



Matjhabeng Local Municipality
Financial statements
for the year ended 30 June 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS184.
Grading of local authority	Local high capacity municipality
Executive Mayor	Ngangelizwe S
Speaker	Stofile C
Council Whip	Semela M J
Members of the Mayoral Committee	
Executive Mayor	Ngangelizwe S
Councillors	Khalipha T D - Policy and Planning Mbana M A - Finance Menyatso K J - Technical Services Mfebe M S E - Corporate Services Radebe M L - Social Services Rubulana L - Local Economic Development Sephiri M J - Public Safety Taliwe F E - Human Settlements Tlhone M L - Special Programmes
Members of the Council	
Councillors	Badenhorst M J M Banyane M E Beneke R Botha P F Chaka C P Dali V N De Villiers M T Fanie D S Fourie J J C Mabote T L Madumise M M Mafa D Mafongosi Z V Makgowe P V Malefane D E Marais J S Masienyane M D Matlebe M M Mbambo A X Mholo P P

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General Information

Mlangeni G
Mokausi L C
Mokhomo H A
Mokotedi T G
Molelekoa P A
Molelekoa P M I
Molete T N
Molupe R T
Monjovo N E
Morris V R
Mosala M S
Mothege M A
Motshabi M P
Mphikeleli M A
Naude Z H J
Ntlele K I
Ntsebeng M H
Petleki K I
Phetise M E
Qwesha G L
Radebe M C
Riet M I
Sifatya Z
Smit D C
Speelman N W
Styger A
Taljaard S D M
Thateng M J
Thelingoane T J
Thoabala T E
Tlake K R
Tsatsa S J
Tsubane M E
Tsubella K S
Twanana M
Van Rooyen K V
Van Rooyen M S
Van Schalkwyk H C T
Vanga N M

Municipal Manager Lepheana M F (Acting from 01/07/2014)

Chief Finance Officer Tsoaeli E T

Registered office Civic Centre
319 Stateway
Welkom
Free State
9460

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Postal address	PO Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Finger Phukubje Attorneys Kemi Akinbohun Attorneys Maree Gouws Attorneys Moroka Attorneys Podbielski Attorneys
Debt collectors	Zandile Management Services CC
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.fs.gov.za

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Abbreviations

ASB	Accounting Standards Board
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay as You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), I am responsible for the preparation of these annual financial statements set out on pages 6 to 86, which have been prepared on the going concern basis, were approved by the audit committee on 27 August 2014 and which I have signed on behalf of the municipality below.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, as disclosed in note 29 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Officer Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Lepheana M F
Acting Municipal Manager
Welkom
29 August 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in Matjhabeng and operates principally in the Lejweleputswa district, Free State Province.

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

2. Financial sustainability

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2013 (Act No. 2 of 2013).

3. Events after the reporting date

Uncertainty existed over the recoverability of indigent household's debts, prescribed debts older than three years, housing loan accounts and inactive accounts accumulating interests since the migration to the E-venus accounting systems.

Council in 2014/2015 financial year approved the following write off for consumer receivables:

Indigent households	617,014,091
Accounts accruing interest (no services)	3,100,262
Residential amounts (3 years and older)	306,870,779
Housing loan accounts	936,543
Total	927,921,675

The balances above include accumulating interest since the reporting to council write off. These consumer balances were included in the provision for impairment of consumer receivables at the reporting date therefore not assessed as an adjusting event for the current financial year, refer to note 7.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in contracts for the year under review.

5. Accounting policies

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

6. Asset management

A consulting firm has been appointed to reconstruct the fixed asset registers (infrastructure- as well as moveable assets) to be GRAP compliant.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

7. Accounting Officer

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

Name	Nationality	Changes
Ramathebane G	South African	Resigned 30 June 2014
Lepheana M F	South African	Acting from 01 July 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

	Notes	2014 R	2013 R
Assets			
Current Assets			
Inventories	3	330,607,717	327,118,945
Investments	4	10,580,227	19,308,161
Other receivables	5	4,922,346	3,594,273
VAT receivable	6	18,342,751	-
Consumer receivables	7	539,574,793	147,448,132
Cash and cash equivalents	8	2,371,131	4,176,254
		906,398,965	501,645,765
Non-Current Assets			
Investment property	9	450,788,086	458,976,540
Property, plant and equipment	10	5,286,392,330	5,319,068,056
Heritage assets	11	7,104,349	7,104,349
Investments	4	16,099,517	13,957,251
Consumer receivables	7	1,611,777	3,832,050
		5,761,996,059	5,802,938,246
Total Assets		6,668,395,024	6,304,584,011
Liabilities			
Current Liabilities			
Borrowings	12	-	18,537,334
Finance lease obligations	13	-	210,125
Trade and other payables	14	1,605,969,763	1,070,554,811
VAT payable	15	-	6,718,239
Consumer deposits	16	31,765,750	30,196,789
Unspent conditional grants	17	7,347,170	38,849,316
Bank overdraft	8	-	6,187,309
		1,645,082,683	1,171,253,923
Non-Current Liabilities			
Employee benefits	18	322,410,090	305,077,529
Provisions	19	18,197,978	6,550,000
		340,608,068	311,627,529
Total Liabilities		1,985,690,751	1,482,881,452
Net Assets		4,682,704,273	4,821,702,559
Accumulated surplus		4,682,704,273	4,821,702,559

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

	Notes	2014 R	2013 R
Revenue			
Commission received	21	10,052,504	9,070,627
Dividends received	22	15,648	11,823
Fines	21	3,915,269	2,301,050
Government grants and subsidies	23	617,641,769	640,395,507
Interest received	22	129,041,338	104,566,744
Licences and permits	21	37,730	14,410
Other income	24	15,479,579	21,147,743
Property rates	25	192,976,982	176,827,344
Rental of facilities	26	10,303,659	11,234,091
Service charges	27	854,689,371	782,911,047
Total revenue		1,834,153,849	1,748,480,386
Expenditure			
Employee related costs	28	(482,974,006)	(439,397,996)
Remuneration of councillors	29	(24,682,338)	(22,703,569)
Depreciation and impairment	30	(275,509,250)	(272,701,803)
Finance costs	31	(132,854,072)	(111,739,086)
Debt impairment	32	(38,941,330)	(346,176,905)
Repairs and maintenance		(37,816,168)	(25,003,484)
Bulk purchases	33	(665,245,239)	(598,045,493)
Contracted services	34	(120,425,649)	(98,412,676)
Grants and subsidies paid	35	(29,457,023)	(27,271,345)
General expenses	36	(178,799,348)	(136,141,288)
Total expenditure		(1,986,704,423)	(2,077,593,645)
Operating deficit		(152,550,574)	(329,113,259)
Fair value adjustments	37	16,874,904	(33,543,240)
Loss on disposal of assets	38	(3,322,618)	-
		13,552,286	(33,543,240)
Deficit for the year		(138,998,288)	(362,656,499)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	5,790,823,513	5,790,823,513
Adjustments		
Prior period errors - Note 40	(606,464,453)	(606,464,453)
Balance at 01 July 2012 as restated	5,184,359,060	5,184,359,060
Changes in net assets		
Deficit for the year	(362,656,499)	(362,656,499)
Total changes	(362,656,499)	(362,656,499)
Balance at 01 July 2013 as restated	4,821,702,560	4,821,702,560
Changes in net assets		
Deficit for the year	(138,998,288)	(138,998,288)
Total changes	(138,998,288)	(138,998,288)
Balance at 30 June 2014	4,682,704,272	4,682,704,272

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Financial Statements for the year ended 30 June 2014

Cash Flow Statement

	Notes	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Property rates and service charges		618,818,635	618,498,057
Government grants and subsidies		649,143,915	615,092,738
Dividends received		15,648	11,823
		<u>1,267,978,198</u>	<u>1,233,602,618</u>
Payments			
Employee related costs		(474,599,204)	(420,906,989)
Remuneration of councillors		(24,682,338)	(22,703,569)
Suppliers		(460,524,375)	(1,105,082,951)
Other payments		(58,576,749)	176,232,600
		<u>(1,018,382,666)</u>	<u>(1,372,460,909)</u>
Net cash flows from operating activities	41	<u>249,595,532</u>	<u>(138,858,291)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(238,558,913)	(184,303,611)
Proceeds from sale of property, plant and equipment		(905,250)	274,686,476
Proceeds from sale of investment property		1,496,475	-
Purchase of investments		(10,494,734)	-
Proceeds from sale of investments		17,115,532	5,551,112
Interest Income - Investments		6,302,888	7,589,678
		<u>(225,044,002)</u>	<u>103,523,655</u>
Net cash flows from investing activities		<u>(225,044,002)</u>	<u>103,523,655</u>
Cash flows from financing activities			
Repayment of borrowings		(18,537,334)	(738,271)
Finance cost - Borrowings		(1,388,598)	(2,961,731)
Finance lease obligation payments		(210,125)	(6,863,142)
Finance costs - Fiance lease obligation		(33,287)	(777,777)
		<u>(20,169,344)</u>	<u>(11,340,921)</u>
Net cash flows from financing activities		<u>(20,169,344)</u>	<u>(11,340,921)</u>
Net increase/(decrease) in cash and cash equivalents		4,382,186	(46,675,557)
Cash and cash equivalents at the beginning of the year		(2,011,055)	44,664,502
Cash and cash equivalents at the end of the year	8	<u>2,371,131</u>	<u>(2,011,055)</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Commissions received	11,556,000	-	11,556,000	10,052,504	(1,503,496)	
Dividends received	-	-	-	15,648	15,648	
Interest received	81,628,924	-	81,628,924	129,041,338	47,412,414	Note 53
Licences and permits	-	-	-	37,730	37,730	
Other income	6,146,806	(360,372)	5,786,434	15,479,579	9,693,145	Note 53
Rental of facilities	5,370,781	-	5,370,781	10,303,659	4,932,878	Note 53
Service charges	978,157,523	360,372	978,517,895	854,689,371	(123,828,524)	Note 53
Total revenue from exchange transactions	1,082,860,034	-	1,082,860,034	1,019,619,829	(63,240,205)	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	12,500,000	-	12,500,000	3,915,269	(8,584,731)	Note 53
Government grants and subsidies	428,360,000	-	428,360,000	617,641,769	189,281,769	Note 53
Property rates	162,236,334	-	162,236,334	192,976,982	30,740,648	Note 53
Total revenue from non-exchange transactions	603,096,334	-	603,096,334	814,534,020	211,437,686	
Total revenue	1,685,956,368	-	1,685,956,368	1,834,153,849	148,197,481	
Expenditure						
Employee related costs	(498,261,069)	1,405,802	(496,855,267)	(482,974,006)	13,881,261	Note 53
Remuneration of councillors	(22,220,466)	(1,405,802)	(23,626,268)	(24,682,338)	(1,056,070)	
Depreciation and amortisation	-	-	-	(275,509,250)	(275,509,250)	Note 53
Finance costs	(1,940,766)	(62,352)	(2,003,118)	(132,854,072)	(130,850,954)	Note 53
Debt impairment	(323,694,443)	73,861,820	(249,832,623)	(38,941,330)	210,891,293	Note 53
Repairs and maintenance	(158,402,149)	(300,000)	(158,702,149)	(37,816,168)	120,885,981	Note 53
Bulk purchases	(498,425,287)	51,419,646	(447,005,641)	(665,245,239)	(218,239,598)	Note 53
Contracted services	(46,026,905)	(31,004,764)	(77,031,669)	(120,425,649)	(43,393,980)	Note 53
Grants and subsidies paid	-	(29,171,997)	(29,171,997)	(29,457,023)	(285,026)	
General expenses	(139,735,283)	-	(139,735,283)	(178,799,348)	(39,064,065)	Note 53
Total expenditure	(1,688,706,368)	64,742,353	(1,623,964,015)	(1,986,704,423)	(362,740,408)	
Operating deficit	(2,750,000)	64,742,353	61,992,353	(152,550,574)	(214,542,927)	
Gain on disposal of assets	2,750,000	-	2,750,000	(3,322,618)	(6,072,618)	
Fair value adjustments	-	-	-	16,874,904	16,874,904	Note 53
	2,750,000	-	2,750,000	13,552,286	10,802,286	
Deficit before taxation	-	64,742,353	64,742,353	(138,998,288)	(203,740,641)	
Actual Amount in the Statement of Financial Performance	-	64,742,353	64,742,353	(138,998,288)	(203,740,641)	

