

# Mohokare Local Municipality

## Annual Financial Statements

*for the year ended 30 June 2008*



# Mohokare Local Municipality

## Annual Financial Statements

*for the year ended 30 June 2008*

<b>Contents</b>	<b>Page</b>
General Information	1 - 2
Foreword	3
Approval of Annual Financial Statements	4
Report of the External Accountants	5
Report of the Auditor-General	6
Report of the Chief Financial Officer	7 - 9
Accounting Policies	10 - 12
Balance Sheet	13
Income Statement	14
Cash Flow Statement	15
Notes to the Annual Financial Statements	16 - 24
Appendices:	
A. Statutory Funds and Provisions	25
B. External Loans	26
C. Analysis of Fixed Assets	27 - 28
D. Analysis of Operating Income and Expenditure	29
E. Detailed Income Statement	30
F. Statistical Information	31
Report of the Auditor-General on Performance Measurement	32

## **Mohokare Local Municipality**

### **General Information**

*for the year ended 30 June 2008*

#### **Members of the Mohokare Local Municipal Council**

MJ Sehanka (Me)	<b>Mayor/Speaker</b>
MP Sikhosana	Member
NB Shiya (Me)	Member
MA Mpako	Member
NG Khatisa (Me)	Member
MS Lalu	Member
BS Majenge	Member
TG Mbangula	Member
JJ Gertenbach	Member
TJ Mohapi	Member

#### **Municipal Manager**

LG Ceba (MD:Development and Management) (Acting)

#### **Chief Financial Officer**

S Moorosi (BA) (Acting)

#### **Grading of Local Authority**

Grade 4

#### **Auditors**

Auditor-General

#### **Bankers**

ABSA (Main Account)

#### **Registered Office**

#### **Physical address:**

Civic Centre  
Hoofd Street  
Zastron  
9950

## **Mohokare Local Municipality**

### **General Information (continued)**

*for the year ended 30 June 2008*

**Postal address:**

Private Bag X 20  
Zastron  
9950

**Telephone number:**

051 - 673 1018

**Fax number:**

051 - 673 1550

**E-mail address:**

[lulamac@mohokare.co.za](mailto:lulamac@mohokare.co.za)

**Map of Mohokare Municipal Area**

A map of the Municipal area is available at the offices of the Council.

## **Mohokare Local Municipality**

### **Foreword by the Mayor/Speaker**

*for the year ended 30 June 2008*

The Constitution of the Republic of South Africa, 1996 outlines the following objects for Local Municipalities:

- to provide democratic and accountable government for local communities
- to ensure the provision of services to communities in a sustainable manner
- to promote social and economic development
- to promote a safe and healthy environment
- to encourage the involvement of communities and community organizations in the matters of the Municipality

During the year under review the Municipality experienced a number of difficulties in meeting these challenges. This was mainly due to a lack of financial resources and a shortage in institutional capacity.

Mohokare is situated in an agricultural environment where new employment opportunities are limited. The Municipality has not escaped the world wide trend of urbanisation of rural people and is daily confronted with the increasing demand for housing and basic services. This is subjecting the scarce financial resources of Council even further. Despite these huge constraints Council was still able to maintain a successful indigent program. In this program the poor is provided with basic services at subsidised prices whilst they and the remainder of the community enjoy the monthly benefit of 6kl free potable water per household.

During the year Council also embarked on various capital projects. I am sure that the bucket eradication project and the upgrading of the water networks at the different towns will contribute to the improvement of the living conditions in the different towns.

The year under review was a very difficult year in the history of Mohokare. This will however only serve to motivate us to face the future challenges with determination and to inspire Council to give practical meaning to the broad objectives of the Constitution.

I am grateful to the Councillors, the Municipal Manager, Heads of Departments and all personnel for their loyal support, friendly co-operation and dedication during the past year.

**MJ Sehanka**  
**Mayor/Speaker**  
**20 October 2008**

## **Mohokare Local Municipality**

### **Approval of the Annual Financial Statements**

*for the year ended 30 June 2008*

The annual financial statements set out on pages 13 to 24 were approved by the Municipal Manager on ..... 2008.

---

***The Administrator (MM Mokoena)***

---

***Acting Municipal Manager (LG Ceba)***

---

***Acting Chief Financial Officer (S Moorosi)***

## **Mohokare Local Municipality**

### **Report of the External Accountants to the Members of Mohokare Local Municipality**

*for the year ended 30 June 2008*

We have compiled the annual financial statements of the Mohokare Local Municipality for the year ended 30 June 2008 as set out on pages 13 to 24 in accordance with South African Auditing Standards applicable to compilation engagements.

Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no opinion thereon.

**DJ Smit**

***Smit Kruger***

**13 October 2008**

## **Mohokare Local Municipality**

### **Report of the Auditor-General to the Mohokare Local Municipality**

*for the year ended 30 June 2008*

The Auditor-General will issue his report upon finalisation of the audit.



## Mohokare Local Municipality

### Report of the Chief Financial Officer

for the year ended 30 June 2008

#### Introduction

It is a pleasure to present the report for the 2007/2008 financial year.

#### 1 OPERATING RESULTS

Details of the operating results per classification, department and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2008 are as follows:

Income	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Operating Income for the Year	35 804 012	46 157 656	28.92	50 784 887	(9.11)
Closing Deficit	19 994 192	20 331 311		(3 140 991)	
Total	55 798 204	66 488 967		47 643 896	

#### Expenditure

Opening Deficit	25 664 935	19 994 192		-	
Operating Expenditure for the Year	39 534 497	47 124 263	(19.20)	47 643 896	1.09
Appropriations	(9 401 228)	(629 488)		-	
Total	55 798 204	66 488 967		47 643 896	

#### 1.1 Rates and General Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Income	22 327 240	32 493 009	45.53	25 058 719	29.67
Expenditure	(26 035 467)	(33 027 398)	(26.86)	(23 129 847)	(42.79)
Surplus/(Deficit)	(3 708 227)	(534 389)		1 928 872	

Surplus/(Deficit) as a % of Total Income

(10.36) (1.16) 3.80

#### 1.2 Housing Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Income	-	186 998	100.00	284 742	(34.33)
Expenditure	(457 967)	(409 813)	10.51	(284 742)	(43.92)
Surplus/(Deficit)	(457 967)	(222 815)		-	

Surplus/(Deficit) as a % of Total Income

(1.28) (0.48) -

#### 1.3 Trading Services

##### 1.3.1 Water

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual/Budget %
Income	6 058 670	6 670 769	10.10	7 680 000	(13.14)
Expenditure	(5 958 699)	(6 459 881)	(8.41)	(7 448 864)	13.28
Surplus/(Deficit)	99 971	210 888		231 136	

Surplus/(Deficit) as a % of Total Income

0.28 0.46 0.46

**Mohokare Local Municipality**

**Report of the Chief Financial Officer (continued)**

for the year ended 30 June 2008

**1.3.2 Electricity**

	<b>Actual 2007</b>	<b>Actual 2008</b>	<b>Variance 2007/2008</b>	<b>Budget 2008</b>	<b>Variance Actual/Budget</b>
	<b>R</b>	<b>R</b>	<b>%</b>	<b>R</b>	<b>%</b>
Income	7 265 187	6 806 880	(6.31)	6 778 120	0.42
Expenditure	(7 010 207)	(7 200 625)	(2.72)	(6 505 468)	(10.69)
Surplus/(Deficit)	254 980	(393 745)		272 652	

