-	-	0
INCA	15.25%	OLS109ZHS	2009	365 822	-	104 520	261 302
INCA	16.45%	VRG108Z-S	2008	266 584	-	94 196	172 388
INCA	17.10%	VRG109Z-S	2009	356 258	-	99 884	256 375
INCA	17.25%	VRG110M1-S	2010	243 746	-	46 740	197 007
INCA	16.05%	VRG110M-S	2010	478 547	-	93 507	385 040
INCA	17.44%	VRG112H-S	2012	328 243	-	34 589	293 654
INCA (FBC)	16.50%	MATJ-00-0003	2005	6 870 648	-	1 321 651	5 548 998
INCA (PIC)	16.50%	MATJ-00-0003	2005	9 528 862	-	1 832 990	7 695 872
PACOFs	18.00%		2010	887 490	-	166 461	721 029
SANLAM	16.20%	86/04794/06	2007	45 332 966	-	8 540 979	36 791 987
Rounding						3	(3)
Total Annuity Loans				113 770 670	14 490 043	24 266 830	103 993 882
TOTAL EXTERNAL LOANS				113 770 670	14 490 043	24 266 830	103 993 882

114080724
113770670
310054

9 776 787

9 776 787

APPENDIX B									
MATJHABENG MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007									
Description	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings									
Buildings	247 944 907			247 944 907	247 886 094	7 368		247 893 462	51 445
Land	214 233 070			214 233 070	14 371 399	27 838		14 399 237	199 833 833
Undeveloped land	6 635 719			6 635 719					6 635 719
	468 813 697			468 813 697	262 257 493	35 206		262 292 699	206 520 998
Infrastructure									
Electricity	78 141 158			78 141 158	74 029 760	144 202		74 173 962	3 967 197
Sewerage	220 388 542			220 388 542	147 604 471	3 867 947		151 472 418	68 916 124
Roads	112 730 003	3 892 447		116 622 450	98 262 608	2 518 673		100 781 281	15 841 169
Pedestrian malls	1 552 389			1 552 389	1 552 389			1 552 389	0
Water	61 626 724			61 626 724	46 615 537	1 094 897		47 710 434	13 916 289
	474 438 815	3 892 447		478 331 263	368 064 765	7 625 719		375 690 483	102 640 779
Community Assets									
Airports	494 240			494 240	494 240			494 240	0
Recreational Facilities	9 373 342			9 373 342	8 752 059	26 915		8 778 974	594 369
	9 867 583			9 867 583	9 246 299	26 915		9 273 214	594 369
Heritage Assets									
Paintings	1 010			1 010				0	1 010
	1 010			1 010					1 010
Other Assets									
Bulk Containers	756 047			756 047	756 047			756 047	0
Emergency Equipment	927 443	484 602		1 412 045	903 889	31 326		935 215	476 830
Furniture and Fittings	0	205 797		205 797	0	11 980		11 980	193 818
Motor Vehicles	61 127 737	229 073	12 229 097	49 127 712	60 818 977	61 182	12 229 097	48 651 062	476 651
Office Equipment	28 647 499	770 869		29 418 368	28 074 593	513 114		28 587 707	830 661
Plant and Equipment	15 762 779	769 644	4 500	16 527 923	15 666 917	173 118	4 500	15 835 535	692 388
Security Measures	236 263	190 382		426 645	227 682	40 451		268 133	158 512
	107 457 768	2 650 368	12 233 597	97 874 538	106 448 105	831 171	12 233 597	95 045 679	2 828 859
Capital under Construction		79 182 492		79 182 492					79 182 492
Total	1 060 578 873	85 725 308	12 233 597	1 134 070 583	746 016 662	8 519 011	12 233 597	742 302 076	391 768 507