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Difference between final budget and actual	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2014											
Financial Performance											
Property rates	162,236,334	-	162,236,334	-	-	162,236,334	192,976,982	-	30,740,648	119 %	119 %
Service charges	978,157,523	360,372	978,517,895	-	-	978,517,895	854,689,371	(123,828,524)		87 %	87 %
Interest and dividends received	81,628,924	-	81,628,924	-	-	81,628,924	129,056,986	-	47,428,062	158 %	158 %
Government grant and subsidies - operational	428,360,000	-	428,360,000	-	-	428,360,000	428,512,177	-	152,177	100 %	100 %
Other revenue	38,323,587	(360,372)	37,963,215	-	-	37,963,215	39,788,741	-	1,825,526	105 %	104 %
Total revenue (excluding capital transfers and contributions)	1,688,706,368	-	1,688,706,368	-	-	1,688,706,368	1,645,024,257	-	(43,682,111)	97 %	97 %
Employee related costs	(498,261,069)	1,405,802	(496,855,267)	-	-	(496,855,267)	(482,974,006)	-	13,881,261	97 %	97 %
Remuneration of councillors	(22,220,466)	(1,405,802)	(23,626,268)	-	-	(23,626,268)	(24,682,338)	(687,961)	(1,056,070)	104 %	111 %
Debt impairment	(323,694,443)	73,861,820	(249,832,623)	-	-	(249,832,623)	(38,941,330)	-	210,891,293	16 %	12 %
Depreciation and impairment	-	-	-	-	-	-	(275,509,250)	(522,552)	(275,509,250)	- %	- %
Finance costs	(1,940,766)	(62,352)	(2,003,118)	-	-	(2,003,118)	(132,854,072)	(29,431,047)	(130,850,954)	6,632 %	6,845 %
Repairs and maintenance	(158,402,149)	(300,000)	(158,702,149)	-	-	(158,702,149)	(37,816,168)	-	120,885,981	24 %	24 %
Bulk purchases	(498,425,287)	51,419,646	(447,005,641)	-	-	(447,005,641)	(665,245,239)	-	(218,239,598)	149 %	133 %
Contracted services	(46,026,905)	(31,004,764)	(77,031,669)	-	-	(77,031,669)	(120,425,649)	-	(43,393,980)	156 %	262 %
Grants and subsidies paid	-	(29,171,997)	(29,171,997)	-	-	(29,171,997)	(29,457,023)	(285,026)	(285,026)	101 %	- %
Other expenditure	(139,735,283)	-	(139,735,283)	-	-	(139,735,283)	(178,799,348)	-	(39,064,065)	128 %	128 %
Total expenditure	(1,688,706,368)	64,742,353	(1,623,964,015)	-	-	(1,623,964,015)	(1,986,704,423)	(30,926,586)	(362,740,408)	122 %	118 %
Surplus/(Deficit)	-	64,742,353	64,742,353	-	-	64,742,353	(341,680,166)	-	(406,422,519)	528 %	DIV/0 %

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Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Government grants and subsidies - capital	-	-	-	-	-	-	189,129,592		189,129,592	DIV/0 %	DIV/0 %
Deficit after capital transfers and contributions	-	64,742,353	64,742,353	-	-	64,742,353	(152,550,574)		(595,552,111)	(236)%	DIV/0 %
Fair value adjustments	-	-	-	-	-	-	16,874,904		16,874,904	DIV/0 %	DIV/0 %
Loss on disposal of assets	2,750,000	-	2,750,000	-	-	2,750,000	(3,322,618)		(6,072,618)	(121)%	(121)%
Deficit for the year	(2,750,000)	64,742,353	61,992,353	-	-	67,492,353	(138,998,288)		(206,490,641)	(206)%	5,054 %
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-	-	-	219,481,713		219,481,713	DIV/0 %	DIV/0 %
Sources of capital funds											
Government grants and subsidies - capital	-	-	-	-	-	-	(189,129,592)		(189,129,592)	DIV/0 %	DIV/0 %
Cash flows											
Net cash from operating	-	-	-	-	-	-	249,595,532		249,595,532	DIV/0 %	DIV/0 %
Net cash (used) investing	-	-	-	-	-	-	(225,044,002)		(225,044,002)	DIV/0 %	DIV/0 %
Net cash (used) financing	-	-	-	-	-	-	(20,169,344)		(20,169,344)	DIV/0 %	DIV/0 %
Net (decrease) in cash and cash equivalents	-	-	-	-	-	-	4,382,186		4,382,186	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	(2,011,055)		(2,011,055)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	2,371,131		(2,371,131)	DIV/0 %	DIV/0 %

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete inventory

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

Receivables

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

The impairment for receivables is calculated identifying receivables individually. Receivables which could not be identified individually as being impaired were calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Matjhabeng Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Useful lives of Property, plant and equipment

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

Employee benefit obligations

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

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

Other key assumptions for employee benefit obligations are based on current market conditions. Additional information is disclosed in note 18.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19.

Fair value estimation

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

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

Provision for impairment of receivables

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

Matjhabeng Local Municipality

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Accounting Policies

1.4 Investment property

Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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

Subsequent measurement

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

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

Item	Estimated useful life
Property - Land	Indefinite
Property - Buildings	5-30 years

Disposal

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

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

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

1.5 Property, plant and equipment

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

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

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

Initial recognition

Property, plant and equipment is initially measured at cost.

Matjhabeng Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent measurement

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

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

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

Item	Estimated average useful life
Land	Indefinite
Furniture and fixtures	5-7 years
Transport assets	4-15 years
Office equipment	5-7 years
IT equipment	3-10 years
Infrastructure	5-100 years
Other equipment	2-20 years
Landfill rehabilitation asset	8-20 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Disposal

Matjhabeng Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a 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.

The related asset is measured using the cost model:

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

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

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

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

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Accounting Policies

1.8 Financial instruments

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

Classification

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

Class	Category
Other receivables	Financial asset measured at amortised cost
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value and amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Matjhabeng Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Matjhabeng Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

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

1.9 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

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

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

Useful life is either:

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.14 Employee benefits

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

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

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

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

Post-employment benefits are employee benefits, other than termination benefits, which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Employee benefits (continued)

Other long term employee benefit

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

A contingent asset is a possible asset 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 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; or
- a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends are recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the 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 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 is recognised as revenue.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

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

1.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

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

The comparative figures have been restated, additional disclosures are included in note 39.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.22 Fruitless and wasteful expenditure

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

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.23 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Investments

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments are classified as held for trading and are measured subsequently at fair value, based on quoted market prices at the reporting date. Unrealised gains and losses for securities that are held for trading purposes are included in surplus and deficit for the period.

1.25 Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of Trade and other payables.

1.26 Unspent conditional grants and receipts

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.27 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note 42.

1.28 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations, which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

Notes to the Financial Statements

	2014	2013
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
· GRAP 25: Employee benefits	01 April 2013	The impact is not material but has resulted in additional disclosures.
· GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	The impact is not material but has resulted in additional disclosures.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The impact is not material but has resulted in additional disclosures.
• IGRAP16: Intangible assets website costs	01 April 2013	The impact is not material but has resulted in additional disclosures.
• IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013	The impact is not material but has resulted in additional disclosures.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 5: Borrowing cost (As revised)	01 April 2014	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 100: Discontinued operations	01 April 2014	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 18: Segment Reporting	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 105: Transfers of functions between entities under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 106: Transfers of functions between entities not under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 107: Mergers	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
• GRAP 20: Related parties	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R
3. Inventories		
Consumable stores - at cost	8,599,050	5,276,522
RDP inventory	321,622,423	321,622,423
Water in reservoirs and pipelines - at cost	386,244	220,000
	330,607,717	327,118,945

Refer to note 33 for water purchases recognised as an expense during the year and note 36 for consumables recognised as an expense during the year.

The comparative figures were restated, refer to note 40.

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
4. Investments		
Designated at fair value		
Unlisted shares	322,082	302,600
The unlisted shares consist of 17,238 (2013: 17,238) equity shares in Senwes Limited and 26,435 (2013: 26,435) equity shares in Senwesbel Limited.		
At amortised cost		
ABSA Fixed deposit account 20-5944-0982	10,580,227	85,493
The maturity date of the investment is 3 July 2014 and interest is earned at a rate of 5.85% (2013: 5.06%) per annum.		
ABSA Fixed deposit account 20-5935-9440	-	527,187
The investment matured on 3 October 2013 and was closed on 6 July 2014. Interest was earned at a rate of 5.38% (2013: 5.42%) per annum.		
RMB Asset Management (Guaranteed Investment Trust)	-	18,695,481
The maturity date of the investment was 13 December 2013 and interest was earned at a guaranteed rate of 16% (2013:16%) per annum.		
RMB Asset Management (Guaranteed Investment Trust)	15,777,435	13,654,651
The maturity date of the investment is 19 October 2015 with a guaranteed amount of R 19,191,692 (2013: R 19,191,692). The guaranteed amount is valued at purchase yield on the assumption that it is held to maturity. Interest is earned at a guaranteed rate of 15.6% (2013:15.6%) per annum.		
	26,357,662	32,962,812
Total Investments	26,679,744	33,265,412
Non-current assets		
Designated at fair value	322,082	302,600
At amortised cost	15,777,435	13,654,651
	16,099,517	13,957,251
Current assets		
At amortised cost	10,580,227	19,308,161

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R
4. Investments (continued)		
Investments at fair value		
Fair value hierarchy of investments at fair value		
Fair values are determined annually at the Statement of Financial Position date from the quoted prices on the Senwes website.		
For investments recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly as prices or indirectly derived from prices.		
Level 3 applies inputs which are not based on observable market data.		
Level 1		
Class 1 Unlisted shares	<u>322,082</u>	<u>302,600</u>
Investments at amortised cost		
Investments at amortised cost past due but not impaired		
There are no investments past due but not impaired for the current or prior reporting period.		
Investments at amortised cost impaired		
There are no investments impaired for the current or prior reporting period.		
Credit quality of investments		
The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.		
The carrying value of investments recorded at amortised cost approximate their fair values.		
The maximum exposure to credit risk at the reporting date is the carrying amount of investments.		
Renegotiated terms		
None of the investments that are fully performing have been renegotiated in the last year.		
Collateral		
Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA overdraft facility. Refer to note 6.	10,000,000	10,000,000

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
5. Other receivables		
Deposits - Fuel	4,900	4,900
Deposits - Electricity	4,950	4,950
Other receivables	4,912,496	3,584,423
	4,922,346	3,594,273
Included in above is receivables from exchange transactions		
Other receivables	4,912,496	3,584,423
Included in above is receivables from non-exchange transactions		
Deposits - Fuel	4,900	4,900
Deposits - Electricity	4,950	4,950
	9,850	9,850

Other receivables pledged as security

No receivable was pledged as security for any financial liability of the municipality.

