



# MATATIELE

LOCAL MUNICIPALITY

Matatiele Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2015

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Members of the Council

M.M. Mbedla	<b>Mayor</b>
J. Bosman-Magangana	<b>Speaker</b>
P.A. Mohale	Chief Whip
P.M. Stuurman	Portfolio Head: Budget and Finance
N. Mshuqwana	Portfolio Head: Corporate Services
M.M. Mbobo	Portfolio Head: Community Services
N. Ngwanya	Portfolio Head: Special Programmes Unit
N.A. Nkukhu	Portfolio Head: EDP
S. Mngenela	Portfolio Head: Infrastructure Services
K.C. Biggs	EXCO Member
T.S. Maqhashalala	EXCO Member
T.V. Mongoato	Chairperson: MPAC
P.T. Hloele	Member
M. Lebese	Member
N.B. Nkomo	Member
C.N. Sithole	Member
K.B. Pakkies	Member
C.N. Sambane	Member
S.A. Ndlela	Member
S.T. Stuurman	Member
P.C. Ntsole	Member
S. Baba	Member
I.N. Maketela	Member
S.M. Mzozoyana	Member
L.D. Shemane	Member
P.Z. Bono	Member
N.N. Ndukwana	Member
T. Dyantyi	Member
C.L. Nxesi	Member
T.A. Mhlongo	Member
M.C. Setenane	Member
E.K. Sepuhle	Member
N.S.N. Paula	Member
S. Mavuka	Member
R.T. Mnika	Member
G.M. Letuka	Member
N.C. Ludidi-Mzonke	Member
S.B. Macuphe	Member
M. Tsoloane	Member
P.G. Muir	Member
A.M. Saliwavikwa	Member
N. Njobe	Member
S.A. Sello	Member
W. Potwana	Member
V.M. Mlandu	Member
J.Z. Munyu	Member
V.C. Sigalelana	Member
L.E. Stuurman	Member
K.B. Makholwa	Member
N.E. Kotelana	Member

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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	P.T. Motjope	Member
	S. Mgolombane	Member
<b>Municipal Manager</b>	Dr D.C.T Nakin	
<b>Chief Financial Officer</b>	Mr L. Ndzelu	
<b>Grading of local authority</b>	3	
<b>Registered office</b>	102 Main Street Matatiele 4730	
<b>Physical address</b>	102 Main Street Matatiele 4730	
<b>Postal address</b>	P.O. Box 35 Matatiele 4730	
<b>Bankers</b>	Nedbank	
<b>Auditors</b>	Auditor General	
<b>Tel Number</b>	039 737 3135	
<b>Fax Number</b>	039 737 3611	
<b>Email</b>	manager@matatiele.gov.za	

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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# **Matatiele Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Officer's Responsibilities and Approval**

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I am responsible for the preparation of these Annual financial statements, which are set out on pages 5 to 54 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Dr. D.C.T Nakin**  
**Municipal Manager**

**31 August 2015**

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	2	675 752	547 091
Other receivables from non-exchange transactions	3	3 279 963	2 167 719
VAT receivable from exchange transactions	4	14 761 289	7 749 558
Prepayments	5	550 283	3 299 014
Trade receivables	6	18 205 724	11 036 011
Cash and cash equivalents	7	30 486 661	57 566 399
		<b>67 959 672</b>	<b>82 365 792</b>
<b>Non-Current Assets</b>			
Investment property	8	19 173 900	21 890 900
Property, plant and equipment	9	603 769 767	520 247 315
Intangible assets	10	672 497	950 897
		<b>623 616 164</b>	<b>543 089 112</b>
Non-current assets held for sale and assets of disposal groups		2 665 500	-
<b>Total Assets</b>		<b>694 241 336</b>	<b>625 454 904</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	28 017 318	19 489 781
Consumer deposits	12	295 684	238 242
Unspent conditional grants and receipts	13	5 805 348	8 697 173
Provisions	14	1 563 112	1 455 010
		<b>35 681 462</b>	<b>29 880 206</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	15	8 698 503	7 459 676
Provisions	14	12 364 400	11 684 561
		<b>21 062 903</b>	<b>19 144 237</b>
<b>Total Liabilities</b>		<b>56 744 365</b>	<b>49 024 443</b>
<b>Net Assets</b>		<b>637 496 971</b>	<b>576 430 461</b>
<b>NET ASSETS</b>			
Revaluation reserve	16	92 755 710	95 757 946
Accumulated surplus		544 741 261	480 672 515
<b>Total Net Assets</b>		<b>637 496 971</b>	<b>576 430 461</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
Service charges	18	44 702 491	42 361 972
Rental of facilities and equipment	19	693 989	565 912
Licences and permits		2 291 326	2 188 705
Other income	20	1 297 011	3 991 758
Interest earned- external investments	21	7 696 076	7 878 167
Property rates	22	19 111 649	22 600 235
Government grants & subsidies	23	220 840 603	198 426 959
Public contributions and donations	24	720 500	183 922
Fine receipts		1 821 294	3 672 275
<b>Total revenue</b>	17	<b>299 174 939</b>	<b>281 869 905</b>
<b>Expenditure</b>			
Employee related costs	25	(75 878 615)	(69 114 691)
Remuneration of councillors	26	(15 936 744)	(14 806 549)
Landfill site provision contribution		(402 064)	(272 158)
Depreciation and amortisation	27	(20 919 273)	(19 062 015)
Finance costs	28	(15 300)	(1 830)
Debt impairment	29	(2 249 057)	(20 249 896)
Repairs and maintenance		(12 591 895)	(10 751 099)
Bulk purchases	30	(28 923 865)	(26 146 887)
Contracted services	31	(13 417 250)	(13 388 834)
Conditional grants - Operating expenditure	32	(23 564 027)	(32 778 392)
General expenses	33	(44 032 158)	(35 642 957)
<b>Total expenditure</b>		<b>(237 930 248)</b>	<b>(242 215 308)</b>
<b>Operating surplus</b>		<b>61 244 691</b>	<b>39 654 597</b>
Gain / (loss) on sale of assets		(79 447)	537 386
Fair value adjustment		-	12 046 345
Impairment Loss		-	(7 273 280)
		<b>(79 447)</b>	<b>5 310 451</b>
<b>Surplus for the year</b>		<b>61 165 244</b>	<b>44 965 048</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>62 601 010</b>	<b>432 701 463</b>	<b>495 302 473</b>
Changes in net assets			
Write off in stale cheques	-	82 472	82 472
Transfer from Revaluation to Accumulated Surplus	(2 923 532)	2 923 532	-
Revaluation of Property, Plant and Equipment	36 080 468	-	36 080 468
Net income (losses) recognised directly in net assets	33 156 936	3 006 004	36 162 940
Deficit for the year	-	44 965 048	44 965 048
Total recognised income and expenses for the year	33 156 936	47 971 052	81 127 988
Total changes	33 156 936	47 971 052	81 127 988
<b>Balance at 01 July 2014</b>	<b>95 757 946</b>	<b>480 672 517</b>	<b>576 430 463</b>
Changes in net assets			
Writing off of stale cheques	-	21 660	21 660
Adjustment of Investment Property	-	(141 000)	(141 000)
Retention Adjustment	-	20 604	20 604
Transfer from Revaluation to Accumulated Surplus	(3 002 236)	3 002 236	-
Net income recognised directly in net assets	(3 002 236)	2 903 500	(98 736)
Surplus for the year	-	61 165 244	61 165 244
Total recognised income and expenses for the year	(3 002 236)	64 068 744	61 066 508
Total changes	(3 002 236)	64 068 744	61 066 508
<b>Balance at 30 June 2015</b>	<b>92 755 710</b>	<b>544 741 261</b>	<b>637 496 971</b>
Note(s)	16		