Surplus/(Deficit) as a % of Total Income

0.71 (0.85) 0.54

**1.3.3 Farming**

	<b>Actual 2007</b>	<b>Actual 2008</b>	<b>Variance 2007/2008</b>	<b>Budget 2008</b>	<b>Variance Actual/Budget</b>
	<b>R</b>	<b>R</b>	<b>%</b>	<b>R</b>	<b>%</b>
Income	152 915	-	(100.00)	159 012	(100.00)
Expenditure	(72 157)	(26 546)	63.21	(159 012)	83.31
Surplus/(Deficit)	80 758	(26 546)		-	

Surplus/(Deficit) as a % of Total Income

0.23 (0.06) -

**2 CAPITAL EXPENDITURE AND FINANCING**

During the year fixed assets amounting to R 20,186,932 (2007: R 13,600,536) were acquired. This is 48.4% more than the previous year and consist of the following:

	<b>Actual 2008</b>	<b>Budget 2008</b>	<b>Actual 2007</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Administration	-	-	1 200
Administration Offices	73 197	206 000	-
Civil Buildings	-	-	2 368
Disaster Management	5 304	-	-
Electricity	-	500 000	-
Electricity - Centlec	1 189 275	-	994 845
Parks and Cemeteries	10 800	400 000	-
Public Health	-	3 000 000	-
Public Works	-	700 000	390 549
Refuse Removal	-	900 000	1 200
Sewerage	16 115 243	14 000 000	7 373 830
Tavern	-	-	2 194
Town Hall and Offices	-	-	110 031
Vehicles and Equipment	2 499	-	392 610
Water	2 790 614	-	1 437 727
	20 186 932	19 706 000	10 706 554
Assets not previously capitalised	-	-	2 893 982
	20 186 932	19 706 000	13 600 536

The following resources were utilised to finance the fixed assets:

	<b>Actual 2008</b>	<b>Budget 2008</b>	<b>Actual 2007</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Contributions from Operating Income	253 147	2 206 000	778 202
Assets not previously capitalised	-	-	153 333
Total contributions from Operating Income	253 147	2 206 000	931 535
Contributions from Government etc.	19 933 785	17 500 000	9 928 352
Assets not previously capitalised	-	-	2 740 649
Total contributions from Government etc.	19 933 785	17 500 000	12 669 001
	20 186 932	19 706 000	13 600 536

## Mohokare Local Municipality

### Report of the Chief Financial Officer (continued)

for the year ended 30 June 2008

Details of capital expenditure and financing are shown in Appendices B and C.

#### 3 EXTERNAL LOANS, INVESTMENTS AND CASH

The current and comparative figures for external loans, investments and cash are as follows:

	2008	2007
	R	R
External Loans (including arrear interest)	(5 230 113)	(5 523 396)
External Investments	292 728	283 288
Cash on hand and in Bank	3 779 696	1 596 656
Bank Overdraft	(2 529 865)	(1 457 194)

More information regarding external loans, investments and cash are disclosed in notes 2, 5, 11 and Appendix B to the financial statements.

#### 4 FUNDS, RESERVES AND PROVISIONS

The current and comparative figures for the Capital Development Fund and other funds are as follows:

	2008	2007
	R	R
Capital Development Fund	3 581 387	2 409 282
Erven Trust Fund	1 508 851	1 441 815
Provisions	2 733 557	2 359 623

More information regarding funds and provisions are disclosed in notes 1, 9 and Appendix A to the financial statements.

#### 5 MATERIAL EVENTS

During November 2007 four senior officials were suspended by the Council pending a financial investigation. The officials were the Municipal Manager, Acting Chief Financial Officer, Expenditure Accountant and Procurement Officer. The suspension had an adverse effect on the financial management of the Municipality.

During the 2007/2008 financial year the Council did not meet the requirements of the Municipal Systems Act, 32 of 2000 which also had a negative impact on the financial administration of the Municipality.

As a result of the above the MEC for Local Government and Housing appointed an Administrator in terms of section 136(2) of the Municipal Finance Management Act, 56 of 2003.

#### 6 POST BALANCE SHEET EVENTS

Subsequent to 30 June 2008 the Council has approved appropriations against the surplus/deficit account. These appropriations were incorporated in the financial statements. Some of these appropriations were made in order to address audit queries emanating from previous years.

#### 7 APPRECIATION

I would like to thank the Mayor/Speaker, Councillors, the Acting Municipal Manager, Departmental Heads and all officials for the support given to me and the staff of my own office and in particular to our external consultants for their assistance and support during the year.

.....  
*Acting Chief Financial Officer*

.....  
*Date*

## **Mohokare Local Municipality**

### **Accounting Policies**

*for the year ended 30 June 2008*

#### **1 Basis of Presentation**

- 1.1** The financial statements have been prepared to conform to standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (second edition - January 1996, as amended).
- 1.2** The financial statements are prepared on the historical cost basis adjusted for fixed assets, as more fully described in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous years, except if otherwise indicated.
- 1.3** The financial statements are prepared on the accrual basis:
- Income is accrued when collectable and measurable.  
Certain direct income is accrued when received, i.e. traffic fines and certain licences.
  - Expenditure is accrued in the year in which it is incurred.

#### **2 Consolidation**

The financial statements include the Rates- and General Services, Housing Services, Trading Services and different funds and provisions. All inter-departmental charges are set-off against each other.

The Electrification Account administered by Centlec is consolidated with the financial statements. The consolidated financial statements include the assets and liabilities of Centlec and the results for the year then ended.

#### **3 Fixed Assets**

- 3.1** Fixed assets are stated:
- at historical cost; or
  - at valuation (based on the market price at the date of acquisition), where assets have been acquired by certain grants or donations while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

Fixed assets with a value of less than R 1000 are not capitalised.

#### **3.2 Depreciation**

The balance shown under the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life.

Apart from advances from the various Council funds, assets may also be acquired through:

- Appropriation from income, where the full cost of the asset forms an immediate and direct charge against operating income. Provision for additional depreciation is deemed unnecessary.
- Grants and donations where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

## **Mohokare Local Municipality**

### **Accounting Policies (continued)**

*for the year ended 30 June 2008*

**3.3** The net proceeds from the sale of immovable property are credited to the Erven Trust Fund. The net proceeds from the sale of other assets are credited to income.

**3.4** Fixed assets are financed from different sources, i.e. external loans, operating income, endowments and internal advances. These loans and advances are redeemed over a period equal to the expected lives of the assets. Interest is charged to the service concerned at the ruling interest rate applicable at the time of the approval of loans or advances.

#### **4 Inventory**

Inventory is valued at the lower of cost, determined on the weighted average basis and net realisable value after due provision for obsolescence has been made.

#### **5 Funds and Reserves**

##### **5.1 Capital Development Fund**

The Capital Development Fund Ordinance No 9 of 1978 stipulates that Local Authorities have to contribute a minimum of 1.0% of the total annual income to the Capital Development Fund. Interest received on investments is credited to the fund.

##### **5.2 Erven Trust Fund**

The net proceeds from the sale of immovable property are credited to this Fund. This Fund is utilised for the financing of projects of a lasting non-productive nature as prescribed in Sec.85(1)(b) of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962).