Renegotiated terms

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

Fair value of other receivables

The carrying value of the receivables recorded at amortised cost approximate their fair values.

Other receivables impaired

There are no receivables impaired for the current or prior reporting period.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables.

Collateral

The municipality does not hold any collateral as security.

6. VAT receivable

Value added tax (VAT)	18,342,751	-
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The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipts once cash is received and input VAT is claimed on payments when actual payment is made.

VAT returns have been submitted and paid timeously to SARS by due date throughout the year.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R
7. Consumer receivables		
Gross balances		
Rates	348,735,139	297,958,639
Electricity	224,084,481	192,488,833
Water	980,779,082	779,545,327
Sewerage	368,195,550	299,851,769
Refuse	256,177,079	209,292,684
Housing rental	928,927	844,585
Other	148,001,872	121,035,924
Less: Non-current consumer receivables (Arrangements)	(4,243,269)	(22,951,261)
Payments received in advance	(712,550)	-
	2,321,946,311	1,878,066,500
Less: Allowance for impairment		
Rates	(260,922,106)	(268,523,669)
Electricity	(123,122,770)	(127,468,041)
Water	(804,409,360)	(742,270,515)
Sewerage	(296,391,730)	(288,937,389)
Refuse	(208,745,342)	(203,668,259)
Housing rental	(928,927)	(844,390)
Other	(90,482,775)	(118,025,316)
Less: Non-current consumer receivables (Arrangements)	2,631,492	19,119,211
	(1,782,371,518)	(1,730,618,368)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Net balance		
Rates	87,813,033	29,434,970
Electricity	100,961,711	65,020,792
Water	176,369,722	37,274,812
Sewerage	71,803,820	10,914,380
Refuse	47,431,737	5,624,425
Housing rental	-	195
Other	57,519,097	3,010,608
Less: Non-current consumer receivables (Arrangements)	(1,611,777)	(3,832,050)
Payments received in advance	(712,550)	-
	539,574,793	147,448,132
Current assets		
Consumer receivables	539,574,793	147,448,132
Non-Current assets		
Consumer receivables	1,611,777	3,832,050
Total Consumer receivables	541,186,570	151,280,182
Included in above is consumer receivables with arrangements		
Gross balance		
Arrangements - Non-current	4,243,269	22,951,261
Arrangements - Current	2,340,333	8,181,712
	6,583,602	31,132,973
Less: Allowance for impairment		
Arrangements - Non-current	(2,631,492)	(19,119,211)
Arrangements - Current	(1,345,677)	(6,540,762)
	(3,977,169)	(25,659,973)
Net balance		
Arrangements - Non-current	1,611,777	3,832,050
Arrangements - Current	994,655	1,640,950
	2,606,432	5,473,000
Included in above is consumer receivables from exchange transactions		
Electricity	100,961,711	65,020,792
Water	176,369,722	37,274,812
Sewerage	71,803,820	10,914,380
Refuse	47,431,737	5,624,425
Housing rental	-	195
Other	57,519,097	3,010,608
Payments received in advance	(712,550)	-
	453,373,537	121,845,212
Included in above is consumer receivables from non-exchange transactions		
Rates	87,813,033	29,434,970

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Net balance	541,186,570	151,280,182
Rates		
Current (0 -30 days)	15,936,399	10,131,948
31 - 60 days	8,352,355	4,815,758
61 - 90 days	7,480,149	2,407,488
91 days +	316,966,236	12,079,776
Less: Allowance for impairment	(260,922,106)	-
	87,813,033	29,434,970
Electricity		
Current (0 -30 days)	97,039,415	51,074,282
31 - 60 days	12,511,391	7,684,409
61 - 90 days	7,039,557	2,251,024
91 days +	134,112,360	4,011,077
Less: Allowance for impairment	(123,122,770)	-
	127,579,953	65,020,792
Water		
Current (0 -30 days)	72,901,957	18,472,588
31 - 60 days	23,280,390	5,060,997
61 - 90 days	21,758,819	2,915,065
91 days +	882,799,608	11,664,417
Less: Consumer deposits outstanding	(197,039)	(838,255)
Less: Allowance for impairment	(804,409,360)	-
	196,134,375	37,274,812
Sewerage		
Current (0 -30 days)	11,081,690	4,958,731
31 - 60 days	8,743,842	2,395,095
61 - 90 days	8,418,667	1,276,174
91 days +	339,951,351	2,284,380
Less: Allowance for impairment	(296,391,730)	-
	71,803,820	10,914,380
Refuse		
Current (0 -30 days)	6,650,239	2,626,694
31 - 60 days	5,253,408	1,133,291
61 - 90 days	4,944,188	701,002
91 days +	239,329,244	1,163,438
Less: Allowance for impairment	(208,745,342)	-
	47,431,737	5,624,425
Housing rental		
Current (0 -30 days)	-	65
31 - 60 days	-	65
61 - 90 days	-	65
	-	195

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R
<hr/>		
7. Consumer receivables (continued)		
Other		
Current (0 -30 days)	2,001,815	1,021,539
31 - 60 days	1,784,114	572,710
61 - 90 days	1,791,019	276,061
91 days +	142,424,923	1,140,298
Less: Allowance for impairment	(90,482,775)	-
	<u>57,519,096</u>	<u>3,010,608</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Summary of receivables by customer classification		
Consumers		
Current (0 -30 days)	48,366,442	77,133,560
31 - 60 days	31,167,731	34,301,720
61 - 90 days	26,699,933	31,223,918
91 days +	1,100,793,214	1,063,019,289
Less: Allowance for impairment	(973,226,960)	(1,134,943,337)
	233,800,360	70,735,150
Business, industrial and commercial		
Current (0 -30 days)	27,871,691	42,966,075
31 - 60 days	9,581,197	11,698,373
61 - 90 days	7,099,034	6,315,895
91 days +	204,582,988	164,184,313
Less: Allowance for impairment	(144,641,038)	(173,556,328)
	104,493,872	51,608,328
National and provincial government		
Current (0 -30 days)	9,555,246	7,699,650
31 - 60 days	5,250,774	3,418,678
61 - 90 days	3,595,918	952,705
91 days +	118,324,049	17,709,907
Less: Allowance for impairment	(4,022,884)	-
	132,703,103	29,780,940
Indigents		
Current (0 -30 days)	11,275,398	12,255,831
31 - 60 days	11,102,864	8,342,774
61 - 90 days	11,257,898	10,615,220
91 days +	582,319,420	409,179,699
Less: Allowance for impairment	(615,955,580)	(440,393,524)
	-	-
Housing debtors		
Current (0 -30 days)	7,554	6,532
31 - 60 days	7,492	6,482
61 - 90 days	7,431	6,432
91 days +	906,450	825,139
Less: Allowance for impairment	(928,927)	(844,390)
	-	195
Farms and agriculture		
Current (0 -30 days)	2,954,688	-
31 - 60 days	2,822,935	-
61 - 90 days	2,779,615	-
91 days +	49,564,050	-
Less: Allowance for impairment	(46,227,620)	-
	11,893,668	-

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Total debtors by consumer classification		
Current (0 -30 days)	100,031,019	140,061,650
31 - 60 days	59,932,993	57,768,027
61 - 90 days	51,439,830	49,114,170
91 days +	2,056,490,172	1,654,918,346
Unmetered consumption for water and electricity	59,205,155	-
Payments received in advance	(712,550)	-
Less: Consumer deposits outstanding	(197,039)	(838,255)
Less: Allowance for impairment	(1,785,003,011)	(1,749,737,579)
	541,186,569	151,286,359

Consumer receivables pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of consumer receivables

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

Renegotiated terms

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

Fair value of consumer receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Consumer receivables past due but not impaired

Consumer receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 421,994,475 (2013: R 63,832,591) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

31 - 60 days	22,869,263	21,662,325
61 - 90 days	15,017,420	9,826,880
91 days +	384,107,792	32,343,386

Consumer receivables impaired

As of 30 June 2014, consumer receivables of R 1,785,003,011 (2013: R 1,749,737,579) were impaired and provided for.

Subsequent to year end the write off for consumer receivables to the value of R 927,921,675 were approved by Council, refer to Note 47.

Reconciliation of provision for impairment of consumer receivables

Opening balance	(1,749,737,579)	(1,388,047,758)
Contributions to provision	(38,941,330)	(346,177,696)
Bad debt written off against provision	3,675,898	3,075,010
Prior year adjustment to provision	-	(18,587,135)
	(1,785,003,011)	(1,749,737,579)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R
7. Consumer receivables (continued)		
The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.		
Collateral		
The municipality holds collateral over these balances in the form of consumer deposits, which are not covering the total outstanding debt. Refer to note 16.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand and advances	8,874	58,469
Bank balances	940,326	-
Short-term deposits	720,205	3,486,388
Collections account	701,726	631,397
Bank overdraft	-	(6,187,309)
	2,371,131	(2,011,055)
Current assets	2,371,131	4,176,254
Current liabilities	-	(6,187,309)
	2,371,131	(2,011,055)
No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.		
The following undrawn facilities are available for future operating activities and commitments:		
Bank overdraft facility	10,000,000	10,000,000
ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	500,000	500,000
Fleet card	60,000	60,000
Collateral		
Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA overdraft facility. Refer to note 3.	10,000,000	10,000,000

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014			2013		
	R			R		
8. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account description and number	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Primary Cheque account 40-5370-5465	1,275,549	6,545,048	38,037,201	1,853,697	(6,156,365)	39,575,541
ABSA Market Cheque account 40-5644-3399	2,116,003	2,223,282	1,583,328	(913,370)	(30,944)	1,245,208
FNB Collections Cheque account 542-3117-3409	701,726	631,747	587,775	700,915	631,397	587,774
ABSA Savings account 60-5430-0806	-	951,669	922,346	-	951,774	922,447
ABSA Savings account 90-9461-7107	1,000	26,879	26,879	1,000	26,941	26,881
ABSA Savings account 91-0668-4115	1,000	1,101,010	403,253	1,000	1,128,782	404,402
ABSA Money market account 90-8665-6806	-	51,438	48,954	-	51,642	48,954
ABSA Savings account 91-1114-1338	1,000	9,121	341,229	1,000	9,148	341,323
ABSA Savings account 91-0668-4238	1,000	7,333	137,214	1,000	7,353	182,153
ABSA Savings account 91-0653-8138	50	238	6,868	50	238	7,380
ABSA Savings account 91-0668-4157	1,000	2,365	2,364	1,000	2,366	2,364
ABSA Savings account 91-2351-5666	1,002	11,103	11,091	1,002	11,103	11,092
ABSA Notice deposit account 63-0415-9559	-	29	29	-	29	29
ABSA Money market account 90-8591-3568	-	60,442	57,523	-	60,680	57,523
ABSA Money market account 90-6501-4332	-	536,523	510,612	-	538,641	510,612
ABSA Notice deposit account 63-0166-7719	-	-	19,633	-	-	19,644
FNB Call account 614-0400-1177	5,074	5,036	4,986	5,074	5,036	4,986
FNB Call account 620-0350-3019	709,079	692,654	677,685	709,079	692,654	677,685
Total	4,813,483	12,855,917	43,378,970	2,361,447	(2,069,525)	44,625,998

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

9. Investment property

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	513,335,116	(62,547,030)	450,788,086	514,831,591	(55,855,051)	458,976,540

Reconciliation of investment property - 2014

	Opening balance	Disposals	Depreciation	Total
Investment property	458,976,540	(1,496,475)	(6,691,979)	450,788,086

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	465,668,519	(6,691,979)	458,976,540

Pledged as security

No property was pledged as security for any financial liability.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no contractual obligations on investment property.

10. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Capital work in progress	541,608,580	-	541,608,580	463,079,247	-	463,079,247
Furniture and fixtures	31,878,854	(18,935,864)	12,942,990	32,336,884	(15,330,850)	17,006,034
IT equipment	13,754,744	(8,559,929)	5,194,815	13,393,350	(7,209,553)	6,183,797
Infrastructure	8,017,117,316	(3,592,639,485)	4,424,477,831	8,941,797,427	(4,416,324,078)	4,525,473,349
Land	223,069,176	-	223,069,176	223,069,176	-	223,069,176
Landfill rehabilitation asset	16,894,566	(522,552)	16,372,014	6,141,490	(442,297)	5,699,193
Transport assets	119,284,037	(70,125,366)	49,158,671	107,789,825	(45,943,539)	61,846,286
Office equipment	10,075,488	(6,006,503)	4,068,985	10,685,596	(5,297,103)	5,388,493
Other equipment	30,897,861	(21,398,593)	9,499,268	34,824,483	(23,502,002)	11,322,481
Total	9,004,580,622	(3,718,188,292)	5,286,392,330	9,833,117,478	(4,514,049,422)	5,319,068,056

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Capital work in progress	463,079,247	219,481,713	-	(140,952,380)	-	541,608,580
Furniture and fixtures	17,006,034	260,819	-	-	(4,323,863)	12,942,990
IT equipment	6,183,797	1,159,777	-	-	(2,148,759)	5,194,815
Infrastructure	4,525,473,349	348,060	(1,879,467)	140,952,380	(240,416,491)	4,424,477,831
Land	223,069,176	-	-	-	-	223,069,176
Landfill rehabilitation asset	5,699,193	11,195,373	-	-	(522,552)	16,372,014
Transport assets	61,846,286	3,499,895	(537,901)	-	(15,649,609)	49,158,671
Office equipment	5,388,493	324,197	-	-	(1,643,705)	4,068,985
Other equipment	11,322,481	2,289,079	-	-	(4,112,292)	9,499,268
	5,319,068,056	238,558,913	(2,417,368)	-	(268,817,271)	5,286,392,330

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Capital work in progress	395,103,338	181,078,164	(113,102,255)	-	-	-	463,079,247
Furniture and fixtures	20,640,757	679,789	-	(4,352,794)	(31,019)	69,301	17,006,034
IT equipment	8,001,532	205,157	-	(2,317,426)	(28,770)	323,304	6,183,797
Infrastructure	4,650,728,958	-	113,102,255	(238,357,864)	-	-	4,525,473,349
Land	223,069,176	-	-	-	-	-	223,069,176
Landfill rehabilitation asset	5,100,000	1,041,490	-	(442,297)	-	-	5,699,193
Transport assets	76,567,290	708,919	-	(12,672,086)	(2,757,837)	-	61,846,286
Office equipment	6,615,607	371,389	-	(1,680,861)	(51,998)	134,356	5,388,493
Other equipment	15,521,324	218,703	-	(4,758,937)	(1,210,040)	1,551,431	11,322,481
	5,401,347,982	184,303,611	-	(264,582,265)	(4,079,664)	2,078,392	5,319,068,056

Pledged as security

No property, plant and equipment was pledged as security for any financial liability.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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11. Heritage assets

	2014		2013	
	Valuation	Carrying value	Valuation	Carrying value
Historical buildings	4,747,835	4,747,835	4,747,835	4,747,835
Mayoral chains	2,356,514	-	2,356,514	-
Total	7,104,349	-	7,104,349	-

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Pledged as security

No heritage asset was pledged as security for any financial liability.

12. Borrowings

At amortised cost

Annuity loan DBSA - 61000776 - 18,390,855

Structured unsecured 6.5 year loan for provision of infrastructure. The repayments frequency of the loan was equal instalments on a 6 monthly basis. The loan bared interest at a fixed rate of 12.5% (2013: 12.5%) on the loan and 14.5% (2013: 14.5%) on arrears. The original loan amount was R 20,226,071 and the redemption date was 31 December 2013.

Annuity loan DBSA - 61003941 - 146,479

Structured unsecured 20.75 year loan for provision of infrastructure. The repayments frequency of the loan was equal instalments on a 6 monthly basis. The loan bared interest at a fixed rate of 10% (2013: 10%) on the loan and 10% (2013: 10%) on arrears. The original loan amount was R 14,439,752 and the redemption date was 31 December 2013.

	-	18,537,334
Total borrowings	-	18,537,334

No new long term borrowing agreements were entered into.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
12. Borrowings (continued)		
Current liabilities		
At amortised cost	-	18,537,334

Defaults and breaches

The municipality defaulted on the repayment terms of the loans, the total balance was in arrear at the redemption date, R 19,889,019 (2013: R 18,537,334). The loans were not rescheduled and were redeemed on 31 December 2013. The proceeds of the RMB Guaranteed Investment Trust that matured on 13 December 2013 was used to redeem the loans. Refer to note 4.

13. Finance lease obligations

Minimum lease payments due

- within one year	-	221,142
	-	221,142
Less: Future finance charges	-	(11,017)
Present value of minimum lease payments	-	210,125
Present value of minimum lease payments due		
- within one year	-	210,125

It is municipality policy to lease certain office equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 13% (2013: 13%). Interest rates were linked to prime at the contract date. The leases had average escalation rates of 10% - 15% per annum and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases, as secured by the lessor's charge over the leased assets, expired during the year under review.

Defaults and breaches

The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions for re-payment were renegotiated.

The fair value of finance lease obligations approximates their carrying amounts.

14. Trade and other payables

Accrued bonus	8,403,688	7,578,514
Accrued leave pay	53,935,191	47,880,220
Deposits received - Halls and facilities	31,654	32,314
Eskom	422,430,094	157,317,420
Payments received in advance from consumer receivables	24,192,572	35,425,679
Salary control accounts	21,159,619	19,664,962
Sedibeng Water Board	903,261,162	617,206,194
Trade payables	172,555,783	185,449,508
	1,605,969,763	1,070,554,811

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
14. Trade and other payables (continued)		
Included in above is payables from exchange transactions		
Accrued bonus	8,403,688	7,578,514
Accrued leave pay	53,935,191	47,880,220
Eskom	422,430,094	157,317,420
Payments received in advance from consumer receivables	24,192,572	35,425,679
Salary control accounts	21,159,619	19,664,962
Sedibeng Water Board	903,261,162	617,206,194
Trade payables	172,555,783	185,449,508
	1,605,938,109	1,070,522,497

Included in above is payables from non-exchange transactions

Deposits received	31,654	32,314
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15. VAT payable

Value added tax (VAT)	-	6,718,239
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The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipts once cash is received and input VAT is claimed on payments when actual payment is made.

VAT returns have been submitted and paid timeously to SARS by due date throughout the year.

16. Consumer deposits

Electricity and water	31,765,750	30,196,789
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Guarantees held in lieu of electricity and water deposits amounted to R 1,723,571 (2013: R 4,406,506).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximate their fair values.

17. Unspent conditional grants

Unspent conditional grants comprises of:

Unspent conditional grants and receipts

Department of Water Affairs (DWA)	-	237,000
Integrated national electrification programme (INEP)	691,755	1,099,999
Municipal infrastructure grant (MIG)	1,060,611	33,926,574
Sector Education and Training Authority (SETA)	1,749,189	2,285,743
Energy Efficiency and Demand Side Management Programme (EEDSM)	3,845,615	1,300,000
	7,347,170	38,849,316

The balances will be recognised as revenue when the qualifying expenditure is incurred. Refer to note 23 for detail of grants recognised as revenue from other spheres of government.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

17. Unspent conditional grants (continued)

EEDSM, INEP, DWA & MIG grants were withheld from equitable share due to unfulfilled conditions for the current and prior reporting period.

18. Employee benefits

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

The members are made up out of in-service members 1,320 (2013: 1,360) and continuation members 182 (2013: 184).

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

- Bonitas
- Discovery
- Hosmed
- Key-health
- LA Health
- Samwumed

Long service benefits

The municipality's liability for long-service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) is sued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 10 Years	3%	10 days
> 15 Years	4%	10 days
> 20 Years	5%	15 days
> 25 Years	6%	15 days
> 30 Years	6%	15 days
> 35 Years	6%	15 days

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

Carrying value

Present value of the employee benefit obligations-wholly unfunded	(322,410,090)	(305,077,529)
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These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
18. Employee benefits (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	305,077,529	245,392,909
Net expense recognised in the statement of financial performance	17,332,561	59,684,620
	322,410,090	305,077,529
Net expense recognised in the statement of financial performance		
Service cost	15,413,844	12,559,194
Interest cost	27,684,530	21,895,641
Actuarial (gains) / losses	(16,855,422)	33,558,523
Expected benefits paid	(8,910,391)	(8,328,738)
	17,332,561	59,684,620
Calculation of actuarial gains and losses		
Actuarial (gains) / losses – Obligation	(16,855,422)	33,558,523
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.00 %	9.10 %
Medical aid inflation rate	8.00 %	8.30 %
Net discount rate	0.93 %	0.74 %
Continuation percentage	90.00 %	90.00 %
Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme option as at 2014.		
Retirement age, it has been assumed that both male and female members retire at age 63. No allowance has been made for early retirement either due to ill health or at the option of the member.		
Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement.		
Pre-retirement, mortality of continuation members and withdrawal rates are in accordance with SA56-62 male and female tables.		
Post-retirement, mortality of continuation members and withdrawal rates are in accordance with PA(90) ultimate male and female tables with a 2 year reduction in age, assuming that there is a 4 year age difference between male and female spouse.		
The valuation is based on the Projected Unit Credit valuation method.		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

18. Employee benefits (continued)

Other assumptions

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

	One percentage point increase	One percentage point decrease
Employee benefit obligations	252,550,841	355,957,160
Service and interest costs	35,730,359	45,119,658

The municipality expects to pay benefits of R 8,297,692 towards post-retirement medical aid and R 4,998,040 towards long service benefits to its employee benefits in the next financial year.