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fine receipts		1 821 294	3 672 275
Sale of goods and services		52 783 383	51 067 877
Grants		220 192 526	190 896 955
Interest received		7 696 076	7 878 167
Other receipts		2 814 714	6 231 945
		<u>285 307 993</u>	<u>259 747 219</u>
<b>Payments</b>			
Employee costs		(92 088 426)	(83 927 945)
Suppliers		(92 387 708)	(80 566 083)
Finance costs		(15 300)	(1 830)
Other payments		(23 653 527)	(32 779 943)
		<u>(208 144 961)</u>	<u>(197 275 801)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>77 163 032</u></b>	<b><u>62 471 418</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(104 247 764)	(89 814 949)
Proceeds from sale of property, plant and equipment	9	4 993	1 252 130
Proceeds from sale of investment property	8	-	55 200
Purchase of other intangible assets	10	-	(621 391)
Maturing of investments		-	6 988 604
		<u>(104 242 771)</u>	<u>(82 140 406)</u>
<b>Net cash flows from investing activities</b>		<b><u>(104 242 771)</u></b>	<b><u>(82 140 406)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b><u>(27 079 741)</u></b>	<b><u>(19 668 988)</u></b>
Cash and cash equivalents at the beginning of the year		57 566 401	77 235 389
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>30 486 660</u></b>	<b><u>57 566 401</u></b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						Reference
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Figures in Rand						
<b>Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	48 690 405	-	<b>48 690 405</b>	44 702 491	<b>(3 987 914)</b>	
Rental of facilities and equipment	560 945	-	<b>560 945</b>	693 989	<b>133 044</b>	
Licences and permits	1 872 000	-	<b>1 872 000</b>	2 291 326	<b>419 326</b>	
Other income	54 987 690	1 313 459	<b>56 301 149</b>	1 297 011	<b>(55 004 138)</b>	
Interest received - investment	6 143 340	2 000 000	<b>8 143 340</b>	7 696 076	<b>(447 264)</b>	
<b>Total revenue from exchange transactions</b>	<b>112 254 380</b>	<b>3 313 459</b>	<b>115 567 839</b>	<b>56 680 893</b>	<b>(58 886 946)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	30 729 031	2 000 000	<b>32 729 031</b>	19 111 649	<b>(13 617 382)</b>	
Government grants & subsidies	231 194 297	(2 339 362)	<b>228 854 935</b>	220 840 603	<b>(8 014 332)</b>	
<b>Transfer revenue</b>						
Public contributions and donations	-	-	-	720 500	<b>720 500</b>	
Fines	1 283 050	918 000	<b>2 201 050</b>	1 821 294	<b>(379 756)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>263 206 378</b>	<b>578 638</b>	<b>263 785 016</b>	<b>242 494 046</b>	<b>(21 290 970)</b>	
<b>Total revenue</b>	<b>375 460 758</b>	<b>3 892 097</b>	<b>379 352 855</b>	<b>299 174 939</b>	<b>(80 177 916)</b>	
<b>Expenditure</b>						
Employee Related Costs	(90 728 880)	5 654 680	<b>(85 074 200)</b>	(75 878 615)	<b>9 195 585</b>	
Remuneration of councillors	(17 506 194)	1 438 882	<b>(16 067 312)</b>	(15 936 744)	<b>130 568</b>	
Landfill site provision contribution	-	(403 000)	<b>(403 000)</b>	(402 064)	<b>936</b>	
Depreciation and amortisation	(14 065 850)	(7 025 406)	<b>(21 091 256)</b>	(20 919 273)	<b>171 983</b>	
Impairment loss/ Reversal of impairments	-	(100 000)	<b>(100 000)</b>	-	<b>100 000</b>	
Finance costs	-	-	-	(15 300)	<b>(15 300)</b>	
Debt impairment	(3 948 715)	(1 095 000)	<b>(5 043 715)</b>	(2 249 057)	<b>2 794 658</b>	
Repairs and maintenance	(11 315 000)	(3 107 005)	<b>(14 422 005)</b>	(12 591 895)	<b>1 830 110</b>	
Bulk purchases	(28 000 000)	(933 000)	<b>(28 933 000)</b>	(28 923 865)	<b>9 135</b>	
Contracted Services	(15 986 544)	1 671 050	<b>(14 315 494)</b>	(13 417 250)	<b>898 244</b>	
Conditional grants - Operating expenditure	(27 144 247)	(5 549 803)	<b>(32 694 050)</b>	(23 564 027)	<b>9 130 023</b>	
General Expenses	(49 184 096)	3 079 178	<b>(46 104 918)</b>	(43 014 186)	<b>3 090 732</b>	
<b>Total expenditure</b>	<b>(257 879 526)</b>	<b>(6 369 424)</b>	<b>(264 248 950)</b>	<b>(236 912 276)</b>	<b>27 336 674</b>	
<b>Operating surplus</b>	<b>117 581 232</b>	<b>(2 477 327)</b>	<b>115 103 905</b>	<b>62 262 663</b>	<b>(52 841 242)</b>	
Loss on disposal of assets and liabilities	-	(61 500)	<b>(61 500)</b>	(79 447)	<b>(17 947)</b>	
<b>Profit before taxation</b>	<b>117 581 232</b>	<b>(2 538 827)</b>	<b>115 042 405</b>	<b>62 183 216</b>	<b>(52 859 189)</b>	

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>117 581 232</b>	<b>(2 538 827)</b>	<b>115 042 405</b>	<b>62 183 216</b>	<b>(52 859 189)</b>	

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

#### Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### Going Concern Assumption

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

#### Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 20 Related Party Disclosures  
GRAP 32 Service Concession Arrangements: Grantor  
GRAP 105 Transfer of Function Between Entities Under Common Control  
GRAP 106 Transfer of Function Between Entities Not Under Common Control  
GRAP 107 Mergers  
GRAP 108 Statutory Receivables  
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Adoption of these standards will have no material impact on future financial periods.

The following GRAP standard has been approved but is not required to be applied:

GRAP 18 Segment Reporting

#### Critical judgments, estimations and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

### 1.2 Investment property

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, as well as land with no determinable future use.

Investment property is initially measured 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.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### Investment property (continued)

#### Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### 1.3 Property, plant and equipment

#### 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.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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 asset(s) given up.

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.

The residual value of property, plant and equipment has been determined using historical data and market conditions. A base level of 20 percent is applied except where specific assets are deemed to vary significantly from this estimate.

#### SUBSEQUENT MEASUREMENT

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### Property, plant and equipment (continued)

The following categories of property, plant and equipment are carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:

- Other property, plant and equipment
- Capital under construction

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

### DEPRECIATION

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

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost or revalued amount, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year end:

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### Property, plant and equipment (continued)

<b>Infrastructure:</b>	<b>Years</b>	<b>Community:</b>	<b>Years</b>	<b>Other:</b>	<b>Years</b>
Roads and Paving	10-100	Improvements	25-30	Buildings	25-30
Electricity	15-60	Recreational facilities	15-30	Specialist vehicles	10-15
Water	15-100	Security	15-25	Other vehicles	05-10
Sewerage	16-60	<b>Components:</b>		Office equipment	03-15
Landfill Sites	10-65	Doors & Iron	8-15	Furniture and fittings	05-15
Housing	30	Doors & Iron(extensive)	15-30	Watercraft	15-20
Pedestrian Malls	15-30	Fittings	5-15	Bins and containers	15-15
		Fittings and fixtures	15-30	Specialised equipment	10-15
		Windows & glazing	8-15	Other plant and equip	02-15
		Windows & glazing (extensive)	15-30		
		External wall	20-30		
		External roof structure/covering	15-35		
		Floor structure	20-40		
		Floor finish	5-15		
		Wall painting	5-10		
		Wall structure (internal)	20-50		
		Drainage	10-30		
		Electrical	10-30		
		Plumbing	10-30		

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.