#### **6 Provisions**

Provision was made for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy. The provision for bad debts refers to current assets and is therefore disclosed as a deduction from debtors.

#### **7 Retirement Benefits**

**7.1** Mohokare Local Municipality and its employees contribute to the Free State Municipal Pension Fund, the Free State Municipal Provident Fund, SAMWU Provident Fund and Sala Pension Fund, whilst the Councillors contribute to the Pension Fund for Municipal Councillors. All five the funds provide retirement benefits to employees and/or Councillors concerned.

## **Mohokare Local Municipality**

### **Accounting Policies (continued)**

*for the year ended 30 June 2008*

**7.2** The retirement benefit plan is subject to the Pension Fund Act of 1956, with pensions being calculated either on the fixed contribution or the fixed benefit method. Current contributions by the Local Municipality are charged against operating income on the basis of current service cost. Unfavourable experience adjustments and the cost of insurance of the increased benefits are written off over the smallest of the remaining service period or over five years. Favourable experience adjustments are retained in the retirement plan.

### **8 Surpluses and Deficits**

Any surplus or deficit originating from the water services are transferred to Rates and General Services.

### **9 Treatment of Administrative and other Overhead Costs**

The cost of internal auxiliary services are debited against the different services and are in accordance with IMTA's Report on Accounting for Support Services ( June 1990).

### **10 Leased Assets**

Fixed assets held under finance leases are only capitalised at the end of the term of the lease.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account.

### **11 Investments**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred and are invested according to the provisions contained in the Circular issued by Provincial Legislature. Investments are made in accordance with the requirements of Section 84 of the Local Government Ordinance, 1962 (Ordinance no. 8 of 1962) and policy prescribed by the Municipal Finance Management Act, (Act no. 56 of 2003).

### **12 Income Recognition**

#### **12.1 Electricity and Water Charges**

All meters are read and billed monthly. Where meters can not be read during a particular month a provisional bill is issued with the necessary adjustments made in the month when the meters are indeed read.

#### **12.2 Assessment Rates**

The Council applies a differentiated rates system. According to this system assessment rates are charged on the value of the land and improvements. Certain rebates are granted according to the use to which a particular property is put. Further relief is granted to the aged and the needy.

**Mohokare Local Municipality**

**Balance Sheet**

as at 30 June 2008

	Note	2008 R	2007 R
<b>Capital Employed</b>			
<b>Funds and Reserves</b>			
Statutory Funds	1	5 090 238	3 851 097
Accumulated Deficit	15	(20 331 311)	(19 994 192)
		(15 241 073)	(16 143 095)
Long Term Liabilities	2	4 868 354	4 917 377
Consumer Deposits	3	89 433	88 735
		(10 283 286)	(11 136 983)
<b>Employment of Capital</b>			
Fixed Assets	4	2 539 212	2 980 925
Investments	5	144 599	144 599
Long Term Debtors	6	-	121 232
		2 683 811	3 246 756
		(12 967 097)	(14 383 739)
<b>Net Current Liabilities</b>			
<b>Current Assets</b>			
Inventory	7	404 354	353 400
Debtors	8	9 380 073	7 608 348
Cash and Bank	11	3 779 696	1 596 656
Short Term Investments	5	148 129	138 689
Short Term Portion of Long Term Debtors	6	-	49 112
		26 679 349	24 129 944
<b>Current Liabilities</b>			
Provisions	9	2 733 557	2 359 623
Creditors	10	21 054 168	19 715 897
Short Term Portion of Long Term Liabilities	2	361 759	597 230
Bank Overdraft	11	2 529 865	1 457 194
		(10 283 286)	(11 136 983)

**Mohokare Local Municipality**

**Income Statement**

for the year ended 30 June 2008

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)	2007 Budget Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	2008 Budget Surplus/ (Deficit)
R	R	R	R		R	R	R	R
22 327 240	26 035 467	(3 708 227)	585 828	<b>Rates and</b>	32 493 009	33 027 398	(534 389)	1 928 872
10 967 857	13 418 719	(2 450 862)	2 843 646	<b>General Services</b>	22 071 671	22 321 248	(249 577)	665 143
856 505	2 266 563	(1 410 058)	(1 539 337)	Community Services	795 947	1 158 691	(362 744)	(371 840)
10 502 878	10 350 185	152 693	(718 481)	Subsidised Services	9 625 391	9 547 459	77 932	1 635 569
				Economic Services				
-	457 967	(457 967)	125 628	<b>Housing Services</b>	186 998	409 813	(222 815)	-
13 476 772	13 041 063	435 709	36 324	<b>Trade Services</b>	13 477 649	13 687 052	(209 403)	1 212 119
<u>35 804 012</u>	<u>39 534 497</u>	<u>(3 730 485)</u>	<u>747 780</u>	<b>Total</b>	<u>46 157 656</u>	<u>47 124 263</u>	<u>(966 607)</u>	<u>3 140 991</u>
		9 401 228		Appropriations for the Year (See note 15)			629 488	
		5 670 743		<b>Net Surplus/(Deficit) for the Year</b>			(337 119)	
		(25 664 935)		Accumulated (Deficit): Beginning of the Year			(19 994 192)	
		<u>(19 994 192)</u>		<b>Accumulated (Deficit): End of the Year</b>			<u>(20 331 311)</u>	

(Refer to appendices D and E for more detail)



## Mohokare Local Municipality

### Cash Flow Statement

for the year ended 30 June 2008

	Note	2008 R	2007 R
<b>Cash retained from Operating Activities</b>		21 496 723	12 624 884
Cash generated by Operations	16	(17 238 334)	(11 182 466)
Investment Income	14	26 715	15 451
(Increase)/Decrease in Working Capital	17	(2 978 836)	(6 410 615)
		(20 190 455)	(17 577 630)
<b>Less:</b> External Interest paid	14	(909 506)	(662 431)
<b>Cash available from/(utilised in) Operations</b>		(21 099 961)	(18 240 061)
Cash Contributions from Government and Public Bodies		42 596 684	30 864 945
<b>Cash utilised in Investing Activities</b>			
Investment in Fixed Assets		(20 186 931)	(10 706 555)
<b>Net Cash Flow</b>		<u>1 309 792</u>	<u>1 918 329</u>
<b>Cash effects of Financing Activities</b>			
Increase/(Decrease) in Long Term Liabilities	18	(512 494)	(431 436)
(Increase)/Decrease in Cash Investments	19	(9 440)	23 355
(Increase)/Decrease in Cash and Bank	20	(787 858)	(1 510 248)
<b>Net Cash Utilised</b>		<u>(1 309 792)</u>	<u>(1 918 329)</u>