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

	2014	2013	2012
	R	R	R
Employee benefit obligation	(322,410,090)	(305,077,529)	(245,392,909)

Defined contribution plans

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different defined retirement contribution plans which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

The following plans are multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is	17,332,561	57,836,000
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Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

19. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Contributions	Discounting	Total
Rehabilitation of landfill sites	6,550,000	11,195,373	452,605	18,197,978

Reconciliation of provisions - 2013

	Opening Balance	Contributions	Discounting	Total
Rehabilitation of landfill sites	5,100,000	1,041,490	408,510	6,550,000

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The discount rate used for the landfill sites is based on a risk free rate which is in line with the useful life of the landfill sites.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated useful life
Allanridge	20 years
Phomolong (Henneman)	9 years
Odendaalsrus	8 years
Virginia (Transfer Station)	20 years
Welkom	15 year

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R	
20. Financial instruments disclosure			
Categories of financial instruments			
2014			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	10,580,227	10,580,227
Other receivables	-	4,922,346	4,922,346
Consumer receivables	-	539,574,793	539,574,793
Cash and cash equivalents	-	2,371,131	2,371,131
Non-current investments	322,082	15,777,435	16,099,517
Non-current consumer receivables	-	1,611,777	1,611,777
	322,082	574,837,709	575,159,791
Financial liabilities			
		At amortised cost	Total
Trade and other payables		1,498,278,693	1,498,278,693
Consumer deposits		31,765,750	31,765,750
		1,530,044,443	1,530,044,443
2013			
Financial assets			
	At fair value	At amortised cost	Total
Investments	-	19,308,161	19,308,161
Other receivables	-	3,594,273	3,594,273
Consumer receivables	-	147,448,132	147,448,132
Cash and cash equivalents	-	4,176,254	4,176,254
Non-current investments	302,600	13,654,651	13,957,251
Non-current consumer receivables	-	3,832,050	3,832,050
	302,600	192,013,521	192,316,121
Financial liabilities			
		At amortised cost	Total
Borrowings		18,537,334	18,537,334
Finance lease obligation		210,125	210,125
Trade and other payables		960,005,436	960,005,436
Consumer deposits		30,196,789	30,196,789
Bank overdraft		6,187,309	6,187,309
		1,015,136,993	1,015,136,993

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
21. Revenue		
Commissions received	10,052,504	9,070,627
Dividends received	15,648	11,823
Fines	3,915,269	2,301,050
Government grants and subsidies	617,641,769	640,395,507
Interest received	129,041,338	104,566,744
Licences and permits	37,730	14,410
Other income	15,479,579	21,147,743
Property rates	192,976,982	176,827,344
Rental of facilities and equipment	10,303,659	11,234,091
Service charges	854,689,371	782,911,047
	1,834,153,849	1,748,480,386
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commissions received	10,052,504	9,070,627
Dividends received	15,648	11,823
Interest received - investment	129,041,338	104,566,744
Licences and permits	37,730	14,410
Other income	15,479,579	21,147,743
Rental of facilities and equipment	10,303,659	11,234,091
Service charges	854,689,371	782,911,047
	1,019,619,829	928,956,485
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	192,976,982	176,827,344
Transfer revenue		
Government grants and subsidies	617,641,769	640,395,507
Fines	3,915,269	2,301,050
	814,534,020	819,523,901
22. Investment revenue		
Dividend revenue		
Unlisted shares - Local	15,648	11,823
Interest revenue		
Investments and call accounts	6,302,888	7,589,678
Interest charged on consumer receivables	122,738,450	96,977,066
	129,041,338	104,566,744
	129,056,986	104,578,567

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies		
Operating grants		
Equitable share	423,409,000	430,648,000
Finance Management Grant (FMG)	1,550,000	1,500,000
Lejweleputswa District Municipality	-	1,900,000
Municipal Infrastructure Grant (MIG) - PMU	-	2,626,707
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
Sector Education and Training Authority (SETA)	1,563,177	614,207
Expanded Public Works Program (EPWP)	1,000,000	-
National Treasury - Neighbourhood development programme	100,000	715,000
	<u>428,512,177</u>	<u>438,803,914</u>
Capital grants		
Department of Water Affairs (DWA)	-	6,722,790
Energy Efficiency and Demand Side Management Programme (EEDSM)	2,312,385	6,700,000
Integrated National Electrification Program (INEP)	908,244	3,156,420
Municipal Infrastructure Grant (MIG)	185,908,963	185,012,383
	<u>189,129,592</u>	<u>201,591,593</u>
	<u>617,641,769</u>	<u>640,395,507</u>

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Finance Management Grant (FMG)

Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.

Lejweleputswa District Municipality

Current-year receipts	-	1,900,000
Conditions met - transferred to revenue	-	(1,900,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to assist with the repayment of the DBSA loans. All DBSA loans were settled at year end.

Municipal Infrastructure Grant (MIG) - PMU

Current-year receipts	-	2,626,707
Conditions met - transferred to revenue	-	(2,626,707)
	<u>-</u>	<u>-</u>

The purpose of this grant is to assist the municipality's project management unit who manage the capital projects to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies (continued)		
Municipal systems improvement grant (MSIG)		
Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	2,285,743	1,076,767
Current-year receipts	1,026,623	1,823,183
Conditions met - transferred to revenue	(1,563,177)	(614,207)
	<u>1,749,189</u>	<u>2,285,743</u>

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to do skills development among employees and improve the auditing skills for municipalities.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	237,000	(475,804)
Current-year receipts	-	7,435,594
Conditions met - transferred to revenue	-	(6,722,790)
Grants withheld by National Treasury through equitable share	(237,000)	-
	<u>-</u>	<u>237,000</u>

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

Integrated national electrification program (INEP)

Balance unspent at beginning of year	1,099,999	869,419
Current-year receipts	1,600,000	3,387,000
Conditions met - transferred to revenue	(908,244)	(3,156,420)
Grants withheld by National Treasury through equitable share	(1,100,000)	-
	<u>691,755</u>	<u>1,099,999</u>

Conditions still to be met - remain liabilities (see note 17).

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies (continued)		
Energy Efficiency and Demand Side Management Programme (EEDSM)		
Balance unspent at beginning of year	1,300,000	-
Current-year receipts	6,158,000	8,000,000
Conditions met - transferred to revenue	(2,312,385)	(6,700,000)
Grants withheld by National Treasury through equitable share	(1,300,000)	-
	<u>3,845,615</u>	<u>1,300,000</u>

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	33,926,574	8,900,863
Current-year receipts - DoRA	189,907,000	200,030,000
Current-year receipts - Thambanani	-	12,634,800
Conditions met (operating expenditure) - transferred to revenue	-	(2,626,706)
Conditions met - transferred to revenue	(185,908,963)	(185,012,383)
Grants withheld by National Treasury through equitable share*	(36,864,000)	-
	<u>1,060,611</u>	<u>33,926,574</u>

Conditions still to be met - remain liabilities (see note 17).

* In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

National Treasury - Neighbourhood development programme

Current-year receipts	100,000	715,000
Conditions met - transferred to revenue	(100,000)	(715,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to fund a project manager for the neighbourhood development programme.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	<u>-</u>	<u>-</u>

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Changes in level of government grants

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies (continued)		
Based on the allocations set out in the Division of Revenue Act, 2013 (Act No. 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
24. Other income		
Connection fees	861,745	942,620
Disconnection fees	5,860,604	7,993,142
Meter fees	1,163,574	389,691
Monitoring fees	780,910	644,700
Services rendered	2,055,894	1,766,412
Sundry income	2,199,736	1,638,436
Sundry services	2,557,116	7,772,742
	15,479,579	21,147,743
25. Property rates		
Rates received		
Commercial	63,999,671	82,233,720
Residential	60,318,925	55,797,207
Small holdings and farms	33,907,352	4,797,318
State	34,751,034	33,999,099
	192,976,982	176,827,344
Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.		
Valuations		
Commercial	2,307,336,900	3,121,777,900
Residential	10,854,774,850	10,799,898,850
Small holdings and farms	2,905,199,620	2,205,257,620
State	1,352,942,600	1,415,855,600
Exempted	1,290,096,168	1,284,242,168
	18,710,350,138	18,827,032,138
Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2011, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.		
The next general valuation will be performed in the 2014/15 financial year and will be implemented on 01 July 2015.		
The first R 75,000 of the valuation of residential property is exempted from rates.		
26. Rental of facilities		
Premises		
Premises	10,099,360	10,996,516
Facilities		
Rental of facilities	204,299	237,575

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
26. Rental of facilities (continued)	10,303,659	11,234,091
27. Service charges		
Sale of electricity	436,447,921	394,390,015
Sale of water	232,102,505	214,470,451
Sewerage and sanitation charges	115,035,234	106,639,893
Refuse removal	71,103,711	67,410,688
	854,689,371	782,911,047

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
28. Employee related costs		
Basic salaries	273,058,116	259,883,996
Bonuses	19,297,303	17,887,863
Pension	40,034,190	38,448,608
Other long term employee benefits	1,273,404	1,149,468
Group life insurance	1,163,737	1,100,284
Housing allowances	4,622,820	3,334,732
Leave pay provision charge	11,685,612	5,628,892
Medical aid	43,070,329	38,718,705
Other allowance	15,847,395	13,381,031
Overtime payments	44,043,877	35,796,050
Transport allowance	26,048,795	21,354,949
UIF	2,828,428	2,713,418
	482,974,006	439,397,996
Remuneration of Municipal Manager - Ramathebane G		
Annual Remuneration	1,229,440	1,234,225
Contributions to UIF, Medical and Pension Funds	223,944	219,063
	1,453,384	1,453,288
Remuneration of Chief Finance Officer - Tsoaeli E T		
Annual Remuneration	165,055	-
Car Allowance	60,649	-
Contributions to UIF, Medical and Pension Funds	17,041	-
	242,745	-
The position of Chief Financial Officer was vacant in the prior year. The Chief Financial Officer was appointed on 1 May 2014, thus the remuneration reflected in the current year is for a period of 2 months.		
Remuneration of Director Infrastructure - Besani B		
Annual Remuneration	788,050	824,500
Car Allowance	-	274,957
Contributions to UIF, Medical and Pension Funds	1,069	1,689
	789,119	1,101,146
Remuneration of Director Corporate Services - Lepheana M F		
Annual Remuneration	1,189,015	167,347
Contributions to UIF, Medical and Pension Funds	1,785	149
	1,190,800	167,496

