

UPDATED

MATJHABENG LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

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.

T H E PIETERSEN
Municipal Manager

29 August 2008

MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		183 701 118	215 447 838
Capitalisation reserve		12 437	15 222
Government grant reserve		109 095 034	116 316 918
Accumulated Surplus		74 593 647	99 115 697
Non-current liabilities		69 837 822	107 574 083
Interest bearing borrowings	2	64 273 822	107 574 083
Provisions	5	5 564 000	-
Current liabilities		366 164 707	268 184 267
Consumer deposits	3	24 404 763	23 651 542
Trade and other payables	4	282 260 215	211 148 367
Provisions	5	-	-
Unspent conditional grants and receipts	6	8 760 719	28 938 711
Bank overdraft	13	26 054 249	4 445 647
Interest bearing borrowings	2	24 684 762	-
Total Net Assets and Liabilities		<u>619 703 647</u>	<u>591 206 187</u>
ASSETS			
Non-current assets		561 158 241	394 611 059
Property, plant and equipment	7	561 158 016	394 610 834
Investments	12	225	225
Loans and receivables	8	-	-
Current assets		58 545 406.77	196 595 128
Inventory	9	378 114	842 950
Consumer debtors	10	34 821 132	150 958 737
Other debtors	11	464 785	23 306 282
Investments	12	12 222 679	11 183 194
Bank balances and cash	13	10 658 696	10 303 965
Total Assets		<u>619 703 648</u>	<u>591 206 187</u>

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**MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
REVENUE			
Property rates	14	158 557 249	156 553 477
Service charges	15	452 703 889	456 555 409
Rental of facilities and equipment		13 676 400	14 271 499
Interest earned - external investments		3 401 584	1 805 677
Interest earned - outstanding debtors		96 876 697	71 331 476
Dividends received		23 043	50 588
Fines		829 630	6 910 032
Licences and permits		8 015	40 403
Income for agency services		-	524 533
Government grants and subsidies	16	308 477 855	222 761 626
Other income		39 391 321	32 755 702
Gain on disposal of property, plant and equipment		-	3 036 022
Total Revenue		<u>1 073 945 683</u>	<u>966 596 444</u>
EXPENDITURE			
Employee related costs	17	259 634 387	240 586 698
Remuneration of Councillors	18	15 739 735	15 986 056
Bad debts		327 539 415	183 113 947
Depreciation		10 779 347	10 169 712
Repairs and maintenance		33 219 095	21 877 950
Interest paid	19	15 224 996	15 211 738
Bulk purchases	20	327 598 546	216 786 942
Contracted services		3 209 879	2 388 552
General expenses		104 936 959	104 907 549
Total Expenditure		<u>1 097 882 359</u>	<u>811 029 144</u>
SURPLUS FOR THE YEAR		<u>(23 936 676)</u>	<u>155 567 300</u>

**MATJHABENG LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2008**

	<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>
2007							
Balance at 1 July 2007 previously reported	-	-	4 364 764	108 571 080	-	(119 675 546)	(9 893 044)
Surplus/(deficit) for the year	-	-	-	-	-	155 567 300	163 416 931
Correction of error (Note 21.4)	-	-	-	-	-	35 578 555	35 578 555
Adjustment to accounting records (Note 21.5)	-	-	-	-	-	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	-	103 170 461	224 198 890
2008							
Correction of error (Note 21.13)	-	-	-	-	-	(4 054 764)	(4 054 764)
Audit adjustments	-	-	-	-	-	(7 810 043)	(7 810 043)
Restated balance	-	-	15 222	116 316 918	-	91 305 654	212 334 083
Surplus/(deficit) for the year	-	-	-	-	-	(23 936 676)	(23 936 676)
PPE purchased	-	-	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(2 785)	(7 221 884)	-	7 224 669	-
Balance at 30 June 2008	-	-	12 437	109 095 035	-	74 593 647	188 397 407