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
<b>1 Statutory Funds</b>		
Capital Development Fund	3 581 387	2 409 282
Erven Trust Fund	1 508 851	1 441 815
	<u>5 090 238</u>	<u>3 851 097</u>
1.1 See Appendix A		
<b>2 Long Term Liabilities</b>		
Development Bank of South Africa - note 2.1 to 2.2	789 689	789 689
INCA - note 2.1 to 2.2	5 703	11 488
ABSA (Hire Purchase) - note 2.1 to 2.2	116	295 491
Centlec - note 2.1 and 2.4	1 743 704	1 884 257
	<u>2 539 212</u>	<u>2 980 925</u>
Plus: Interest not capitalised	-	8 789
Plus: Interest on Loans	2 690 901	2 533 682
	<u>5 230 113</u>	<u>5 523 396</u>
Less: Deferred Interest	-	(8 789)
Less: Short Term Portion of Long Term Liabilities - note 2.3	(361 759)	(597 230)
	<u>4 868 354</u>	<u>4 917 377</u>
2.1 See Appendix B		
2.2 The loans bear interest at rates that varies between 9% and 19.07% per annum, the loans are secured by assets of R 2,079,020 and expire between 2007 and 2015.		
2.3 Transferred to Current Liabilities.		
2.4 The loan of Centlec bears interest at a rate of 10% per annum and is repayable over a period of twenty years.		
2.5 The application and possible impact of the <i>in duplum</i> rule on the interest shown to be due to Inca and DBSA are questions of law. The possible outcome of such an enquiry was not considered in the compilation of the financial statements.		
<b>3 Consumer Deposits</b>		
Rent	1 550	1 250
Water	76 100	75 977
Electricity	3 230	3 290
Electricity - Centlec	8 553	8 218
	<u>89 433</u>	<u>88 735</u>
3.1 No guarantees are kept in lieu of electricity deposits.		
<b>4 Fixed Assets</b>		
Fixed Assets at the Beginning of the Year	117 210 077	104 888 587
Capital Expenditure	20 186 932	10 706 555
Plus: Assets not capitalised	-	2 893 982
Less: Assets written-off, transferred or disposed off	(15 600)	(1 279 047)
<b>Total Fixed Assets</b>	<u>137 381 409</u>	<u>117 210 077</u>
Less: Loans Redeemed and Other Capital Receipts	(134 842 197)	(114 229 152)
<b>Net Fixed Assets</b>	<u>2 539 212</u>	<u>2 980 925</u>
4.1 See Appendix C and Section 2 of the Chief Financial Officer's Report.		
<b>5 Investments</b>		
<b>Unlisted</b>		
OVK Shares - note 5.1 to 5.5	23 946	23 946
ABSA (32 Day Notice Deposit) - 1014355924 - note 5.5	75 208	69 918
Old Mutual Flexi Save - Policy number 8120809	120 653	120 653
FNB - 72359004546 - note 5.6	47 912	44 480
ABSA (Call Account) - 9074133593	1 758	1 821
ABSA (Call Account) - 9086343532	23 000	22 233
ABSA (Call Deposit) - 6074357138	251	237
	<u>292 728</u>	<u>283 288</u>
Less: Transfer of Short Term Investments - note 5.7	(148 129)	(138 689)
	<u>144 599</u>	<u>144 599</u>
5.1 Unlisted Investments	292 728	283 288
5.2 Management's Valuation of Unlisted Investments	339 262	352 463
5.3 Average Gross Rate on Investments	3.26%	5.45%
5.4 Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds, trust funds and other be invested in prescribed instruments.		
5.5 A limited cession is pledged as security against this account.		
5.6 An amount of R 25,000.00 is pledged as security against this account.		
5.7 Transferred to Current Assets.		

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
<b>Investment in OVK Shares</b>		
Issued Share Capital - OVK Operations Limited Holding Shares	30 095 854	30 095 854
Issued Share Capital - OVK Operations Limited Operation Shares	28 915 661	28 915 661
Percentage owned by Council - OVK Holding Shares	0.04%	0.04%
Percentage owned by Council - OVK Operation Shares	0.05%	0.05%
Dividends received - OVK Holdings Shares	1 553	3 991
Dividends received - OVK Operation Shares	1 492	3 834
<b>6 Long Term Debtors</b>		
Vehicle Loans	-	170 344
	-	170 344
Less: Short Term Portion of Long Term Debtors - note 6.1	-	(49 112)
	-	121 232
<b>6.1 Transferred to Current Assets.</b>		
<b>7 Inventory</b>		
Inventory consists of livestock	404 354	353 400
<b>8 Debtors</b>		
Consumer Debtors	43 146 519	38 260 541
Sundry Debtors	4 806 476	4 832 927
	47 952 995	43 093 468
Less: Bad Debts (Excluding VAT)	(34 620 693)	(31 980 160)
Less: VAT - Bad Debts	(3 952 229)	(3 504 960)
	9 380 073	7 608 348
<b>8.1</b> Bad Debts : R nil (2007: R nil). This represents 0% (2007: 0%) of total operating income for the year.		
<b>8.2</b> Days outstanding in debtors are in excess of 120 days (2007: 120+ days).		
<b>9 Provisions</b>		
Leave Reserve - note 9.1	2 307 384	1 535 810
Pro-rata Bonus - note 9.1	426 173	823 813
Bad Debts - note 9.1	34 620 693	31 980 160
	37 354 250	34 339 783
Less: Bad Debts transferred to Debtors - note 9.2	(34 620 693)	(31 980 160)
	2 733 557	2 359 623
<b>9.1</b> See Appendix A.		
<b>9.2</b> See note 8 above.		
<b>10 Creditors</b>		
Trade and Sundry Creditors	8 160 940	6 330 151
Deposits (Unreceipted/Unknown)	3 078 360	1 773 971
Deposits Other	13 741	452 970
Amounts Received in Advance	9 801 127	11 158 805
	21 054 168	19 715 897
<b>11 Bank, Cash and Overdraft Balances</b>		
The Local Municipality has the following bank accounts:		
<b>11.1 Current Account (Primary Bank Account)</b>		
ABSA Bank Limited - Zastron Branch Account Number 4052654487		
Cash Book Balance - Beginning of the Year - Cr/Dt	214 925	(1 053 455)
Cash Book Balance - End of the Year - Cr	1 970 146	214 925
Bank Statement Balance - Beginning of the Year - Cr/Dt	2 297 953	(902 597)
Bank Statement Balance - End of the Year - Cr/Dt	2 230 461	2 297 953
<b>11.2 Current Account</b>		
Standard Bank of SA Limited - Smithfield Branch Account Number 041952766		
Cash Book Balance - End of the Year - Cr	515 642	437 096
Bank Statement Balance - End of the Year - Cr	515 642	437 096