#### 1.4. Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably

Intangible assets are initially recognised at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	3-5 years
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### SUBSEQUENT MEASUREMENT

Intangible assets are subsequently measured at cost less accumulated amortisation.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Financial instruments

#### Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

#### Subsequent measurement

Financial instruments are classified as financial instruments at fair value through profit or loss where the financial instrument is either held for trading (including derivative instruments) or is designated as at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

#### Trade Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 1.7. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

#### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Financial Liabilities

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows.

#### Trade Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost

### 1.5 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.

#### Operating leases - lessor

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

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 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.

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.

### 1.7 Impairment of assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired & is written down to its recoverable amount or recoverable service amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

### 1.8 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

### 1.9 Employee costs

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

All Actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present or constructive 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.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

### 1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### Revenue from exchange transactions (continued)

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Interest revenue is recognised on a time proportion basis.

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

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

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

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Revenue from non-exchange transactions

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

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

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

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

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

### Government grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### Unspent conditional grants

For all conditional grants, a corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

### 1.14 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.

### 1.15 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.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Irregular expenditure

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

### 1.17 Change in Accounting Policies, Estimates and Errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the changes in estimates are disclosed in the notes to the financial statements where applicable.

### 1.18 Prepayments

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

### 1.19. Accumulated Surplus

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors.

### 1.20 Principles applicable to the recognition and measurement of traffic fines

#### New principle to be applied from 1 July 2013

In 2012, the ASB revised IGRAP 1 Applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

#### Impact of IGRAP 1 on previous periods

In 2013/14, the amendment to IGRAP 1 is effective from 1 July 2013 and should be applied prospectively. This means that if an entity did include the probability of non-payment in the initial recognition and measurement of revenue in 2012/13, then in 2013/14 it need not retrospectively restate the comparative information to exclude the probability of non-payment. However, the municipality adopted this standard for the first time in 2013/14 reporting period.

### 1.21 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

### 1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), 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 a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.2 Budget information (continued)

The Statement of Comparison of Budget and Actual Amounts is disclosed on page 9 of the Annual Financial Statements.

Significant variances between budgeted amounts and actual amounts are disclosed in note 50 as well as reasons for these variances.

### 1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### 1.24 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

### 1.25 Housing development fund / Housing operating account

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### 1.26 Revaluation reserve

The surplus arising from the revaluation of Property, Plant and Equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>2. Inventories</b>		
Consumable stores	673 083	544 422
Medallions - at cost	2 669	2 669
	<b>675 752</b>	<b>547 091</b>

Inventories are held for own use with the result that no write downs of inventory to net realisable value were required.

### 3. Other receivables

Traffic Fines Debtor	1 276 240	1 767 150
Other Debtors	118 694	108 666
Debtors Sundry	10 600 546	10 632 199
Housing Debtors	17 964	12 983
Health Subsidy Control	35 519	35 519
Debtors Interest	72 508	142 931
Sundry Debtors Control	442 521	565 473
Less: Provision for Impairment	(9 284 029)	(11 097 202)
	<b>3 279 963</b>	<b>2 167 719</b>

Health Subsidy Control relates to expenses incurred by the municipality on an agency basis on behalf of the Provincial Government, a sundry debtor is raised which will be recovered.

Sundry Debtors relates to Alfred Nzo District Municipality and Sisonke District Municipality for transfer of water services.

### 4. VAT receivable from exchange transactions

VAT	14 761 289	7 749 558
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

### 5. Prepayments

SALGA Subscription for 2014/2015	-	650 504
Dimension Data	-	2 648 510
Chicolollo Free Basic Maintenance Supply	521 053	-
MAMS Assets System	24 640	-
Kokstad Copiers Maintenance	4 590	-
	<b>550 283</b>	<b>3 299 014</b>

### 6. Trade receivables

#### Gross balances

Rates from non exchange transactions	37 436 994	27 649 901
Electricity from exchange transactions	3 492 063	3 269 315
Refuse from exchange transactions	9 396 249	8 174 148
	<b>50 325 306</b>	<b>39 093 364</b>

#### Less: Allowance for impairment

Rates from non exchange transactions	(22 729 265)	(19 299 631)
Electricity from exchange transactions	(852 070)	(1 357 337)
Refuse from exchange transactions	(8 538 247)	(7 400 385)
	<b>(32 119 582)</b>	<b>(28 057 353)</b>



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>6. Trade receivables (continued)</b>		
<b>Net balance</b>		
Rates from non exchange transactions	14 707 729	8 350 270
Electricity from exchange transactions	2 639 993	1 911 978
Refuse from exchange transactions	858 002	773 763
	<b>18 205 724</b>	<b>11 036 011</b>
<b>Rates from non exchange transactions</b>		
Current (0 -30 days)	11 131	155 963
31 - 60 days	23 134	484 587
61 - 90 days	266 172	536 995
91 - 120 days	226 486	366 413
121 - 365 days	8 760 684	16 573 085
> 365 days	28 149 386	9 532 858
Impairment	(22 729 264)	(19 299 631)
	<b>14 707 729</b>	<b>8 350 270</b>
<b>Electricity from exchange transactions</b>		
Current (0 -30 days)	1 954 876	1 702 619
31 - 60 days	323 712	521 252
61 - 90 days	138 742	146 494
91 - 120 days	91 793	141 694
121 - 365 days	671 997	721 915
> 365 days	310 943	35 341
Impairment	(852 070)	(1 357 337)
	<b>2 639 993</b>	<b>1 911 978</b>
<b>Refuse from exchange transactions</b>		
Current (0 -30 days)	600 807	549 871
31 - 60 days	350 030	540 201
61 - 90 days	225 657	186 212
91 - 120 days	190 724	165 875
121 - 365 days	1 415 949	6 731 639
> 365 days	6 613 082	350
Impairment	(8 538 247)	(7 400 385)
	<b>858 002</b>	<b>773 763</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>6. Trade receivables (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	408 263	407 723
31 - 60 days	286 235	835 896
61 - 90 days	425 290	507 583
91 - 120 days	380 674	468 045
121 - 365 days	2 778 897	16 222 424
> 365 days	25 707 266	7 967 474
	<u>29 986 625</u>	<u>26 409 145</u>
Less: Allowance for impairment	(28 916 538)	(25 007 109)
	<b>1 070 087</b>	<b>1 402 036</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	1 674 853	1 620 960
31 - 60 days	254 081	481 346
61 - 90 days	120 116	211 468
91 - 120 days	57 721	85 750
121 - 365 days	600 812	2 140 010
> 365 days	2 321 024	567 824
	<u>5 028 607</u>	<u>5 107 358</u>
Less: Allowance for impairment	(3 203 044)	(3 050 244)
	<b>1 825 563</b>	<b>2 057 114</b>
<b>National and provincial government</b>		
Current (0 -30 days)	483 699	379 770
31 - 60 days	156 561	228 798
61 - 90 days	85 165	150 651
91 - 120 days	70 609	120 186
121 - 365 days	7 468 921	5 664 205
> 365 days	7 045 121	1 033 252
	<u>15 310 076</u>	<u>7 576 862</u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(28 057 353)	(18 997 877)
Contributions to allowance	(4 062 229)	(9 059 476)
	<b>(32 119 582)</b>	<b>(28 057 353)</b>

The fair value of receivables from exchange transactions was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

As of 30 June 2015, trade and other receivables from exchange transactions of R32 119 582 (2014: R28 057 353) were impaired and provided for.