**MATJHABENG LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		882 713 964	668 129 945
Cash paid to suppliers and employees		<u>(695 185 958)</u>	<u>(514 359 890)</u>
Cash generated from/ (utilised in) operations	22	187 528 006	153 770 055
Dividends received		23 043	50 588
Interest received		3 401 584	1 805 677
Interest paid		<u>(15 224 996)</u>	<u>(15 211 738)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>175 727 637</u>	<u>140 414 582</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(172 764 170)	(140 469 123)
Decrease in investments		<u>(1 039 485)</u>	<u>20 688 321</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(173 803 655)</u>	<u>(119 780 802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest bearing borrowings repaid		<u>(23 177 852)</u>	<u>(14 468 835)</u>
NET CASH FROM FINANCING ACTIVITIES		<u>(23 177 852)</u>	<u>(14 468 835)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(21 253 871)</u>	<u>6 164 945</u>
Cash and cash equivalents at the beginning of the year		<u>5 858 318</u>	<u>(306 627)</u>
Cash and cash equivalents at the end of the year	23	<u>(15 395 553)</u>	<u>5 858 318</u>

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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 2008**

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 cost 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 2008**

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 all 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 2008**

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 2008**

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. The assets and liabilities acquired in terms of a finance lease are recognised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the municipality are added to the amount recognised as an asset.

The asset is depreciated, or where intangible amortised, at appropriate rates on the straight-line basis over its estimated useful life. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs and contingent rent are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition of a finance lease. Operating lease rentals are expensed on a straight-line basis over the term 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.

**MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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 2008**

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 2008**

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 2008**

1.18 INVESTMENT PROPERTIES

Investment properties are accounted for at cost and are included under property, plant and equipment. Accounting for property, plant and equipment is done in accordance with the Accounting Policy 1.6

1.19 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.

1.20 COMPARATIVE INFORMATION

1.20.1 Current year comparatives:

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

1.20.2 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 2008**

	2008	2007
	R	R
2 INTEREST BEARING BORROWINGS		
Annuity Loans	88 958 584	107 574 083
Less : Current portion transferred to current liabilities	<u>(24 684 762)</u>	<u>-</u>
Total Interest Bearing Borrowings	<u>64 273 822</u>	<u>107 574 083</u>

Refer to Appendix A for more detail on interest bearing borrowings

The finance leases are payable as follows:

Payable within one year	1 869 848	1 790 004
Payable within two to five years	<u>3 274 697</u>	<u>1 790 203</u>
Total	<u>5 144 545</u>	<u>3 580 207</u>

3 CONSUMER DEPOSITS

Electricity and Water	<u>24 404 763</u>	<u>23 651 542</u>
Total Consumer Deposits	<u>24 404 763</u>	<u>23 651 542</u>

Guarantees held in lieu of Electricity and Water Deposits

	<u>3 124 047</u>	<u>1 905 811</u>
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4 TRADE AND OTHER PAYABLES

Trade creditors	182 182 684	25 540 520
Payments received in advance	23 806 139	22 844 228
Staff leave pay	32 595 756	30 441 546
VAT	32 222 116	120 785 530
Other	11 395 295	11 536 544
Hall deposits	58 225	-
Total Trade and Other Payables	<u>282 260 215</u>	<u>211 148 367</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

Provision for rehabilitation of landfill sites	<u>5 564 000</u>	<u>-</u>
Total Non-current provisions	<u>5 564 000</u>	<u>-</u>

Provision for the rehabilitation of the Municipality's landfill sites was made during the year. It is not possible to determine costs in respect of the previous financial year as costs were not available.

**MATJHABENG LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	R	R
6 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Financial Management Grant	1 807 790	1 711 045
MIG - PMU	-	42 727
Municipal Infrastructure Grant	5 965 434	24 165 643
Municipal Systems Improvement Grant	-	2 085 001
Department of Mineral and Energy Affairs	507	-
Tenders - MIG Funding	-	3 500
Provincial Clinic Repairs Grant	361 842	416 769
LED Grant	555 940	13 525
Parks Lotto	69 206	500 500
Total Conditional Grants and Receipts	<u>8 760 719</u>	<u>28 938 711</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 2008**