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R	
<b>11.3 Current Account</b>			
First National Bank Limited - Rouxville Branch Account Number 53593549308			
Cash Book Balance - End of the Year - Cr	533 791	333 048	
Bank Statement Balance - End of the Year - Cr	<u>533 791</u>	<u>333 048</u>	
<b>11.4 Current Account</b>			
ABSA Bank Limited - Zastron Branch Account Number 2810000018			
Cash Book Balance - End of the Year - Cr	758 937	610 407	
Bank Statement Balance - End of the Year - Cr	<u>758 937</u>	<u>610 407</u>	
<b>11.5 Current Account - Centlec</b>			
Cash Book Balance - End of the Year - Dt	<u>(2 529 865)</u>	<u>(1 457 194)</u>	
Bank Statement Balance - End of the Year	-	-	
<b>11.6 Cash on hand</b>	<u>1 180</u>	<u>1 180</u>	
<b>Total Cash and Bank</b>	<u>3 779 696</u>	<u>1 596 656</u>	
<b>Total Bank Overdraft</b>	<u>(2 529 865)</u>	<u>(1 457 194)</u>	
<b>12 Assessment Rates</b>			
	Valuation 30.06.2008 R	Actual Income 2008 R	Actual Income 2007 R
Residential & Other	89 600 000	-	3 603 425
Residential	70 615 642	2 211 830	-
Business	16 411 453	557 989	-
Schools	27 513 450	719 583	-
Churches	57 650	19 832	-
Silo's	3 814 500	91 548	-
Government	19 621 240	513 171	-
Farms	467 739 505	-	-
	<u>605 773 440</u>	<u>4 113 952</u>	<u>3 603 425</u>
<b>12.1</b>	Valuation of land and improvements is performed every five years. The last valuation of land and improvements was done during the 2005/2006 year.		
<b>12.2</b>	The assessment rates are levied on the following basis: Value of property: 3.4c/R (2007: 3.1c/R); Silo's: 2.4c/R (2007:2.1c/R).		
<b>12.3</b>	A Rebate of 30% are given to the Central and Provincial Government.		
<b>12.4</b>	Assessment rates were not levied on agriculture land for the 2007/2008 year.		
<b>13 Councillors' Remuneration</b>			
Mayor/Speaker Allowance		339 024	326 741
Councillors' Allowances		<u>1 206 039</u>	<u>1 131 861</u>
		<u>1 545 063</u>	<u>1 458 602</u>
<b>13.1</b>	Benefits in kind The Mayor/Speaker is a full-time councillor. He/she is entitled to offices and secretarial support by the Council.		
<b>13.2</b>	The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).		
<b>14 Finance Transactions</b>			
Total External Interest received or paid:			
Interest received		26 715	15 451
Interest paid		<u>(909 506)</u>	<u>(662 431)</u>
		<u>(882 791)</u>	<u>(646 980)</u>
Capital Expenses debited against Operating Account:			
Interest :		909 506	662 431
- External		<u>909 506</u>	<u>662 431</u>
Redemption:		742 355	738 895
- External		<u>742 355</u>	<u>738 895</u>

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
<b>15 Appropriations</b>		
Appropriation Account:		
Accumulated (Deficit): Beginning of the Year	(19 994 192)	(25 664 935)
Operating (Deficit) for the Year	(966 607)	(3 730 485)
Appropriations for the Year:	629 488	9 401 228
Adjustments Previous Years	<u>629 488</u>	<u>9 401 228</u>
Accumulated (Deficit) : End of the Year	<u>(20 331 311)</u>	<u>(19 994 192)</u>
<b>16 Cash generated by Operations</b>		
(Deficit) for the Year	(966 607)	(3 730 485)
Adjustments in respect of:		
Previous Years' Operating Transactions	629 488	9 401 228
Appropriations charged against Income:	3 920 504	3 200 627
Provisions	<u>3 667 357</u>	<u>2 422 425</u>
Fixed Assets	<u>253 147</u>	<u>778 202</u>
Capital Charges:	1 651 861	1 401 326
Interest paid:	<u>909 506</u>	<u>662 431</u>
- External Loans	<u>909 506</u>	<u>662 431</u>
Redemption:	<u>742 355</u>	<u>738 895</u>
- External Loans	<u>742 355</u>	<u>738 895</u>
Grants and Subsidies received	(22 662 899)	(18 195 943)
Assets not previously capitalised	-	(2 893 982)
Adjustment Loans	-	(150 715)
Investment Income (Operating account)	(26 715)	(15 451)
Non-operating Income credited against:	868 924	230 100
- Statutory Funds	<u>868 924</u>	<u>76 767</u>
- Assets	<u>-</u>	<u>153 333</u>
Non-operating Expenditure debited against:	<u>(652 890)</u>	<u>(429 171)</u>
- Provisions	<u>(652 890)</u>	<u>(429 171)</u>
	<u>(17 238 334)</u>	<u>(11 182 466)</u>
<b>17 (Increase)/Decrease in Working Capital</b>		
(Increase)/Decrease in Inventory	(50 954)	(21 000)
(Increase)/Decrease in Debtors, Long Term Debtors	(4 266 851)	(2 463 714)
Increase/(Decrease) in Creditors, Consumer Deposits	<u>1 338 969</u>	<u>(3 925 901)</u>
	<u>(2 978 836)</u>	<u>(6 410 615)</u>
<b>18 Increase/(Decrease) in Long Term Liabilities (External)</b>		
Loans raised	229 861	150 715
Loans repaid	(742 355)	(738 895)
Interest not Capitalised	-	156 744
	<u>(512 494)</u>	<u>(431 436)</u>
<b>19 (Increase)/Decrease in External Cash Investments</b>		
Investments at the Beginning of the Year	283 288	306 643
Less: Investments at the End of the Year	<u>292 728</u>	<u>283 288</u>
	<u>(9 440)</u>	<u>23 355</u>
<b>20 (Increase)/Decrease in Cash and Bank</b>		
Cash and Bank Balance at the Beginning of the Year	461 973	(1 048 275)
Less: Cash and Bank Balance at the End of the Year	<u>1 249 831</u>	<u>461 973</u>
	<u>(787 858)</u>	<u>(1 510 248)</u>
<b>21 Retirement Benefits - Pension Fund</b>		
Fund	Date of last actuarial valuation	Finding
Free State Municipal Pension Fund	30-Jun-05	Financial position: Sound
SAMWU National Provident Fund	30-Jun-05	Financial position: Sound
SALA Pension Fund	01-Jul-06	Financial position: Sound
Free State Municipal Provident Fund	30-Jun-04	Financial position: Sound
<b>22 Contingent Liabilities and Contractual Obligations</b>		
<b>22.1</b>	Provision for Leave Pay at 30 June 2008 : R 2,307,384 (2007: R 1,535,810). Contribution to Provision for Leave Pay: R 1,026,824 (2007: R 425,620).	
<b>22.2</b>	Provision for Pro-rata Bonus at 30 June 2008: R 426,173 (2007: 823,812). Contribution to Provision for Pro-rata Bonus: R 0 (2007: R 467,026).	

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
22.3	A claim of R 30,000 for damages was made against the insurance of the Municipality.	
22.4	A civil case is made by a third party against the Council of which the amount is unknown.	
<b>23</b>	<b>Capital Commitments</b>	
	Commitments in respect of capital expenditure:	
		- Approved and contracted for
	10 221 000	9 407 460
		- Approved but not yet contracted for
	9 485 000	6 927 490
	<u>19 706 000</u>	<u>16 334 950</u>
	This expenditure will be financed from:	
		- Internal Sources
	2 206 000	320 500
		- External Sources
	17 500 000	16 014 450
	<u>19 706 000</u>	<u>16 334 950</u>
<b>24</b>	<b>Capital Development and Erven Trust Fund</b>	
24.1	No internal advances were made to borrowing services	
<b>25</b>	<b>Government Grants and Subsidies</b>	
		Equitable Share
	19 789 000	16 658 000
		Central Government Grants
	18 469 779	12 792 920
		Provincial Government Grants
	1 574 343	5 021 563
	<u>39 833 122</u>	<u>34 472 483</u>
25.1	Equitable Share	
	In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigent community members. All indigent consumers receive a monthly subsidy which is credited to their accounts.	
25.2	Central Government Grants	
25.2.1	SETA Grant	
		Opening Balance
	-	-
		Current Year Receipts
	-	(61 920)
		Transferred to Income/Expenditure
	-	61 920
	<u>-</u>	<u>-</u>
		Closing Balance
	-	-
	This grant was utilised to defray training costs incurred by the Local Municipality. The conditions of the grant have been met and no monies was withheld.	
25.2.2	MIG Grant - Bucket Eradication Program (Smithfield)	
		Opening Balance
	(1 983 650)	(312 200)
		Adjustment Opening Balance
	-	(478 800)
		Current Year Receipts
	(17 067 374)	(8 566 480)
		Transferred to Fixed Assets
	16 110 204	7 373 830
	<u>(2 940 820)</u>	<u>(1 983 650)</u>
	This grant was utilised for the upgrading of the sewerage network in Smithfield. The conditions of the grant must still be met, but no monies was withheld.	
25.2.3	MIG Grant - Caledon River Project	
		Opening Balance
	(1 764 795)	-
		Current Year Receipts
	(168 405)	(4 164 520)
		Transferred to Fixed Assets
	1 933 200	2 399 725
	<u>-</u>	<u>(1 764 795)</u>
	This grant was utilised for the upgrading of the water network from the Caledon river. The conditions of the grant must still be met, but no monies was withheld.	
25.2.4	Financial Management Grant	
		Opening Balance
	(437 855)	(250 000)
		Current Year Receipts
	(500 000)	(500 000)
		Transferred to Income/Expenditure
	768 337	312 145
	<u>(169 518)</u>	<u>(437 855)</u>
	This grant is for the training of interns in the Financial Department. The conditions of the grant must still be met, but no monies was withheld.	