## 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 250	1 250
Bank balances	8 453 395	3 254 992
Short-term deposits	22 032 016	54 310 157
	<u>30 486 661</u>	<u>57 566 399</u>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 7. Cash and cash equivalents (continued)

Short-term deposits represent investments held at various financial institutions. An investment register detailing these accounts is available at the municipal offices.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Nedbank - Matatiele (Main) Account number 1011292106	9 688 467	9 123 086	(6 289 863)	2 673 789
Standard Bank - Matatiele Account number 060435224	7 211 214	242 361	7 211 214	242 511
First National Bank - Matatiele Account number 62108495187	7 531 444	338 692	7 532 044	338 692
<b>Total</b>	<b>24 431 125</b>	<b>9 704 139</b>	<b>8 453 395</b>	<b>3 254 992</b>

### 8. Investment property

	2015		2014	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	19 173 900	19 173 900	21 890 900	21 890 900

#### Reconciliation of investment property carried at Fair Value - 2015

	Opening balance	Transfers	Other changes, movements	Total
Investment property	21 890 900	(2 576 000)	(141 000)	19 173 900

#### Reconciliation of investment property carried at Fair Value - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	9 898 255	(55 200)	12 047 845	21 890 900

#### Investment Property Information

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

The effective date of revaluations was 1 July 2013.

The valuation was performed using data based on arms length transactions and related market evidence.

This was done by an independent by a professional valuer with the Registration Number 3550/09 by the name of Kwasi Agyabem Boateng who has a Bsc Honours Land Economy.

Rental revenue from investment property	693 989	565 912
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# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	77 999 929	(4 980 742)	73 019 187	61 526 922	(4 326 561)	57 200 361
Infrastructure	384 772 147	(89 006 152)	295 765 995	361 637 360	(75 891 179)	285 746 181
Community	97 534 400	(21 976 590)	75 557 810	93 437 060	(18 460 416)	74 976 644
Other property, plant and equipment	47 701 366	(14 642 661)	33 058 705	38 554 023	(11 320 757)	27 233 266
Capital under construction	126 368 070	-	126 368 070	75 090 863	-	75 090 863
<b>Total</b>	<b>734 375 912</b>	<b>(130 606 145)</b>	<b>603 769 767</b>	<b>630 246 228</b>	<b>(109 998 913)</b>	<b>520 247 315</b>

### Reconciliation of property, plant and equipment - June 2015

	Opening balance	Additions	Transfers	Disposals	Depreciation	Total
Land and buildings	57 200 361	-	16 473 007	-	(654 181)	73 019 187
Infrastructure	285 746 181	3 638 284	19 516 865	(16 655)	(13 118 680)	295 765 995
Community	74 976 644	1 895 245	2 202 095	-	(3 516 174)	75 557 810
Other property, plant and equipment	27 233 266	9 245 061	-	(67 785)	(3 351 837)	33 058 705
Capital under construction	75 090 863	89 558 674	(38 281 467)	-	-	126 368 070
<b>Total</b>	<b>520 247 315</b>	<b>104 337 264</b>	<b>(89 500)</b>	<b>(84 440)</b>	<b>(20 640 872)</b>	<b>603 769 767</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - June 2014

	Opening balance	Additions	Transfers	Write off	Revaluations	Depreciation	Impairment loss	Total
Land and buildings	26 450 856	-	-	-	33 255 155	(572 511)	(1 933 139)	57 200 361
Infrastructure	251 564 799	3 255 557	42 923 739	-	-	(11 997 914)	-	285 746 181
Community	71 834 660	1 704 838	7 397 706	-	2 823 812	(3 444 230)	(5 340 142)	74 976 644
Other property, plant and equipment	20 453 571	10 381 954	-	(714 744)	-	(2 887 515)	-	27 233 266
Capital under construction	50 939 708	74 472 600	(50 321 445)	-	-	-	-	75 090 863
	<b>421 243 594</b>	<b>89 814 949</b>	-	<b>(714 744)</b>	<b>36 078 967</b>	<b>(18 902 170)</b>	<b>(7 273 281)</b>	<b>520 247 315</b>

#### Revaluations

Land is re-valued independently every 5 years.

The valuation was performed using data based on arms length transactions.

These assumptions were based on current market conditions.

The valuation of land was done through the process of creating a new valuation roll as per the requirements of the Municipal Property Rates Act. The new valuation roll was effective from 1st July 2013 and the revaluation of Land was accordingly done.

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.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 283 681	(611 184)	672 497	1 283 681	(332 784)	950 897

#### Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	950 897	(278 400)	672 497

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	489 347	621 391	(159 841)	950 897

### 11. Payables from exchange transactions

Trade payables	15 806 535	8 800 695
Leave pay accrual	5 504 919	4 685 168
Income received in advance	1 013 760	196 260
Payments received in advance	1 466 225	1 630 415
Other creditors	2 753 439	2 764 980
Bonus accrual	1 472 440	1 412 262
	<b>28 017 318</b>	<b>19 489 781</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Income received in advance is due to payments received for hall hire and prepaid electricity.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Bonus accrual is calculated on a 13th cheque attributable to all staff.

### 12. Consumer deposits

Electricity	295 684	238 242
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Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer deposits approximate their fair values. The fair value of Consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
National: MIG grant	-	3 410 836
National: DoE Electrification grant	-	104 565
Provincial government grants	163 962	1 116 402
Local government	1 242 575	1 242 575
Asset Register Grant	2 359 161	364 993
Library Upgrade	572 616	414 772
Spatial Development	283 200	390 000
LED Grain Storage	307 484	600 000
LED Projects	607 515	607 515
Other Grants	268 835	445 515
	<b>5 805 348</b>	<b>8 697 173</b>

Refer to note 23 for reconciliation of grants and receipts.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 14. Provisions

#### Reconciliation of provisions - 2015

	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>
Environmental rehabilitation	10 384 120	402 063	10 786 183
Provision for long service award	1 918 636	317 756	2 236 392
Performance bonus	836 815	68 122	904 937
	<b>13 139 571</b>	<b>787 941</b>	<b>13 927 512</b>

#### Reconciliation of provisions - 2014

	<b>Opening Balance</b>	<b>Additions</b>	<b>Total</b>
Environmental rehabilitation	10 111 962	272 158	10 384 120
Provision for long service award	1 478 543	440 093	1 918 636
Performance bonus	537 411	299 404	836 815
	<b>12 127 916</b>	<b>1 011 655</b>	<b>13 139 571</b>
Non-current liabilities		12 364 400	11 684 561
Current liabilities		1 563 112	1 455 010
		<b>13 927 512</b>	<b>13 139 571</b>

#### Performance Bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

#### Long Service

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance 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 5 years and every 5 years thereafter 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-term incentives are accounted for through the statement of financial performance.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

#### Environmental rehabilitation provision

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, " All land fills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leachate management."

The financial implications for the rehabilitation of the landfill site were performed by ADV. C P Herbst, whom is a mineral and environmental laws consultant. This was carried out on the 25 July 2015 for the effective date, 30 June 2015. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 14. Provisions (continued)

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design.