The Director Corporate Services was appointed on 2 May 2013, thus the remuneration reflected in the prior year is for a period of 2 months.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
28. Employee related costs (continued)		
Remuneration Director Strategic Support Services - Makhubu M		
Annual Remuneration	1,133,307	1,315,742
Contributions to UIF, Medical and Pension Funds	1,785	1,838
	1,135,092	1,317,580
Remuneration Director Community Services - Mogopodi M R E		
Annual Remuneration	915,894	829,559
Car Allowance	143,320	143,319
Contributions to UIF, Medical and Pension Funds	149,015	143,234
	1,208,229	1,116,112
Remuneration Director Local Economic Development - Msweli M		
Annual Remuneration	1,035,158	975,125
Car Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	42,610	38,891
	1,209,768	1,146,016
29. Remuneration of councillors		
Councillors - Part time	15,507,075	15,605,177
Executive Mayor	866,207	734,795
Mayoral Committee Members	6,350,362	5,207,490
Speaker	1,958,694	1,156,107
	24,682,338	22,703,569
In-kind benefits		
The Executive Mayor has use of a separate Council owned vehicle for official duties, one full-time driver and a bodyguard.		
The Speaker has use of a separate vehicle for official duties and a part-time driver.		
The Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
Remuneration Executive Mayor - Ngangelizwe S		
Annual Remuneration	524,858	498,684
Car Allowance	206,097	196,283
Contributions to UIF, Medical and Pension Funds	93,433	90,164
	824,388	785,131
Remuneration Speaker - Stofile C		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
29. Remuneration of councillors (continued)		
Annual Remuneration	417,173	395,943
Car Allowance	164,877	157,026
Contributions to UIF, Medical and Pension Funds	77,751	75,136
	659,801	628,105
Remuneration Council Whip - Semela M		
Annual Remuneration	404,913	32,003
Car Allowance	154,572	12,268
Contributions to UIF, Medical and Pension Funds	58,805	4,800
	618,290	49,071
Remuneration Executive Councillor Policy and Planning - Khalipha T D		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Community Services - Kotzee D		
Annual Remuneration	363,030	370,257
Car Allowance	141,691	147,212
Contributions to UIF, Medical and Pension Funds	67,538	71,379
	572,259	588,848
The Councillor resigned on 22 May 2014, thus the remuneration reflected in the current year is for a period of 11 months.		
Remuneration Executive Councillor Finance - Mbana M A		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Technical Services - Menyatso K J		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Corporate Services - Mfebe M S E		
Annual Remuneration	389,887	370,256
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,847

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
29. Remuneration of councillors (continued)		
Remuneration Executive Councillor Social Services - Radebe M L		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Local Economic Development - Rubulana L		
Annual Remuneration	404,913	277,324
Car Allowance	154,572	104,578
Contributions to UIF, Medical and Pension Funds	58,805	38,153
	618,290	420,055
Remuneration Executive Councillor Public Safety - Sephiri M J		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Human Settlements - Taliwe F E		
Annual Remuneration	404,913	385,283
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	58,805	56,353
	618,290	588,848
Remuneration Executive Councillor Special Programmes - Tlhone M L		
Annual Remuneration	483,118	370,656
Car Allowance	48,000	147,212
Contributions to UIF, Medical and Pension Funds	87,172	70,980
	618,290	588,848
Remuneration Executive Councillor Public Accounts - Masienyane M D		
Annual Remuneration	30,110	-
Car Allowance	12,022	-
Contributions to UIF, Medical and Pension Funds	5,957	-
	48,089	-

The Councillor was appointed on 1 June 2014, thus the remuneration reflected in the current year is for a period of 1 month.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
30. Depreciation and impairment		
Property, plant and equipment	268,817,271	266,009,824
Investment property	6,691,979	6,691,979
	275,509,250	272,701,803
31. Finance costs		
Employee benefits	27,684,530	21,895,641
Borrowings	1,388,598	2,961,731
Trade and other payables	103,216,290	85,606,742
Finance lease obligations	33,287	777,777
Cash and cash equivalents	78,762	88,685
Provisions	452,605	408,510
	132,854,072	111,739,086
32. Debt impairment		
Contributions to consumer receivables debt impairment provision	38,941,330	346,176,905
33. Bulk purchases		
Electricity	336,813,554	327,755,991
Water	328,431,685	270,289,502
	665,245,239	598,045,493
34. Contracted services		
Legal services	20,772,889	32,576,585
Meter reading services	22,693,330	21,160,310
Professional services	53,327,112	25,811,183
Security services	23,632,318	18,737,755
Valuation services	-	126,843
	120,425,649	98,412,676
35. Grants and subsidies paid		
Other subsidies		
Indigent subsidies	29,457,023	27,271,345

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
36. General expenses		
Advertising	3,720,629	2,904,870
Assets expensed	140,204	259,529
Audit fees - external	7,277,976	6,047,409
Bank charges	4,002,975	2,293,271
Chemicals	162,566	790,152
Cleaning	603,455	614,927
Community development and training	1,509,331	13,598,426
Conferences and seminars	75,061	108,940
Donations	-	173,684
Entertainment	517,009	960,483
Insurance	27,618,378	18,323,031
License fees	4,650,936	4,065,520
Marketing	-	64,137
Medical expenses	-	547,556
Motor vehicle expenses	41,769,299	41,774,673
Operating cost of equipment	20,486,135	14,269,921
Pest control	158,154	2,996
Printing and stationery	1,781,236	1,956,806
Skills development levies	4,191,792	3,885,783
Subscriptions and membership fees	5,040,349	4,541,951
Sundry expenses	1,322,304	1,428,067
Telephone and fax	11,274,681	11,659,901
Training	9,733,718	1,232,258
Travel	2,947,291	3,296,092
Uniforms	1,907,058	3,751,963
Utilities	27,908,811	(2,411,058)
	178,799,348	136,141,288
37. Fair value adjustments		
Employee benefits	16,855,422	(33,558,523)
Investments		
· Unlisted shares	19,482	15,283
	16,874,904	(33,543,240)
38. Loss on disposal of assets		
Loss on disposal of assets	(3,322,618)	-
39. Comparative figures		
Certain comparative figures have been reclassified to disclose and provide information that is more relevant to the users of the financial statements and to show each material class of similar items separately in the financial statements. Thus to present items of dissimilar nature or function separately in the financial statements.		
The effects of the reclassification are as follows:		
Statement of Financial Position		
Increase in Other receivables		64,589
Decrease in Trade and other payables		1,573,564
Increase in Consumer deposits		(1,638,154)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
39. Comparative figures (continued)		
Statement of Financial Performance		
Decrease in Employee related costs		(4,075,181)
Decrease in Finance cost		(20,409,000)
Decrease in Contracted services		(6,047,409)
Increase in Grants and subsidies paid		27,271,345
Decrease in General expenses		(21,223,936)
Increase in Fair value adjustments		24,484,181

40. Prior period errors

The following errors relating to prior year were identified in the current period and have been adjusted as indicated below:

- Property, plant and equipment were understated by R 5,699,193 as the changes in the measurement of the provision for the rehabilitation of landfill site liability were incorrectly expenses instead of capitalising it to the cost of the related asset in the current period, as per IGRAP 2: Changes in existing decommissioning restoration and similar liabilities.

- Unspent conditional grants were overstated by R 39,687,372 as grants should have been recognised as grant income in the prior year when the qualifying expenditure were incurred.

- Trade and other payables were overstated with water purchases from Sedibeng Water Board that were incorrectly accounted for in the prior year to the amount of R 119,232.

- Trade and other payables were understated with electricity purchases from Eskom that were omitted in the prior year to the amount of R 2,262,814.

- Long service awards for employees on the new bonus structure were not previously recognised in the financial statements to the amount of R 22,592,529.

- Other receivables were overstated in the prior year by an amount of R 85,714 due to an unsupported claim against the Department of Health that had prescribed.

- Consumer receivables were overstated in the prior year by an amount of R 838,255 due to outstanding consumer deposits that we incorrectly included as outstanding consumer receivables.

- Management initiated a project to address the asset management challenges and appointed a consultant to recreate the asset registers to be GRAP compliant. Restatements were made due to omissions, duplications, incorrect classifications and the reconstruction of the capital work in progress schedule. Property, plant and equipment was restated and decreased by R 292,136,438, investment property increased by R 81,061,771, heritage assets increased by R 7,104,349, inventory was decreased by R 382,051,253 and VAT payable was decreased by R 295,237.

The correction of the errors results in adjustments as follows:

Statement of Financial Position		
Decrease in Inventory	(382,051,253)	(382,051,253)
Decrease in Other receivables	(85,714)	(85,714)
Decrease in Consumer receivables	(838,255)	(838,255)
Increase in Investment property	81,061,771	81,061,771
Decrease in Property, plant and equipment	(292,136,438)	(292,136,438)
Increase in Heritage assets	7,104,349	7,104,349
Increase in Trade and other payables	(2,143,582)	(2,143,582)
Decrease in VAT payable	295,237	295,237
Decrease in Consumer deposits	838,255	838,255
Decrease in Unspent conditional grants	39,687,372	39,687,372
Increase in Employee benefits	(22,592,529)	(22,592,529)
Decrease in Accumulated surplus	607,963,246	642,864,211

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
40. Prior period errors (continued)		
Statement of Financial Performance		
Increase in Government grants and subsidies	-	(34,050,450)
Increase in Employee related cost	-	155,456
Increase in Depreciation and amortisation	-	12,238,232
Increase in Finance costs	-	1,895,151
Decrease in Repairs and maintenance	-	(14,391,490)
Increase in Bulk purchases	-	1,880,335
Decrease in General expenses	-	(601,000)
Increase in Fair value adjustments	-	207,523
41. Cash generated from (used in) operations		
Deficit	(138,998,288)	(362,656,499)
Adjustments for:		
Depreciation and amortisation	275,509,250	272,701,803
(Gain) / loss on disposal of assets	3,322,618	-
Fair value adjustments	(16,874,904)	33,543,240
Debt impairment	38,941,330	346,176,905
Non-cash movements in employee benefits	6,503,453	24,973,365
Non-cash movements in provisions	11,195,373	1,041,490
Non-cash movements in investment properties	-	(64,861,969)
Non-cash movements in heritage assets	-	(7,104,349)
Grants and subsidies paid	29,457,023	27,271,345
Prior period errors - Note 40	-	(606,464,453)
Other non-cash items	-	(437,765)
Finance costs	132,775,312	111,650,401
Interest received	(129,056,986)	(104,578,567)
Changes in working capital:		
Inventories	(3,488,772)	382,072,251
Other receivables	(1,328,073)	2,127,687
Consumer receivables	(335,566,291)	(271,534,613)
Trade and other payables	432,198,662	72,115,478
VAT	(25,060,990)	(22,456,812)
Consumer deposits	1,568,961	2,260,002
Unspent conditional grants	(31,502,146)	25,302,769
	249,595,532	(138,858,291)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
· Property, plant and equipment	<u>75,866,302</u>	<u>13,950,527</u>
Not yet contracted for and authorised by accounting officer		
· Property, plant and equipment	<u>-</u>	<u>402,351,110</u>
<p>This committed expenditure relates to infrastructure assets and will be financed by available bank facilities, existing cash resources, grants and funds internally generated.</p>		
Operating expenditure		
Operating expenditure	29,694,695	-
Operating expenditure - open orders	3,085,553	8,155,451
Professional fees	8,376,370	10,373,321
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	402,864	261,462
- in second to fifth year inclusive	544,265	947,128
	<u>947,129</u>	<u>1,208,590</u>

The municipality has operating lease agreements for the following classes of assets:

- Motor vehicles
- Software licenses

Leases are negotiated for an average term of three years and rentals are fixed for the three years. There are no annual escalations in the contracts and no contingent rent is payable.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
43. Contingencies		
The Municipality has the following contingent liabilities:		
Court proceedings:		
The following cases against the municipality have been recorded as contingent liabilities as there is uncertainty as to the outcome of the cases. The municipality is defending the cases. The potential legal costs have not been included in the claims.		
Koth Properties		
Koth Properties was appointed to prepare general valuation to be executed and completed. The agreement was terminated by the municipality due to failure to meet time frame agreed upon and submission of report which is characterized by a lot of omissions, uncertainties and confusion. Koth Properties issued a combined summons against the municipality for breach of contract.	14,400,000	14,400,000
Fujitsu Services (Pty) Ltd		
The municipality was issued with a combined summons from Fujitsu Services (Pty) Ltd. Fujitsu Services (Pty) Ltd alleged that a contract was entered into for "customer improvement service framework agreement". In terms of the agreement the plaintiff undertook to design, implement and deliver customer care improvement services and same was alleged to have been performed and invoices were produced to the municipality for payment.	7,051,943	7,051,943
Chief Chunda & Associates		
On 28 June 2013, the municipality was served with summons from Chief Chunda & Associates. The service provider alleges that they were appointed for the implementation of a water conservation and demand management program in February 2011. They further alleged to have discharged their obligations as per the agreement and as a result of the municipality's unlawful conduct he had suffered damages.	6,710,263	-
Afribatho Design		
During October 2013, notice of proposed legal proceedings and letter of demand was issued by Messrs Symington & De Kok acting on behalf of the plaintiff. Subsequently a summons as served to the municipality on 22 November 2013 by the plaintiff claiming payment together with interests for professional services rendered in respect of the service agreement. The municipality is defending the main action and application for exception is scheduled for August 2014.	5,870,235	-
Tanker Project Solutions CC		
The municipality was issued with a combined summons from Tanker Project Solutions CC claiming payment. Tanker Project Solutions CC alleged that they entered into a written agreement wherein they would act as a consultant for the municipality in respect of the planning, design, supervision of infrastructure projects, development and implementation of technical assistance projects in terms of tender notice 29/2009.	3,000,000	3,971,025
MMS Collections (Pty) Ltd		
The municipality was issued with letter of demand, claiming payment for an amount alleged to be agreed between the parties involved. The municipality has since instructed its attorneys to settle the matter out of court. The municipality is engaging with the plaintiff attorneys on settlement negotiations.	2,870,649	2,870,649
Ramabulana Investment Services (Pty) Ltd		
The municipality was served with combined summons from Ramabulana Investment Municipality Services (Pty) Ltd. The plaintiff alleges that they have performed in terms of the contract and the defendants are refusing / reluctant to remunerate for service rendered. The municipality has opposed the application and in addition has also filed a counter application.	1,821,367	1,821,367
Mr. C G Jacobs		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
43. Contingencies (continued)		
Mr. Jacobs, an employee of Council, indicated in 2003 of his intention to resign from the municipality at the retirement age of 60 (sixty). A few days before his retirement, he was advised by a fellow colleague, to reserve his rights in the matter as there was a strong indication that the rules of the Free State Pension Fund were to change allowing employees to retire only at the age of 65. Although Mr. Jacobs wrote to Council informing it that he reserves his right not to retire pending the outcome of the decision of the Free State Pension Fund, he (Mr. Jacobs) filled out the application forms for his pension funds to be released which subsequently occurred. Council informed him on 1 October 2003 to vacate his office. The Municipality lost its arguments at arbitration. The matter was removed from the roll pending settlement negotiations. Facts and witnesses need to be prepared in order to rebut the plaintiff's allegations.	1,881,172	1,881,172
Mr. F S Sale & 82 Others The plaintiffs in the matter herein alleges that they are entitled to certain amount of payment for work performed on Saturdays and Sundays since 2004. They further allege that notwithstanding their demands the municipality refuses and/or neglects to pay such services. A round table meeting has been arranged with respective departments on a way forward and in an attempt to establish the defence.	1,579,966	-
Gain Industries CC & Craft Hydraulic Services On 23 April 2013, the municipality was served with summons by the plaintiff. Plaintiff alleges that he rendered professional services to the municipality during 2012 on the municipality's special request and instance. The matter has been set down for 28-29 October 2014.	360,628	-
Mr. T J Njilo On 20 August 2012, a notice was issued against Mr. Njilo for contravening with section 4 of the National Building Regulations and Building Standard Act 103 of 1977 in that he erected illegal structure made to the property on the ground that the buildings do not comply with the provisions of the National Building Regulations and Building Standard Act 103 of 1977. The application was dismissed on a pint in limine that the municipal manager does not have the locus standi to launch such application. The matter was the taken on appeal.	100,000	-
Mr. J J Human Mr. Human was appointed as an audit committee member for the municipality. He further indicated that subsequent to his appointment he attended several meetings as scheduled. He was paid R 11,855 for all sittings as well as travel costs however there are still amounts outstanding. On 29 April 2013 Mr. Human issued summons against the municipality.	19,422	19,000
V&V Consulting Engineers Summons issued against the municipality, wherein the municipality was sued for failure to pay V&V Consulting Engineers for services rendered. The matter has been settled out of court between the municipality and V&V Consulting Engineers.	-	2,049,969
Department of Labour The municipality has not submitted the 2012/13 financial information to the department. Thus the department hasn't assessed the municipality for the 2013/14 financial year's workmen's compensation insurance.	4,562,639	-
	50,228,284	34,065,125
Contingent assets		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

2014	2013
R	R

43. Contingencies (continued)

Remuneration of councillors

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

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

Supply of bulk electricity - Eskom

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

Supply of bulk water - Sedibeng Water Board

Charges for the supply of water and arrear interest by Sedibeng Water Board, to the value of R 570,000,000 are disputed by the municipality. The attorneys have advised the municipality that the amount of R 570,000,000 in their view has prescribed. They further advised that should the matter finally reach the court, there are prospects of success that the court may rule in favour of the municipality. Furthermore, should judgement be in favour of the municipality the total amount owed to Sedibeng Water Board will be significantly reduced. Resolution of this dispute may result in recovery/adjustment of amounts paid/billed.

44. Related parties

Related party relationships

Members of key management
Members of the Council

Refer to general info and note 27 - Employee related costs
Refer to general info and note 28 - Remuneration of councillors

Related party balances

No related party balances were identified for the current and prior reporting period.

Related party transactions

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

45. Change in estimate

Property, plant and equipment

The useful life of certain moveable assets were estimated in the prior year. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 1,529,497.

There is no impact on the cash flow statement due to the increase in depreciation as it is a non-cash item.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

46. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:

- Suppliers were not paid within the legislative 30 days;
- There are a material increase in outstanding trade and other payables;
- Unspent conditional grant liabilities are not backed up by available cash balances;
- Employee benefit obligations are unfunded;
- Slow collection and low recoverability of outstanding consumer receivables; and
- Unfavourable financial ratio's.

The municipality is exploring alternative options to improve its financial position.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2013 (Act No. 2 of 2013).

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

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

47. Events after the reporting date

Uncertainty existed over the recoverability of indigent household's debts, prescribed debts older than three years, housing loan accounts and inactive accounts accumulating interests since the migration to the E-venus accounting systems.

Council in 2014/2015 financial year approved the following write off for consumer receivables:

Indigent households	617,014,091
Accounts accruing interest (no services)	3,100,262
Residential amounts (3 years and older)	306,870,779
Housing loan accounts	936,543
Total	927,921,675

The balances above include accumulating interest since the reporting. These consumer balances were included in the provision for impairment of consumer receivables at the reporting date therefore not abscessed as an adjusting event for the current financial year.

48. Unauthorised expenditure

Opening balances	3,244,888,921	2,534,989,019
Unauthorised expenditure - operating expenditure	453,240,006	719,253,752
Unauthorised expenditure - capital assets	-	110,840,600
Unauthorised expenditure - condoned	-	(120,194,450)
	3,698,128,927	3,244,888,921

Unauthorised expenditure relate to expenditure incurred that were not budgeted for per department vote (budget overspending).

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

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
49. Fruitless and wasteful expenditure		
Opening balance	233,871,316	157,779,893
Fruitless and wasteful expenditure	103,397,549	76,091,423
	337,268,865	233,871,316

Fruitless and wasteful expenditure include interest charged for late payment to suppliers.

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

50. Irregular expenditure

Opening balance	399,533,588	397,787,370
Irregular expenditure	85,126,150	1,746,218
	484,659,738	399,533,588

51. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide municipal services and infrastructure development and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists out of debt, which includes borrowings in note 12, finance leases in note 13, cash and cash equivalents disclosed in note 8 and net assets as disclosed in the Statement of Financial Position.

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

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Matjhabeng Local Municipality

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	2014	2013
	R	R

51. Risk management (continued)

Liquidity risk

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

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,498,278,693	-	-	-
Consumer deposits	31,765,750	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	18,537,335	-	-	-
Finance lease obligations	210,125	-	-	-
Trade and other payables	960,005,436	-	-	-
Consumer deposits	30,196,789	-	-	-
Bank overdraft	6,187,309	-	-	-

Credit risk

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

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

The municipality limits its credit risk by only banking and investing with registered financial institutions, in terms of the Banks Act, 94 of 1990, operating in South Africa. Given the high credit rating of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Non-current consumer receivables and other receivables are individually evaluated annually at year end for impairment and discounting.

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

Financial instrument	2014	2013
Current investments	10,580,227	19,308,161
Other receivables	4,922,346	3,594,273
Current consumer receivables	539,574,793	147,448,132
Cash and cash equivalents	3,253,558	4,176,254
Non-current investments	16,099,517	13,957,251
Non-current consumer receivables	1,611,776	3,832,050

Market risk

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	2014	2013
	R	R

51. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term loans.

The municipality's interest rate risk arises from long-term borrowings and finance lease obligations. Instruments issued at variable rates expose the municipality to cash flow interest rate risk. Instruments issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality had no long-term floating rate financial instruments at year end requiring an interest rate sensitivity analysis.

Financial liabilities which expose the municipality to interest rate risk were as follows:

Financial instrument	2014	2013
Finance lease obligations	-	18,537,334
Borrowings	-	210,125

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality does not invest in more equity securities as it is prohibited by the MFMA.

Surplus and deficit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	5,018,120	4,539,555
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Being the subscription fee to the South African Local Government Association (SALGA).

Material losses

Distribution losses - Electricity	91,916,893	45,607,808
Distribution losses - Water	107,189,324	97,549,210
	<u>199,106,217</u>	<u>143,157,018</u>

There were no material losses through criminal conduct.