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
<b>25.2.5 MSIG Grant</b>		
Opening Balance	(289 289)	-
Adjustment Opening Balance	-	(330 868)
Current Year Receipts	(734 000)	(734 000)
Transferred to Income/Expenditure	452 745	775 579
Closing Balance - (transferred to Creditors - note 10)	<u>(570 544)</u>	<u>(289 289)</u>

This grant was utilised to develop several policies. The conditions of the grant must still be met, but no monies was withheld.

**25.3 Provincial Government Grants**  
**25.3.1 Grant for Draught Relief**

Opening Balance	(2 247 908)	(2 378 759)
Transferred to Fixed Assets	82 067	130 851
Transferred to Income/Expenditure	72 620	-
Closing Balance - (transferred to Creditors - note 10)	<u>(2 093 221)</u>	<u>(2 247 908)</u>

This grant is for draught relief in the Mohokare Municipal area. The conditions of the grant must still be met, but no monies was withheld.

**25.3.2 Sewerage Project - Smithfield**

Opening Balance	-	(133 532)
Transferred to Fixed Assets	-	133 532
Closing Balance	<u>-</u>	<u>-</u>

This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies was withheld.

**25.3.3 Grant for Planning and Surveyance**

Opening Balance	41 402	-
Current Year Receipts	-	(428 598)
Transferred to Income/Expenditure	(41 402)	428 598
Overspending	-	41 402
Closing Balance	<u>-</u>	<u>41 402</u>

This grant was utilised to defray planning and surveyance expenses. The conditions of the grant have been met and no monies was withheld.

**25.3.4 Intergrated Spatial Development Grant**

Opening Balance	(2 220 000)	-
Current Year Receipts	-	(2 220 000)
Closing Balance (transferred to Creditors - note 10)	<u>(2 220 000)</u>	<u>(2 220 000)</u>

This grant was utilised for the development of an ISD plan. The conditions of the grant must still be met, but no monies was withheld.

**25.3.5 Provincial Grant - Water Demand**

Opening Balance	(399 803)	-
Current Year Receipts	-	(839 000)
Transferred to Fixed Assets	399 803	439 197
Closing Balance	<u>-</u>	<u>(399 803)</u>

This grant was utilised to improve the supply of water to the disadvantaged communities. The conditions of the grant must still be met, but no monies was withheld.

**25.3.6 Provincial Grant - Water Purification - Rouxville**

Opening Balance	(299 965)	-
Current Year Receipts	-	(299 965)
Transferred to Income/Expenditure	5 705	-
Transferred to Fixed Assets	201 442	-
Closing Balance - (transferred to Creditors - note 10)	<u>(92 818)</u>	<u>(299 965)</u>

This grant was utilised to improve the water network in Rouxville. The conditions of the grant must still be met, but no monies was withheld.

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R
<b>25.3.7</b> Provincial Grant - Maintenance Electricity Network		
Opening Balance	(909 915)	(909 915)
Closing Balance - (transferred to Creditors - note 10)	<u>(909 915)</u>	<u>(909 915)</u>
<p>This grant was utilised for the maintenance of the electricity network. The conditions of the grant must still be met, but no monies was withheld.</p>		
<b>25.3.8</b> Provincial Grant - Audit Fees		
Opening Balance	-	-
Current Year Receipts	(1 574 343)	-
Transferred to Income/Expenditure	1 574 343	-
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for the payment of audit fees. The conditions of the grant was met and no monies was withheld.</p>		
<b>25.4</b> Grants from the District Municipality		
<b>25.4.1</b> CMIP Funds		
Opening Balance	-	1 156 725
Transferred to Fixed Assets	-	(1 156 725)
Closing Balance	<u>-</u>	<u>-</u>
<p>This grant was utilised for the upgrading of infrastructure in the towns. The conditions of the grant have been met and no monies was withheld.</p>		
<b>26</b> <b>Employee Related Costs</b>		
Salaries	14 745 386	13 305 041
Contributions - UIF, Pension and Medical Aid Fund,	2 680 175	2 369 225
Housing Subsidies	68 261	54 206
Industrial Council Levies	8 992	8 076
Other Allowances	146 474	1 459 076
Overtime	942 688	840 623
Protective Clothing	130 812	88 601
Travel, Subsistence and Car Allowances	1 489 137	1 404 997
Workmen's Compensation Commissioner	162 554	118 599
	<u>20 374 479</u>	<u>19 648 444</u>
<b>26.1</b> No advances were made to employees.		
<b>26.2</b> Remuneration of the Municipal Manager		
Annual Remuneration & Acting Allowance	371 301	356 064
Performance Bonuses	-	54 833
Car Allowance	36 182	54 276
	<u>407 483</u>	<u>465 173</u>
<b>26.2.1</b> The position of the Municipal Manager has been vacant since 1 March 2008.		
<b>26.3</b> Remuneration of the Chief Financial Officer		
Annual Remuneration (Acting allowance)	74 821	-
	<u>74 821</u>	<u>-</u>
<b>26.3.1</b> The above position is vacant.	171337	
<b>26.4</b> Remuneration of the Acting Financial Officer		
Annual Remuneration	248 745	315 444
Performance Bonuses	-	52 417
Car Allowance	17 500	42 000
	<u>266 245</u>	<u>409 861</u>
<b>26.5</b> Remuneration of the Manager Administration		
Annual Remuneration	178 619	315 444
Performance Bonuses	-	52 417
Car Allowance	85 872	42 000
	<u>264 491</u>	<u>409 861</u>
<b>26.5.1</b> The Manager Administration has been acting as Municipal Manager since 22 November 2007.		
<b>26.5.2</b> The Manager Administration was appointed on 16 October 2007.		