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2008

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 2007	206 520 998	102 640 778	594 369	1 010	5 671 185	79 182 494	394 610 834
Cost	468 813 697	478 331 262	9 867 583	1 010	106 146 786	79 182 494	1 142 342 832
Accumulated depreciation	262 292 699	375 690 484	9 273 214	-	100 475 601	-	747 731 998
Acquisitions	-	3 033 255	-	-	4 562 354	162 654 852	170 250 461
Adjustments	1 599 964	-	431 295	-	6 362 905	(1 318 095)	7 076 069
Depreciation:	81 142	7 814 446	26 915	-	2 856 839	-	10 779 342
Carrying values at 30 June 2008	208 039 820	97 859 587	998 749	1 010	13 739 605	240 519 251	561 158 022
Cost	470 413 661	481 364 517	10 298 878	1 010	117 072 045	240 519 251	1 319 669 362
Accumulated depreciation:	262 373 841	383 504 930	9 300 129	-	103 332 440	-	758 511 340

MATJHABENG LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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
Depreciation:						79 182 494	79 182 494
Based on cost	(35 206)	(7 625 719)	(26 915)	-	(831 171)	-	(8 519 011)
Carrying value of disposals:	(35 206)	(7 625 719)	(26 915)		(831 171)		(8 519 011)
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	(12 233 597)	-	(12 233 597)
Correction of error (see note below)	-	-	-	-	(12 233 597)	-	(12 233 597)
Cost							
Accumulated depreciation							-
Carrying values at 30 June 2007	206 520 998	102 640 778	594 369	1 010	5 671 185	79 182 494	394 610 834
Cost	468 813 697	478 331 262	9 867 583	1 010	106 146 786	79 182 494	1 142 342 832
Accumulated depreciation	(262 292 699)	(375 690 484)	(9 273 214)	-	(100 475 601)	-	(747 731 998)

MATJHABENG LOCAL MUNICIPALITY					
NOTES TO THE FINANCIAL STATEMENTS					
FOR THE YEAR ENDED 30 JUNE 2008					
				2008	2007
				R	R
22	CASH GENERATED BY OPERATIONS				
	Surplus/(deficit) for the year			(23 936 676)	155 567 300
	Audit adjustments			(7 810 043)	
	Adjustment for:-				
	Depreciation			10 779 342	10 169 712
	Dividends received			(23 043)	(50 588)
	Investment income			(3 401 584)	(1 805 677)
	Contribution to bad debt provision			327 539 415	183 113 947
	Contribution to provisions			5 564 000	-
	Interest paid			15 224 996	15 211 738
	Other adjustments to net assets			-	66 310 183
	Operating surplus before working capital changes:			323 936 407	428 516 615
	Increase in inventories			464 835	(154 559)
	Increase in consumer debtors			(211 401 810)	(276 608 892)
	Decrease/(increase) in other debtors			22 841 497	(22 038 593)
	(Decrease)/increase in conditional grants and receipts			(20 177 994)	(373 393)
	Increase/(decrease) in creditors			71 111 848	22 391 626
	Increase in consumer deposits			753 222	2 037 251
	Cash generated by/(utilised in) operations			187 528 006	153 770 055