Audit fees

Opening balance	2,842,959	157,392
Fees	7,354,734	6,047,409
Payments	(5,106,511)	(3,361,842)
	<u>5,091,182</u>	<u>2,842,959</u>

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	2014	2013
	R	R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE, UIF and SDL		
Opening balance	5,261,653	4,563,802
Current year payroll deductions and council contributions	67,264,469	59,216,697
Amount paid - current year	(61,184,891)	(53,955,044)
Amount paid - previous years	(5,261,654)	(4,563,802)
	6,079,577	5,261,653
Pension and medical aid deductions		
Opening balance	9,449,657	8,713,489
Current year payroll deductions and council contributions	118,608,372	109,427,968
Amount paid - current year	(108,565,840)	(99,978,311)
Amount paid - previous years	(9,449,657)	(8,713,489)
	10,042,532	9,449,657

Matjhabeng Local Municipality

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Notes to the Financial Statements

	2014 R	2013 R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
The following Councillors had accounts outstanding at 30 June 2014:		
30 June 2014	Outstanding more than 90 days R	Total R
Badenhorst M J	8,779	8,779
Banyane M E	1,156	1,156
Fanie D S	2,746	2,746
Mabote T L	662	662
Mholo P P	7,915	7,915
Mlangeni M G	720	720
Molelekoa P M I	1,005	1,005
Motshabi M P	3,265	3,265
Ntlele K I	20,455	20,455
Ntsebeng M H	16,289	16,289
Phetise M E	13,818	13,818
Qwesha S W	18,648	18,648
Semela M J	61,984	61,984
Speelman N W	34,810	34,810
Tlhone M L	22,878	22,878
Tsubane M E	50,879	50,879
Twanana M	10,927	10,927
	276,936	276,936
30 June 2013	Outstanding more than 90 days R	Total R
Fanie D S	831	831
Fourie J	3,397	3,397
Kabi M	500	500
Khalipha T D	5,180	5,180
Mabote T L	12,920	12,920
May F G	10,684	10,684
Menyatso K J	500	500
Mholo P P	300	300
Mokwena S W	16,772	16,772
Molelekoa P A	57	57
Motshabi M P	1,030	1,030
Ntlele K I	6,687	6,687
Ntsebeng M H	11,273	11,273
Ntsui M L	19,386	19,386
Phetise M E	17,418	17,418
Semela M J	63,377	63,377
Speelman N W	21,525	21,525
Stofile B	2,000	2,000
Taliwe F E	2,593	2,593
Tsubane M E	42,983	42,983

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Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
	239,413	239,413

53. Budget differences

Material differences between budget and actual amounts

Variance Explanations

The budget is approved on an accrual basis by functional classification. The budget and the accounting bases are both on the accrual basis. The annual financial statements are prepared using the functional classification of expenses in the Statement of Financial Performance.

Basis for material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue, operating expenditure and capital expenditure versus the final budget as material.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

Interest received – The main reason for the variance is a result of the higher consumer receivable base.

Other income – The main reason for the variance is the increase in disconnection fees as part of the collection process and the under budgeting in meter fees which also increased as a result of the collection process.

Rental of facilities – The main reason for the variance is as a result of the under budgeting for rental facilities.

Service charges – The main reason for the variance is dependent on consumption.

Fines – The main reason for the variance is due to excessive budgeting.

Government grants and subsidies – The main reason for the variance is that the format of the budget change, in the past the capital grants did not form part of the statement of the financial performance, however this year it was budgeted for.

Property rates – The main reason for the variance is as a result of the dispute being resolved between the National and Provincial government. The two departments paid their arrears during the financial year.

Employee related costs – The variance is regarded as reasonable, however the decrease is as a result of vacancies been budgeted for which were not filled during the financial year.

Depreciation and amortization – The municipality did not budget for deprecation (non-cash item).

Finance cost – The reason for the variance is as a result of the interest due on overdue bulk purchase creditors.

Debt impairment – The budget made provision for debt write-off which did not materialized during the financial year. The write off happened subsequent to year end.

Repairs and maintenance – The reason for the variance is due to the under spending on the budget which resulted from the cash flow constraints experienced during the year.

Bulk purchases – The main reason for the variance is due to the mismatch between payments and expenses.

Contracted services – The main reason for the variance is due to increase in contract workers.

General expenses – The main reason for the variance is due to the mismatch between payments and expenses.

Fair value adjustments – The variance is mainly due to the non-cash items on the actuarial adjustments on employee benefits.

Matjhabeng Local Municipality

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Notes to the Financial Statements

	2014	2013
	R	R

53. Budget differences (continued)

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

54. Deviation from supply chain management regulations

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

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

Deviations	Sole supplier	Emergency	Total
July 2013	115,995.90	224,453.28	340,449.18
August 2013	7,000.00	305,708.39	312,708.39
September 2013	523,751.00	547,172.00	1,070,923.00
October 2013	271,995.29	87,244.20	359,239.49
November 2013	166,640.80	166,567.26	333,208.06
December 2013	205,775.00	569,514.08	775,289.08
January 2014	44,950.20	37,547.61	82,497.81
February 2014	-	374,429.51	374,429.51
March 2014	381,423.69	2,016,473.09	2,397,896.78
April 2014	40,350.00	2,161,201.01	2,201,551.01
May 2014	53,470.92	1,183,943.43	1,237,414.35
June 2014	65,056.04	663,743.36	728,799.40
	1,876,408.84	8,337,997.22	10,214,406.06

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Interest capitalised / Additions	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa (DBSA)							
DBSA (61000776) - 14.5%	102978/1	2013/12/31	18,390,856	1,344,297	19,735,153	-	-
DBSA (61003941) - 10.0%	8110/102	2013/12/31	146,480	7,387	153,867	-	-
			18,537,336	1,351,684	19,889,020	-	-
Total external loans			18,537,336	1,351,684	19,889,020	-	-

APPENDIX B

Analysis of Property, plant and equipment as at 30 June 2013

	COST			ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT		CARRYING VALUE	
	Opening balance Rand	Additions Rand	Disposals Rand	Closing balance Rand	Opening balance Rand	Depreciation Rand	Closing balance Rand	Impairment Rand	Closing balance Rand	Carrying value closing balance Rand
Land										
Land	223,069,175.77	-	-	223,069,175.77	-	-	-	-	-	223,069,175.77
Investment	322,795,316.89	-	-	322,795,316.89	4,216,121.98	290,767.03	4,506,889.01	-	-	318,288,427.88
Subtotal	545,864,492.66	-	-	545,864,492.66	4,216,121.98	290,767.03	4,506,889.01	-	-	541,357,603.65
Buildings										
PPE	172,723,130.67	108,194,319.00	-	280,917,449.67	18,112,388.87	7,052,518.65	25,164,907.52	-	-	255,752,542.15
Investment	192,036,355.20	-	-	192,036,355.20	44,946,949.87	6,401,211.84	51,348,161.71	-	-	140,688,193.49
Community	404,797,116.30	-	-	404,797,116.30	116,107,859.43	25,434,723.16	141,542,582.59	-	-	263,254,533.71
Subtotal	769,556,602.17	108,194,319.00	-	877,750,921.17	179,167,198.17	38,888,453.65	218,055,651.82	-	-	659,695,269.35
RDP Heritage										
RDP inventory	321,622,423.75	-	-	321,622,423.75	-	-	-	-	-	321,622,423.75
Heritage	4,747,834.61	-	-	4,747,834.61	-	-	-	-	-	4,747,834.61
Subtotal	326,370,258.36	-	-	326,370,258.36	-	-	-	-	-	326,370,258.36
Total properties	1,641,791,353.19	108,194,319.00	-	1,749,985,672.19	183,383,320.15	39,179,220.68	222,562,540.83	-	-	1,527,423,131.36
Infrastructure										
Buildings	176,772,543.76	-	-	176,772,543.76	90,159,358.82	6,336,459.43	96,495,818.25	-	-	80,276,725.51
Solid waste disposal	82,107.43	-	-	82,107.43	41,053.71	2,052.69	43,106.40	-	-	39,001.03
Roads	5,006,822,281.25	4,907,936.48	-	5,011,730,217.73	2,435,114,039.72	131,654,673.04	2,566,768,712.76	-	-	2,444,961,504.97
Electricity	1,400,383,145.98	-	-	1,400,383,145.98	698,863,455.14	33,586,612.52	732,450,067.66	-	-	667,933,078.32
Sewerage	1,059,431,984.79	-	-	1,059,431,984.79	522,836,372.00	18,421,685.86	541,258,057.86	-	-	518,173,926.93
Water	709,016,770.37	-	-	709,016,770.37	398,065,596.96	15,869,138.21	413,934,735.17	-	-	295,082,035.20
Total Infrastructure	8,352,508,833.58	4,907,936.48	-	8,357,416,770.06	4,145,079,876.35	205,870,621.75	4,350,950,498.10	-	-	4,006,466,271.96
Total	9,994,300,186.77	113,102,255.48	-	10,107,402,442.25	4,328,463,196.50	245,049,842.43	4,573,513,038.93	-	-	5,533,889,403.32

APPENDIX B

Analysis of Property, plant and equipment as at 30 June 2014

	COST				ACCUMULATED DEPRECIATION					ACCUMULATED IMPAIRMENT			CARRYING VALUE
	Opening balance Rand	Additions Rand	Disposals Rand	Closing balance Rand	Opening balance Rand	Depreciation Rand	Depreciation on additions 2013/2014 Rand	Disposals Rand	Closing balance Rand	Opening balance Rand	Impairment Rand	Closing balance Rand	Carrying value closing balance Rand
Land													
Land	223,069,175.77			223,069,175.77	-	-			-				223,069,175.77
Investment	322,795,316.89	-	1,496,475.00	321,298,841.89	4,506,889.01	290,767.03			4,797,656.04				316,501,185.85
Subtotal	545,864,492.66	-	1,496,475.00	544,368,017.66	4,506,889.01	290,767.03	-	-	4,797,656.04	-	-	-	539,570,361.62
Buildings													
PPE	280,917,449.67	83,068,625.84		363,986,075.51	25,164,907.52	8,917,488.98			34,082,396.50				329,903,679.01
Investment	192,036,355.20			192,036,355.20	51,348,161.71	6,401,211.84			57,749,373.55				134,286,981.65
Community	404,797,116.30			404,797,116.30	141,542,582.59	25,434,723.16			166,977,305.75				237,819,810.55
Subtotal	877,750,921.17	83,068,625.84	-	960,819,547.01	218,055,651.82	40,753,423.98	-	-	258,809,075.80	-	-	-	702,010,471.21
RDP Heritage													
RDP inventory	321,622,423.75			321,622,423.75	-	-			-				321,622,423.75
Heritage	4,747,834.61			4,747,834.61	-	-			-				4,747,834.61
Subtotal	326,370,258.36	-	-	326,370,258.36	-	-	-	-	-	-	-	-	326,370,258.36
Total properties	1,749,985,672.19	83,068,625.84	1,496,475.00	1,831,557,823.03	222,562,540.83	41,044,191.01	-	-	263,606,731.84	-	-	-	1,567,951,091.19
Infrastructure													
Buildings	176,772,543.76	-	-	176,772,543.76	96,495,818.25	6,336,459.43	-	-	102,832,277.68	-	-	-	73,940,266.08
Solid waste disposal	82,107.43	-	-	82,107.43	43,106.40	2,052.69	-	-	45,159.08	-	-	-	36,948.34
Roads	5,011,730,217.73	58,231,814.13	2,886,704.69	5,067,075,327.17	2,566,768,712.76	131,697,404.91	150,925.26	1,007,240.32	2,697,609,802.61	-	-	-	2,369,465,524.56
Electricity	1,400,383,145.98	-	-	1,400,383,145.98	732,450,067.66	33,586,612.51	-	-	766,036,680.17	-	-	-	634,346,465.81
Sewerage	1,059,431,984.79	-	-	1,059,431,984.79	541,258,057.86	18,421,685.86	-	-	559,679,743.72	-	-	-	499,752,241.07
Water	709,016,770.37	-	-	709,016,770.37	413,934,735.17	15,869,138.21	-	-	429,803,873.38	-	-	-	279,212,896.99
Total Infrastructure	8,357,416,770.06	58,231,814.13	2,886,704.69	8,412,761,879.50	4,350,950,498.10	205,913,353.61	150,925.26	1,007,240.32	4,556,007,536.64	-	-	-	3,856,754,342.85
Total	10,107,402,442.25	141,300,439.97	4,383,179.69	10,244,319,702.53	4,573,513,038.93	246,957,544.62	150,925.26	1,007,240.32	4,819,614,268.48	-	-	-	5,424,705,434.05