**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R				
<b>26.6</b> Remuneration of the Manager Technical Services						
Annual Remuneration	180 695	288 600				
Performance Bonuses	-	47 964				
Car Allowance	30 381	60 761				
	<u>211 076</u>	<u>397 325</u>				
<b>26.6.1</b> The above position has been vacant since 1 January 2008.						
<b>26.7</b> Remuneration of the Manager Community Services						
Annual Remuneration (Acting Allowance)	89 196	264 759				
Performance Bonuses	-	45 922				
Car Allowance	-	86 240				
	<u>89 196</u>	<u>396 921</u>				
<b>26.7.1</b> The above position has been vacant since 1 June 2007.						
<b>27</b> <b>Unauthorised, Irregular, Fruitless and Wasteful Expenditure</b>						
<b>27.1</b> Irregular Expenditure						
Reconciliation of Irregular Expenditure						
Opening Balance	94 437	94 437				
Irregular Expenditure Current Year	-	-				
Approved, Condoned or Rectified by Council	(94 437)	-				
	<u>-</u>	<u>94 437</u>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Actions taken</th> </tr> </thead> <tbody> <tr> <td>Moneys paid without supporting documentation.</td> <td>Council approval to be obtained.</td> </tr> </tbody> </table>	Incident	Actions taken	Moneys paid without supporting documentation.	Council approval to be obtained.		
Incident	Actions taken					
Moneys paid without supporting documentation.	Council approval to be obtained.					
<b>27.2</b> Fruitless and Wasteful Expenditure						
Reconciliation of Unauthorised Expenditure						
Opening Balance	-	-				
Fruitless and Wasteful Expenditure Current Year	434 901	194				
Approved or Condoned by Council	(434 901)	(194)				
	<u>-</u>	<u>-</u>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Actions taken</th> </tr> </thead> <tbody> <tr> <td>Interest and fines paid</td> <td>Council approval to be obtained.</td> </tr> </tbody> </table>	Incident	Actions taken	Interest and fines paid	Council approval to be obtained.		
Incident	Actions taken					
Interest and fines paid	Council approval to be obtained.					
<b>28</b> <b>Additional Disclosures in terms of the Municipal Finance Management Act</b>						
<b>28.1</b> Contributions to Organised Local Government						
Opening Balance	-	-				
Council Subscriptions	18 618	8 076				
Amount paid - Current Year	(18 618)	(8 076)				
Closing Balance	<u>-</u>	<u>-</u>				
<b>28.2</b> Audit Fees						
Opening Balance	(1 200 308)	(268 661)				
Audit Fee - Current Year	(4 842 103)	(1 743 146)				
Amount paid/Written back - Current Year	4 378 304	268 661				
Amount paid - Previous Year	1 046 722	542 838				
Closing Balance - Included in Creditors (note 10)	<u>(617 385)</u>	<u>(1 200 308)</u>				
<b>28.3</b> VAT						
VAT (Refundable)/Payable	<u>(476 038)</u>	<u>(2 791 954)</u>				
<b>28.3.1</b> The above figure represents the net amount of output and input VAT receivable.						
<b>28.3.2</b> All VAT returns have not been submitted on the due dates.						
<b>28.3.3</b> The Local Municipality is registered for VAT on the payment basis.						
<b>28.4</b> Levies - District Municipality						
Opening Balance	<u>(47 591)</u>	<u>(47 591)</u>				
Closing Balance - (transferred to Creditors - note 10)	<u>(47 591)</u>	<u>(47 591)</u>				

**Mohokare Local Municipality**

**Notes to the Annual Financial Statements**

for the year ended 30 June 2008

	2008 R	2007 R	
<b>28.5</b> PAYE and UIF			
Opening Balance	(2 219 975)	(398 403)	
Adjust Opening Balance	1 533 436	(78 315)	
Payroll Deductions - Current Year	(1 646 150)	(1 743 257)	
Amount paid - Current Year	429 777	-	
Closing Balance - (transferred to Creditors - note 10)	<u>(1 902 912)</u>	<u>(2 219 975)</u>	
<b>28.6</b> Pension Fund and Medical Aid Fund Deductions			
Opening Balance	-	(259 193)	
Payroll Deductions and Council Contributions - Current Year	(3 490 235)	(3 397 155)	
Amount paid - Current Year	2 663 025	3 656 348	
Closing Balance - (transferred to Creditors - note 10)	<u>(827 210)</u>	<u>-</u>	
<b>28.7</b> Councillors' Arrear Consumer Accounts			
The accounts of the following Councillors were outstanding as at year end: -			
30 June 2007	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor PM Sikhosana	277	77	200
Councillor BS Majenje	184	71	113
Councillor TG Mbangula	11 896	219	11 677
Councillor NG Khatisa	13 729	71	13 658
Councillor TJ Mohapi	14 447	256	14 191
30 June 2008			
Councillor PM Sikhosana	2 086	331	1 755
Councillor TG Mbangula	40 065	1 313	38 752
Councillor TJ Mohapi	10 494	481	10 013
Councillor NG Plaatjé	12 938	322	12 616
<b>28.8</b> Non-compliance with the Municipal Finance Management Act			
<b>28.8.1</b> Chapter 3, Section 9(b)			
The Provincial Treasury and Auditor-General was not informed of each bank account and the required details before the start of the 2007/2008 financial year.			
<b>28.8.2</b> Chapter 3, Section 11(4)(a) and (b)			
The Accounting officer did not within 30 days after the end of each quarter table a report of all withdrawals in terms of section 11(1)(b) to (j) during the quarters in the council and did not submit a copy of the approved report to the Provincial Treasury and Auditor-General.			
<b>28.8.3</b> Chapter 7, Section 53(1)(c)(ii)			
The service delivery and budget implementation plan was not approved by the mayor within 28 days after the approval of the budget.			
<b>28.8.4</b> Chapter 7, Section 53(1)(c)(iii)			
The annual performance agreements of the municipal manager and all senior managers were not concluded.			
<b>28.8.5</b> Chapter 7, Section 53(2)			
The mayor did not report the failure to approve the service delivery and budget implementation plan and did not approve and sign the performance agreements.			
<b>28.8.6</b> Chapter 7, Section 53(3)(a) and (b)			
Service delivery targets, performance indicators and performance agreements were not made public.			
<b>28.8.7</b> Chapter 8, Section 69(3)			
The accounting officer did not submit a draft service delivery and budget implementation plan and performance agreements to the mayor.			
<b>28.8.8</b> Chapter 8, Section 75			
The accounting officer did not display the documents required in terms of this section on the website of the municipality.			
<b>28.8.9</b> Chapter 12, Section 126(1)(a)			
The Accounting Officer did not submit the annual financial statements of the Municipality within two months after the end of the 2007/2008 financial year to the Auditor-General.			
<b>28.8.10</b> Chapter 12, Section 127(2)			
The mayor did not table the annual report of the municipality.			
<b>28.8.11</b> Chapter 12, Section 127(3)(a) and (b)			
The mayor did not submit a written explanation setting out the reasons for failure to submit the annual report.			
<b>28.8.12</b> Chapter 12, Section 127(5)			
The accounting officer did not publicise the annual report and did not submit the report to the Auditor-General.			
<b>28.8.13</b> Chapter 12, Section 130(1)			
No meeting was held with the public or any organs of state with regard to the annual report.			
<b>28.8.14</b> Chapter 12, Section 131(1)			
The Municipality did not address the issues raised by the Auditor-General in his audit report.			
<b>28.8.15</b> Chapter 12, Section 132(1)(a) and (b)			
The Municipality did not submit its annual report and oversight report to the Provincial Legislature.			