APPENDIX A
MATJHABENG MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

Institution	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2007	Additions	Redemption	Balance at 30/06/2008	Short-term portion
DBSA - consolidated	12.50%	102978	2012	32 785 150		1 938 215	30 846 935	0
Sanlam	16.20%	86/04794/06	2010	36 791 987		10 046 970	26 745 017	11 850 881
PIC	16.50%	MATJ-00-0003	2010	7 695 872		2 156 288	5 539 584	2 543 349
FBC(INCA)	16.50%	MATJ-00-0003	2010	5 548 998		1 554 760	3 994 238	1 833 845
INCA	16.50%	MATJ-00-0003	2010	9 485 411		2 657 695	6 827 716	3 134 760
INCA	15.25%	OLS109H-S	2009	261 302		121 068	140 234	140 234
INCA	17.44%	VRG112H-S	2012	293 654		40 884	252 770	48 326
INCA	16.05%	VRG110M-S	2010	385 040		109 117	275 923	127 333
INCA	17.25%	VRG110M1-S	2010	197 007		55 150	141 857	65 074
INCA	17.10%	VRG109M-S	2009	256 374		117 694	138 680	138 680
INCA	16.45%	VRG108Z-S	2008	172 388		110 329	62 059	62 060
Free State Municipal Pension Fund	15.95%	65008	2010	39 822		11 235	28 587	13 164
Free State Municipal Pension Fund	9.25%	73001	2009	216 712		80 856	135 856	88 508
Free State Municipal Pension Fund	9.50%	73002	2009	259 034		78 466	180 568	86 098
Free State Municipal Pension Fund	13.00%	73003	2013	1 144 117		121 160	1 022 957	137 423
Free State Municipal Pension Fund	13.50%	73004	2013	1 167 632		121 817	1 045 815	135 817
ABSA	16.75%		2010	6 572 353		1 836 431	4 735 922	2 171 469
PACOFS	18.00%		2010	721 029		198 705	522 324	237 894
Finance leases				3 580 206	4 562 354	1 821 013	6 321 547	1 869 848
TOTAL				107 574 089	4 562 354	23 177 853	88 958 590	24 684 762.16

APPENDIX B
MATJHABENG MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Description	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Adjusts	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings	R	R		R	R	R	R	R	R	R
Buildings	247 944 907		1 599 964		249 544 871	247 893 462	53 304		247 946 766	1 598 105
Land	214 233 070				214 233 070	14 399 237	27 838		14 427 075	199 805 995
Undeveloped land	6 635 719				6 635 719					6 635 719
	468 813 697	0	1 599 964	0	470 413 661	262 292 699	81 142	0	262 373 841	208 039 820
Infrastructure										
Electricity	78 141 158				78 141 158	74 173 962	144 201		74 318 163	3 822 996
Sewerage	220 388 542				220 388 542	151 472 418	3 867 947		155 340 365	65 048 177
Roads	116 622 450				116 622 450	100 781 281	2 648 421		103 429 702	13 192 748
Pedestrian malls	1 552 389				1 552 389	1 552 389			1 552 389	0
Water	61 626 724	3 033 255			64 659 979	47 710 434	1 153 877		48 864 311	15 795 667
	478 331 263	3 033 255	0	0	481 364 518	375 690 483	7 814 446	0	383 504 929	97 859 588
Community Assets										
Airports	494 240				494 240	494 240			494 240	0
Recreational Facilities	9 373 342		431 295		9 804 637	8 778 974	26 915		8 805 889	998 749
	9 867 583	0	431 295	0	10 298 878	9 273 214	26 915	0	9 300 129	998 749
Heritage Assets										
Paintings	1 010				1 010	0			0	1 010
	1 010	0	0	0	1 010	0	0	0	0	1 010
Other Assets										
Bulk Containers	756 047				756 047	756 047			756 047	0
Emergency Equipment	1 412 045				1 412 045	935 215	36 711		971 926	440 119
Furniture and Fittings	205 797		27 598		233 395	11 980	21 777		33 757	199 639
Motor Vehicles	49 127 712		5 586 038		54 713 750	48 651 062	282 754		48 933 816	5 779 934
Office Equipment	37 690 615	4 562 354	290 292		42 543 261	34 017 630	2 242 013		36 259 643	6 283 618
Plant and Equipment	16 527 923		458 978		16 986 901	15 835 535	209 238		16 044 773	942 128
Security Measures	426 645				426 645	268 133	64 346		332 479	94 166
	106 146 785	4 562 354	6 362 905	0	117 072 045	100 475 602	2 856 839	0	103 332 441	13 739 604
Capital under Construction	79 182 494	162 654 852	-1 318 095		240 519 251					240 519 251
Total	1 142 342 832	170 250 461	5 044 810	0	1 319 669 362	747 731 998	10 779 342	0	758 511 340	561 158 022

Correction of error

8 272 247	Cost of assets under finance leases
-5 429 922	Accumulated depreciation of assets
<u>2 842 325</u>	Net carrying value