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

The monetary value for the provision for the landfill site at 30 June 2015 is R 10 786 183 (2014: R 10 384 120).

### 15. Employee benefit obligations

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

#### Carrying value

Long term portion of Health Care Benefit Liability	8 444 451	7 245 524
Current portion of Health Care Benefit	254 052	214 152
<b>Net liability</b>	<b>8 698 503</b>	<b>7 459 676</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	7 459 676	6 218 312
Liabilities extinguished on settlements	(214 152)	(271 788)
Net expense recognised in the statement of financial performance	1 452 979	1 513 152
	<b>8 698 503</b>	<b>7 459 676</b>

Net expense recognised in the statement of financial performance

Current service cost	952 359	710 554
Interest cost	675 151	547 169
Actuarial (gains) losses	(174 531)	255 429
<b>Total included in employee related costs</b>	<b>1 452 979</b>	<b>1 513 152</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the results of the Medical Aid Funds, with which the municipality is associated a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Chanan Weiss of ARCH Actuarial Consulting, fellow of the faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 15. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Average retirement age	63	63
Discount rates used	9,05 %	9,18 %
Health care cost inflation rate	8,21 %	8,42 %
Net effective discount rate	0,78 %	0,70 %

#### 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
Effect on the aggregate of the service cost and interest cost	2 004 200	1 337 200
Effect on defined benefit obligation	10 385 000	7 377 000

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	8 698 503	7 459 676	6 218 312	5 354 211	2 958 546
Plan assets	-	-	-	-	-
Surplus (deficit)	(8 698 503)	(7 459 676)	(6 218 312)	(5 354 211)	(2 958 546)

### 16. Revaluation reserve

Opening balance	95 757 946	62 601 010
Transfer from Revaluation Reserve To Accumulated Surplus	(3 002 236)	(2 923 532)
Revaluation of Property, Plant and Equipment	-	36 080 468
	<b>92 755 710</b>	<b>95 757 946</b>

The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council do not currently intend to make any distributions from the revaluation reserve.

### 17. Revenue

Service charges	44 702 491	42 361 972
Rental of facilities and equipment	693 989	565 912
Licences and permits	2 291 326	2 188 705
Other income	1 297 011	3 991 758
Interest received - investment	7 696 076	7 878 167
Property rates	19 111 649	22 600 235
Government grants & subsidies	220 840 603	198 426 959
Public contributions and donations	720 500	183 922
Fine receipts	1 821 294	3 672 275
	<b>299 174 939</b>	<b>281 869 905</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	44 702 491	42 361 972
Rental of facilities and equipment	693 989	565 913
Licences and permits	2 291 326	2 188 705
Other income	1 297 011	3 991 758
Interest received - investment	7 696 076	7 878 167
	<b>56 680 893</b>	<b>56 986 515</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	19 111 649	22 600 235
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#### Transfer revenue

Government grants & subsidies	220 840 603	198 426 959
Public contributions and donations	720 500	183 922
Fine receipts	1 821 294	3 672 275
	<b>242 494 046</b>	<b>224 883 391</b>

### 18. Service charges

Sale of electricity	37 506 236	35 752 556
Refuse removal	7 196 255	6 609 416
	<b>44 702 491</b>	<b>42 361 972</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### 19. Rental of facilities and equipment

Hall Hire	99 017	144 141
Housing Rental	7 402	1 332
Farm Rental	84 953	94 448
Site Rental	435 453	307 735
Stadium Hire	67 164	18 256
	<b>693 989</b>	<b>565 912</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>20. Other income</b>		
Nature reserve chalets	17 693	14 884
Telephone private calls	1 830	-
Electricity connections	292 675	88 195
Service connection	19 363	93 338
Sundry services	289 033	198 103
Wood sales	-	175
Pool fees	34 051	8 303
Nature reserve annual licence	1 579	11 354
Nature reserve daily fishing	6 811	7 018
Rates certificates	4 596	2 982
Building exemption certificates	6 897	14 888
Building plans	142 887	227 337
Library membership fees	-	100
Photo copies	911	501
Plant hire	203	2 837 552
Pound fees	97 437	158 838
Cemetery fees	54 514	61 722
Tender documents	276 150	165 512
Nature reserve income	175	395
Driveway hardening	7 860	5 240
Music Festival	42 346	95 321
	<b>1 297 011</b>	<b>3 991 758</b>

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

### 21. Investment revenue

#### Interest revenue

Interest on short-term bank deposits	3 606 763	5 414 485
Loans and receivables	4 089 313	2 463 682
	<b>7 696 076</b>	<b>7 878 167</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>22. Property rates</b>		
<b>Rates received</b>		
Residential	7 900 022	14 522 147
Commercial	7 165 568	14 508 694
Agricultural	1 167 380	2 122 048
Vacant land	366 587	396 602
Municipal and Local Government (Rural)	13 785 654	-
Exempted properties	(2 479 620)	2 312 620
Adjusted Corrections	(736 799)	3 840 793
Less: Rebates ( Phase-in )	(8 057 143)	(15 102 669)
	<b>19 111 649</b>	<b>22 600 235</b>

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2013.

### Valuations

Residential	854 931 820	964 352 500
Commercial	721 608 000	802 948 000
Agricultural	564 224 509	564 224 509
Vacant land	20 305 000	21 967 500
Municipal and Local Government (Rural)	631 151 639	468 680 639
Exempted properties	240 769 680	308 615 500
	<b>3 032 990 648</b>	<b>3 130 788 648</b>

A general rate of R1.44 (2014: R1.44) is applied to residential property valuations and R1.73 (2014: R1.73) to commercial property valuations to determine assessment rates. Rebates of 35% (2014: 35%) are granted to residential property owners and 10% (2014: 10%) to commercial property owners.

Rates are levied on an annual basis with the final date for payment being 30 September 2015 (30 September 2014). Interest at 18% per annum (2014: 18%) and a collection fee of 0% (2014: 0%), is levied on rates outstanding two months after due date.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	138 979 000	118 051 000
	<b>138 979 000</b>	<b>118 051 000</b>
<b>Capital grants</b>		
National: FMG grant	1 600 000	1 550 000
National: MIG grant	46 926 089	48 774 818
National: MSIG grant	934 000	890 000
National: DoE Electrification grant	21 904 565	9 904 298
Nature Reserve / Greenest Town	143 437	104 542
LUMS	-	120 750
Provincial: Capacity Building	-	14 834
Incentive Grant	4 485 000	4 564 171
Provincial: Treasury	809 003	741 670
Provincial: DEAT	-	184 183
Provincial: Seeta	167 526	312 956
Music Festival	500 000	-
Other Grants	362 651	329 783
LED	94 028	-
Spatial Development	106 800	-
Clean audit Umzimvubu	-	3 500 000
Grain Storage	692 516	-
Asset Register Grant	3 005 832	1 635 007
Desrac Grant	130 156	161 228
National: Election Grant	-	7 587 719
	<b>81 861 603</b>	<b>80 375 959</b>
	<b>220 840 603</b>	<b>198 426 959</b>

### Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations.

#### National: FMG grant

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

#### National: MIG grant

Balance unspent at beginning of year	3 410 836	11 728 654
Current-year receipts	45 759 000	40 457 000
Conditions met - transferred to revenue	(46 926 089)	(48 774 818)
Transferred to Retentions	(2 243 747)	-
	-	<b>3 410 836</b>

#### National: MSIG grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

#### National: DoE Electrification grant

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	104 565	8 863
Current-year receipts	21 800 000	10 000 000
Conditions met - transferred to revenue	(21 904 565)	(9 904 298)
	<b>-</b>	<b>104 565</b>
<b>National: Clean Audit</b>		
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	-	(3 500 000)
	<b>-</b>	<b>-</b>
<b>Provincial government</b>		
Balance unspent at beginning of year	972 965	1 648 977
Conditions met - transferred to revenue	(809 003)	(676 012)
	<b>163 962</b>	<b>972 965</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>Local government</b>		
Balance unspent at beginning of year	1 242 575	271 860
Current-year receipts	-	970 715
	<b>1 242 575</b>	<b>1 242 575</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>Asset Register Grant</b>		
Balance unspent at beginning of year	364 993	-
Current-year receipts	5 000 000	2 000 000
Conditions met - transferred to revenue	(3 005 832)	(1 635 007)
	<b>2 359 161</b>	<b>364 993</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>Library Upgrade</b>		
Balance unspent at beginning of year	414 772	288 000
Current-year receipts	288 000	288 000
Conditions met - transferred to revenue	(130 156)	(161 228)
	<b>572 616</b>	<b>414 772</b>
Conditions still to be met - remain liabilities (see note 13)		

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Government grants and subsidies (continued)</b>		
<b>Spatial Development</b>		
Balance unspent at beginning of year	390 000	-
Current-year receipts	-	390 000
Conditions met - transferred to revenue	(106 800)	-
	<b>283 200</b>	<b>390 000</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>LED Grain Storage</b>		
Balance unspent at beginning of year	600 000	-
Current-year receipts	400 000	600 000
Conditions met - transferred to revenue	(692 516)	-
	<b>307 484</b>	<b>600 000</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>LED Projects</b>		
Balance unspent at beginning of year	607 515	791 698
Conditions met - transferred to revenue	-	(184 183)
	<b>607 515</b>	<b>607 515</b>
Conditions still to be met - remain liabilities (see note 13)		
<b>Incentive Grant</b>		
Balance unspent at beginning of year	-	618 171
Current-year receipts	4 485 000	3 946 000
Conditions met - transferred to revenue	(4 485 000)	(4 564 171)
	-	-
Conditions still to be met - remain liabilities (see note 13)		
<b>Music Festival</b>		
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
	-	-
<b>Provincial: Seeta</b>		
Current-year receipts	167 526	312 956
Conditions met - transferred to revenue	(167 526)	(312 956)
	-	-
<b>Other Grants</b>		
Balance unspent at beginning of year	445 515	648 881
Current-year receipts	185 971	97 167
Conditions met - transferred to revenue	(362 651)	(300 533)
	<b>268 835</b>	<b>445 515</b>



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>23. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 13).		
<b>Nature Reserve / Greenest Town</b>		
Balance unspent at beginning of year	143 437	313 637
Conditions met - transferred to revenue	(143 437)	(170 200)
	<b>-</b>	<b>143 437</b>
<b>LED</b>		
Balance unspent at beginning of year	112 000	-
Current-year receipts	-	112 000
Conditions met - transferred to revenue	(94 029)	-
	<b>17 971</b>	<b>112 000</b>
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
<b>24. Public contributions and donations</b>		
Donations	720 500	183 922

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>25. Employee related costs</b>		
Basic	56 671 508	51 262 394
Bonus	2 555 181	2 275 482
Medical aid - company contributions	1 884 514	1 503 583
UIF	463 447	220 856
SDL	30 015	26 266
Leave pay accrual charge	1 189 849	2 151 634
Defined benefit plan expense	317 756	516 038
Defined benefit obligation	6 684 464	5 331 247
Overtime payments	1 566 019	2 053 890
Other allowances	35 600	31 600
Car allowance	3 083 619	2 726 916
Housing benefits and allowances	1 396 643	1 014 785
	<b>75 878 615</b>	<b>69 114 691</b>

Post employment benefits comprises an amount of R6 684 464 (2014: R5 331 247) which are pension payments.

### Remuneration of Municipal Manager

Annual Remuneration	1 034 875	909 192
Car Allowance	300 000	259 470
Performance Bonuses	-	136 101
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 336 660</b>	<b>1 306 548</b>

Dr D.C.T Nakin served as Municipal Manager for the entire period under review.

### Remuneration of Chief Financial Officer

Annual Remuneration	815 792	752 806
Car Allowance	210 000	210 000
Performance Bonuses	48 028	-
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 075 605</b>	<b>964 591</b>

Mr. L. Ndzelu was the Chief Financial Officer for the entire period under review.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

	2015	2014
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### 25. Employee related costs (continued)

#### Remuneration of Corporate Services Manager

Annual Remuneration	863 792	817 315
Car Allowance	162 000	144 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 027 577</b>	<b>963 100</b>

Mr T. Somtseu was the Corporate Services Manager for the entire period under review.

#### Remuneration of Community Services Manager

Annual Remuneration	737 792	721 874
Car Allowance	288 000	240 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 027 577</b>	<b>963 659</b>

Mr S.M. Mbedla served as Community Services Manager for the entire period under review.

#### Remuneration of the EDP Manager (Ms G.R Tobia)

Annual Remuneration	809 221	767 474
Car Allowance	132 000	170 000
Contributions to UIF, Medical and Pension Funds	24 564	25 929

#### Remuneration of the EDP Manager (Mr V Ndaba)

Acting Allowance	17 589	-
	<b>983 374</b>	<b>963 403</b>

Ms G.R. Tobia was the EDP Manager from July 2014 until 8 June 2015.

Mr V Ndaba was the acting EDP Manager from the 9 June 2015 until 30 June 2015.

#### Remuneration of the Infrastructure Manager

Annual Remuneration	797 792	721 128
Housing allowance	96 000	-
Car Allowance	132 000	240 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
	<b>1 027 577</b>	<b>962 913</b>

Mr M. Somi was the Infrastructure Manager for the entire period under review.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>25. Employee related costs (continued)</b>		
<b>Staff leave benefits</b>		
Municipal Manager	134 105	30 000
Chief Financial Officer	42 682	26 896
Corporate Services Manager	134 600	92 215
Community Services Manager	107 199	76 846
EDP Manager	6 810	57 634
Infrastructure Manager	148 064	92 215
	<b>573 460</b>	<b>375 806</b>
<b>26. Remuneration of councillors</b>		
Mayor	535 271	548 627
Speaker	185 680	228 641
Chief Whip	407 754	384 878
MPAC Chair	380 809	234 908
Executive Committee	2 277 868	2 372 484
Councillors	6 691 149	5 973 441
Company contributions to UIF, medical aid and pension fund	681 666	394 544
Sundry Allowances (Cellular phones, housing and vehicles)	4 776 547	4 669 026
	<b>15 936 744</b>	<b>14 806 549</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	20 640 873	18 902 173
Intangible assets	278 400	159 842
	<b>20 919 273</b>	<b>19 062 015</b>
<b>28. Finance costs</b>		
Late payments	15 300	1 830
<b>29. Debt impairment</b>		
Contributions to debt impairment provision	2 249 057	20 249 896
<b>30. Bulk purchases</b>		
Electricity	28 923 865	26 146 887
<p>Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R 1 197 168 at a percentage of 6.23% (2014: 8.70%) in the current year. The technical losses is R864 419 (4.5%) and the non-technical losses are R332 750(1.73%)</p> <p>Water is supplied directly to residents and businesses by the district municipality.</p>		
<b>31. Contracted services</b>		
Maintenance Agreements	13 417 250	13 388 834

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>32. Conditional grants - Operating expenditure</b>		
<b>Grants paid for projects and IDP</b>		
Clean Audit Umzimvubu	-	3 500 000
IDP	148 263	273 978
Desrac Grant	129 710	161 228
LUMS	-	120 750
Nature Reserve Fencing	143 437	104 542
Eastern Cape Province support of IEC	-	7 587 719
Mokhosi Milling Project	-	184 183
Small town and rural village	26 025	36 805
EPWP incentive	4 483 634	4 564 171
Vuna Awards	114 035	-
Music Festival	500 000	-
SEETA	11 700	-
Other grants and subsidies paid	809 003	-
	<b>6 365 807</b>	<b>16 533 376</b>
<b>Other grants and subsidies</b>		
FBS Electricity	7 892 689	6 000 000
LED	94 029	-
FBS Refuse	1 995 456	3 910 668
MIG Salaries	1 524 967	2 022 850
Office Rental	-	480 000
MDF Asset Register	-	196 012
Capacity building	-	14 834
MSIG	840 777	890 000
Grain Storage	609 857	-
FMG	1 494 777	1 095 645
Spatial Development	106 800	-
FAR, Revenue & Exp Enhancement	2 638 868	1 635 007
	<b>17 198 220</b>	<b>16 245 016</b>
	<b>23 564 027</b>	<b>32 778 392</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>33. General expenses</b>		
Advertising	1 227 685	1 358 059
Auditors remuneration	3 821 754	4 189 989
Bank charges	231 521	243 658
Chemicals	1 215 599	53 072
Conferences and seminars	2 019 161	1 745 435
Consulting and professional fees	11 954 948	7 553 556
Consumables	561 947	373 661
Contribution to bonus and post retirement provision	1 306 949	1 540 768
Delegates expenses	4 654 579	5 111 571
Donations	-	129 202
Electricity	404 411	733 039
Entertainment	320 253	313 874
Farming	33 963	37 339
Fuel and oil	2 477 364	1 585 772
Hire	89 500	2 899
Insurance	556 950	861 974
Motor vehicle expenses	178 563	165 482
Obsolete stock written off	11 710	9 513
Other expenses	172 496	739 083
Postage and courier	151 077	116 178
Printing and stationery	944 342	625 795
Project maintenance costs	3 986 947	3 067 038
Public participation	350 637	230 631
Resealing	1 251 333	487 120
Subscriptions and membership fees	915 470	700 000
Telephone and fax	2 113 744	1 771 414
Town planning	-	229 296
Training	2 690 735	1 367 183
Uniforms	174 148	63 233
Venue expenses	214 372	237 123
	<b>44 032 158</b>	<b>35 642 957</b>
<b>34. Auditors' remuneration</b>		
Fees	3 821 754	4 189 989

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>35. Cash generated from operations</b>		
Surplus	61 165 244	44 965 048
<b>Adjustments for:</b>		
Depreciation and amortisation	20 919 273	19 062 015
Loss on sale of assets and liabilities	79 447	307 561
Profit on sale of asset	-	(844 949)
Fair value adjustment	-	(12 046 345)
Impairment loss	-	7 273 280
Debt impairment	2 249 057	20 249 896
Movements in retirement benefit assets and liabilities	1 238 827	1 241 364
Movements in provisions	787 941	1 011 655
Transfers from PPE	(89 500)	-
Write back of stale cheques	21 660	82 474
Retention Adjustment	20 604	-
<b>Changes in working capital:</b>		
Inventories	(128 661)	(1 740)
Consumer debtors	(9 418 770)	(20 314 777)
Other receivables from non-exchange transactions	(1 112 244)	10 021 720
Prepayments	2 748 731	(3 299 014)
Payables from exchange transactions	8 527 537	5 382 067
VAT	(7 011 731)	(3 087 283)
Consumer deposits	57 442	(1 550)
Unspent conditional grants and receipts	(2 891 825)	(7 530 004)
	<b>77 163 032</b>	<b>62 471 418</b>
<b>36. Unauthorised expenditure</b>		
Opening balance	9 679 923	-
Unauthorised expenditure current year	-	9 679 923
Approved by Council or condoned	(9 679 923)	-
	<b>-</b>	<b>9 679 923</b>
There was no unauthorised expenditure in the current year.		
Impairment loss not budgeted for in the prior year.		
<b>37. Fruitless and wasteful expenditure</b>		
Opening balance	1 830	8 422
Fruitless and wasteful expenditure - current year	15 300	1 830
Less: amounts approved for write-off by council	(14 799)	(8 422)
	<b>2 331</b>	<b>1 830</b>
All fruitless and wasteful expenditure incurred was as a result of interest / penalties charged on late payments. A schedule of these items are available at the municipal offices.		
<b>38. Irregular expenditure</b>		
Opening balance	7 489 689	-
Add: Irregular expenditure - current year	3 270 000	5 731 524
Add: Irregular expenditure - prior year	-	1 758 165
Less: amounts approved for write-off by council	(10 759 689)	-
	<b>-</b>	<b>7 489 689</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 39. Section 32 procurement

#### 2015

Bell Equipment Sales SA LTD  
Rock Powerline Electrical  
Bantubanye Skills  
Interwaste (PTY) LTD  
Parallex Management Consultants

#### 2014

Umnotho Business Consulting  
Cysasound Events Management  
Harvey Traveling Agency  
Down Touch Investment  
Wahlumaa Trading Enterprise  
Qumbiso Construction  
Roeveld Quantity Surveyors Pro / BTKM Consortium  
Protea Consulting  
Dimension Data  
Tswella Trading

During the current year the Municipality chose to utilise the provisions of section 32 (s32) of the Supply Chain Regulations to award tenders to companies using the competitive bidding process of other Municipalities. The above companies were appointed by way of use of this provision. All sections of the provisions were adhered to in the awarding of bids.

### 40. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	838 196	659 108
Amount paid - current year	(838 196)	(659 108)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	3 820 254	4 189 989
Amount paid - current year	(3 820 254)	(4 189 989)
	<u>-</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	13 545 623	12 870 877
Amount paid - current year	(13 545 623)	(12 870 877)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	14 761 289	7 749 558
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VAT output payables and VAT input receivables are shown in note 4.

All VAT returns have been submitted by the due date throughout the year.



# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 40. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
NE Kotelana	112	-	112
CP Ntsole	1 079	9 094	10 173
MM Tsoloane	1 500	9 371	10 871
SM Ndukwana	112	-	112
PM Stuurman	1 087	10 375	11 462
KB Makholwa	1 274	6 590	7 864
CN Sambane	1 274	12 740	14 014
PZ Bono	1 274	12 740	14 014
LE Stuurman	-	8 530	8 530
T Dyantyi	112	-	112
SM Mzozoyana	209	-	209
AM Saliwavikwa	3 191	136 322	139 513
MN Mshuqwana	112	-	112
AM Saliwavikwa (M Malamlela)	3 140	112 595	115 735
JM Mlandu	678	19 864	20 542
M Lebese	2 830	-	2 830
	<b>17 984</b>	<b>338 221</b>	<b>356 205</b>

The property is registered under the name of Mr.M. Malamlela who is the same person as Mr. A.M. Saliwavikwa.

#### Supply chain management regulations - Deviations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.

#### Incident

In an emergency	779 565	1 181 853
If such goods or services are produced or available from single provider only	253 215	937 074
In any other exceptional case where it is impractical or impossible to follow official procurement processes	15 168 875	25 479 671
	<b>16 201 655</b>	<b>27 598 598</b>

### 41. Commitments

#### Authorised capital and operational expenditure

##### Already contracted for but not provided for

• Capital	101 877 855	129 129 012
• Operational	53 804 406	-
	<b>155 682 261</b>	<b>129 129 012</b>

This committed expenditure which relates to Infrastructure will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 42. Contingencies

#### LIABILITIES

##### TCN Architects CC vs Matatiele Local Municipality

We are being sued for non payment for services rendered. The estimated cost is R326 234 plus 15.5% interest per annum.

##### Royal Court Yard vs Matatiele Local Municipality

The Municipality is sued for non payment of accomodation services. The estimated cost is R46 000.

##### Matatiele Golf Club vs Matatiele Local Municipality

The Municipality instructed the Attorneys to challenge the validity of the Golf Club Lease. The estimated cost is R150 000.

##### M Moshoeshoe vs Matatiele Local Municipality

We received a letter of demand for damages of his truck which collided with one of the Municipal vehicles and also claiming loss of income. The estimated cost is R4 400 000.

##### Mrs Matubatuba vs Matatiele Local Municipality

The Municipality is sued for defamation of character. The estimated cost is R100 000.

##### Zincede Ngokwakho Housing CC vs Matatiele Local Municipality

Zincede Ngokwako cc applied for court interdict against the Municipality to stop interfering with their mining rights. The Municipality is also being sued for return of grader as well as the Municipality seeks to evict zincede from all areas which it occupies which falls outside of its defined mining area. The estimated cost is R700 000.

##### Diko van de Merve CC vs Matatiele Local Municipality

The Municipality is being sued for non payment by a service provider. The potential liability is R463 348.

##### Salathiso Ntabeni vs Matatiele Local Municipality

The Municipality received notice of Motion regarding the matter of payment of standby allowance. The estimated cost is R200 000.

##### Rashid Shaik vs Matatiele Local Municipality

Mrs Rashida declared a dispute for unfair dismissal. The estimated cost is R300 000.

#### ASSETS

##### Matatiele Local Municipality vs Desia Thurston

Ms Desia was dismissed for fraud. The is estimated cost is R300 000.

##### Matatiele Local Municipality vs VH Sokupola and 66 others

The estimated cost is R20 000.

##### Matatiele Local Municipality vs ST Mzozoyana

An attorney was instructed to represent the municipaity in claiming Mr Mzozoyzna regarding non payment of municipal services and rates for 4 properties. The estimated cost is R14 000.

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 43. Related parties

Community liaison officer	Spouse
Accountant - Payroll	Spouse

Xolani Faniso, spouse of the Community Liaison officer of the municipality, who is also a member of Bathokozeleni Trading CC who were appointed on the 17th June 2014 in relation to carting of water to the community. The expenditure incurred in the current year amounted to R142 553. The same company were then appointed to provide services relating to grass cutting, digging of graves and cleaning of various Municipal properties. Current year expenditure relating to the above amounted to R1 098 056.

Taelo Letseka, the spouse of the Accountant - Payroll of the municipality (1 November 2012 - Current), is a member of Sweet Dreams Trading JV Impangela who were appointed on the 1st of November 2014 in relation to the supply and installation of the Maluti Transido Fencing, the expenditure incurred amounted to R64 564. The same company was then appointed to provide grass cutting of various Municipal properties, the expenditure incurred amounted to R585 000.

Councillors and/or management of the municipality had no relationship with businesses to management's best knowledge.

### 44. In-kind donations and assistance

The municipality was not engaged in any transaction or event during the year under review involving in-kind donations.

### 45. Events after the reporting date

There were no events that occurred after the reporting date.

### 46. Risk management

#### 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.

#### Credit and Interest risk

Credit and Interest risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

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

Financial instrument	2015	2014
Trade receivables	18 205 724	11 036 011
Nedbank	9 123 086	2 673 789
Standard Bank	242 511	242 361
First National Bank	338 692	338 492
Short term investments	22 032 016	54 310 157

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 47. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14 761 289	14 761 289
Other receivables from non-exchange transactions	-	10 509 170	10 509 170
Consumer debtors	-	50 325 306	50 325 306
Cash and cash equivalents	30 486 661	-	30 486 661
	<b>30 486 661</b>	<b>75 595 765</b>	<b>106 082 426</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	23 641 494	23 641 494

#### 2014

##### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	7 784 787	7 784 787
Other receivables from non-exchange transactions	-	14 259	14 259
Consumer debtors	-	11 036 011	11 036 011
Cash and cash equivalents	57 566 399	-	57 566 399
	<b>57 566 399</b>	<b>18 835 057</b>	<b>76 401 456</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17 444 987	17 444 987

#### Fair value information

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standards terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

#### Fair value hierarchy of financial assets at fair value

##### Transfers out of level 1

Short term deposits	22 032 016	54 310 157
Bank balances and cash	8 453 396	3 254 992
	<b>30 485 412</b>	<b>57 565 149</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 48. Operating lease

The Municipality had the following operating leases in the current year:

Kokstad Copiers - The lease is held on a monthly basis. No outstanding commitment exists.

Konica Minolta - for a period of 12 months. The commitment for the next 12 months is R10 502.

Cracovia - The lease is renewed every 6 months. No outstanding commitment exists.

Nedbank : for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year :	R78 947
In the second to fifth year inclusive:	R39 474

Telkom:

Within one year:	R574 485
In the second to fifth year inclusive:	R1 531 956

### 49. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award
- Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions
- Other

### 50. Prior period errors

The correction of error relates to the Alfred Nzo payable which was incorrectly offset against receivables.

Correction of errors resulted in the following prior year adjustments

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>50. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
<b>Other receivables from non-exchange transactions</b>		
Opening balance as previously reported	-	122 925
Prior year adjustment	-	2 044 794
<b>Restated balance</b>	<b>-</b>	<b>2 167 719</b>
<b>Payables from exchange transactions</b>		
Opening balance as previously reported	-	17 444 987
Prior year adjustment	-	2 044 794
<b>Restated balance</b>	<b>-</b>	<b>19 489 781</b>

# Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 51. Budget differences

#### Material differences between budget and actual amounts

##### Income

Service charges - this was due to people saving electricity and load shedding

Rental of facilities and equipment - this was due to more people renting the municipal properties i.e. Stadiums and halls than anticipated

Licences and permits - this was due to more people registering their vehicles in the Eastern Cape

Other Income - this was due to other income that was supposed have been received but were not

Interest received - investment - this was due to interest rates having been decreased and not enough money was invested during the year due to other commitments.

Property rates - this was due to customers not paying for their services - taxes

Government grants & subsidies - this was due to other grants that were not received during the year

Public donations - this was due to a donation that we received from Alfred Nzo

Fines - this was due to a reduction in fines issued

##### Expenditure

Employee related cost - not all the posts which were budgeted for were filled

Remuneration of councillors - the gazette that was issued by the Minister which was below the budget

Depreciation - not all the assets that were supposed to purchased were purchased

Finance cost - this was due to interest that was charged on late payments but has since been recovered from responsible official

Debt impairment - This was due to more debtors that need to be impaired

Impairment -

Repairs and Maintenance - this was due to reduced requirements of repairs on municipal assets

Contracted Services - this was due to contracted services being not more than the actual amount as per the budget

Conditional grants - operating expenditure - this was due to not all the grants expenditure was paid as per the budget

General Expenses - this was due the other expenses not exceeding the budgeted amount

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Loan Stock</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-



Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

<b>Heritage assets</b>													
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Specialised vehicles</b>													
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total property plant and equipment</b>													
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Agricultural/Biological assets</b>													
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>													
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>													
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>													
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-



## Appendix C

### Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-





Appendix D

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	<b>Total</b>	-	-	-