## Mohokare Local Municipality

### Annual Financial Statements

for the year ended 30 June 2008

### Appendix A

#### Statutory Funds and Provisions

	Balance 01.07.2007	Contributions 2008	Interest 2008	Other Income & Adjustments 2008	Expenditure 2008	Balance 30.06.2008
<b>Statutory Funds</b>						
Capital Development Fund	2 409 282	370 217	6 684	795 204	-	3 581 387
Erven Trust Fund	1 441 815	-	2 865	64 171	-	1 508 851
	<u>3 851 097</u>	<u>370 217</u>	<u>9 549</u>	<u>859 375</u>	<u>-</u>	<u>5 090 238</u>
<b>Provisions</b>						
Accrued Leave Pay	1 535 810	1 026 824	-	-	(255 250)	2 307 384
Pro-rata Bonus	823 813	-	-	(397 640)	-	426 173
<b>Sub Total</b>	<u>2 359 623</u>	<u>1 026 824</u>	<u>-</u>	<u>(397 640)</u>	<u>(255 250)</u>	<u>2 733 557</u>
Bad Debts	31 980 160	2 640 533	-	-	-	34 620 693
<b>Total</b>	<u>34 339 783</u>	<u>3 667 357</u>	<u>-</u>	<u>(397 640)</u>	<u>(255 250)</u>	<u>37 354 250</u>

**Mohokare Local Municipality**

**Annual Financial Statements**

for the year ended 30 June 2008

**Appendix B**

**External Loans and HP's**

Public and Other External Loans	Interest Rate	Loan No	Date approved	Year of Settlement	Balance	Received	Adjustment	Redeemed/ Written Off	Balance
					01.07.2007 R	2008 R	2008 R	2008 R	30.06.2008 R
Development Bank of South Africa	12.36%	1	20.04.05	2015	789 689	-	-	-	789 689
Sewerage					789 689	-	-	-	789 689
Arrear Interest (See note 2)					2 448 667	457 376	-	(228 000)	2 678 043
					3 238 356	457 376	-	(228 000)	3 467 732
Inca									
Loan 16	17.00%	16	30.06.02	2007	2 526	-	-	(2 526)	-
Loan 27	17.00%	27	30.06.06	2007	815	-	-	(815)	-
Loan 29	17.00%	29	30.06.02	2007	2 444	-	-	(2 444)	-
Loan 45	17.00%	45	30.06.02	2007	5 703	-	-	-	5 703
					11 488	-	-	(5 785)	5 703
Arrear Interest (See note 2)					85 015	485	-	(72 642)	12 858
					96 503	485	-	(78 427)	18 561
Centlec									
Electricity (See note 2)	10.00%				1 884 257	-	-	(140 553)	1 743 704
					1 884 257	-	-	(140 553)	1 743 704
<b>Hire Purchases</b>									
ABSA Bank									
Dezzi	-	-	30.12.04	2007	109 867	-	-	(109 751)	116
Toyota	-	-	15.12.04	2007	111 982	-	-	(111 982)	-
Komatsu	-	-	30.12.04	2007	73 642	-	-	(73 642)	-
(See note 2)					295 491	-	-	(295 375)	116
<b>Total External Loans</b>					<b>5 514 607</b>	<b>457 861</b>	<b>-</b>	<b>(742 355)</b>	<b>5 230 113</b>

**Mohokare Local Municipality**

**Annual Financial Statements**

for the year ended 30 June 2008

**Appendix C**

**Analysis of Fixed Assets**

Expenditure 2007	Service	Balance at 01.07.2007	Expenditure 2008	Redeemed, Transferred, Adjusted or Written-off 2008	Balance at 30.06.2008
R		R	R	R	R
<b>8 273 983</b>	<b>Rates and General Services</b>	<b>71 022 046</b>	<b>16 207 043</b>	<b>(15 600)</b>	<b>87 213 489</b>
<b>786 727</b>	<b>Community Services</b>	<b>16 275 611</b>	<b>75 696</b>	<b>(15 600)</b>	<b>16 335 707</b>
(150)	Commonage	501 779	(15 600)	-	486 179
390 549	Public Works	10 168 678	-	-	10 168 678
-	Public Works (Mofulatshepe)	67 247	-	-	67 247
-	Administration Offices (Rietpoort)	222 130	-	-	222 130
2 368	Civil Buildings	273 323	-	-	273 323
-	Community Hall	246 185	-	-	246 185
1 200	Administration Offices	1 193 699	73 197	-	1 266 896
-	Traffic	117 785	-	-	117 785
392 610	Vehicles and Equipment	957 103	2 499	-	959 602
-	Sundry Assets	256 780	-	-	256 780
-	Rietpoort	325 080	-	-	325 080
-	Land Survey	56 786	-	-	56 786
150	Unsold Erven	1 851 252	15 600	(15 600)	1 851 252
-	Vacant Houses	37 784	-	-	37 784
<b>112 225</b>	<b>Subsidised Services</b>	<b>4 890 909</b>	<b>16 104</b>	<b>-</b>	<b>4 907 013</b>
-	Disaster Management	37 249	5 304	-	42 553
-	Public Health	717 320	-	-	717 320
-	Library	16 868	-	-	16 868
-	Museum	65	-	-	65
-	Parks and Cemeteries	990 788	10 800	-	1 001 588
-	Sport Facilities	1 190 327	-	-	1 190 327
2 194	Tavern	9 832	-	-	9 832
110 031	Town Hall and Offices	1 928 460	-	-	1 928 460
<b>7 375 031</b>	<b>Economic Services</b>	<b>49 855 526</b>	<b>16 115 243</b>	<b>-</b>	<b>65 970 769</b>
-	Camps and Pound	33 043	-	-	33 043
-	Properties	880 853	-	-	880 853
1 200	Refuse	700 447	-	-	700 447
7 373 831	Sewerage	48 241 183	16 115 243	-	64 356 426
8 273 983	Balance c/f	71 022 046	16 207 043	(15 600)	87 213 489

## Mohokare Local Municipality

### Annual Financial Statements

for the year ended 30 June 2008

#### Analysis of Fixed Assets (continued)

Expenditure 2007	Service	Balance at 01.07.2007	Expenditure 2008	Redeemed, Transferred, Adjusted or Written-off 2008	Balance at 30.06.2008
R		R	R	R	R
8 273 983	Balance b/f	71 022 046	16 207 043	(15 600)	87 213 489
-	<b>Housing</b>	1 442 692	-	-	1 442 692
-	Personnel Housing	117 675	-	-	117 675
-	Rouxville Housing	38 033	-	-	38 033
-	Uitkoms Housing	342 447	-	-	342 447
-	Roleleathunya Housing	113 795	-	-	113 795
-	Sub-economical Housing	830 742	-	-	830 742
<b>2 432 572</b>	<b>Trading Services</b>	<b>44 745 339</b>	<b>3 979 889</b>	-	<b>48 725 228</b>
-	Electricity	2 685 456	-	-	2 685 456
994 845	Electricity - Centlec	4 548 945	1 189 275	-	5 738 220
1 437 727	Water	37 510 938	2 790 614	-	40 301 552
<b>10 706 555</b>	<b>Total Fixed Assets</b>	<b>117 210 077</b>	<b>20 186 932</b>	<b>(15 600)</b>	<b>137 381 409</b>
<b>14 339 432</b>	<b>Less: Loans Redeemed and other Capital Receipts</b>	<b>114 229 152</b>	<b>20 628 645</b>	<b>(15 600)</b>	<b>134 842 197</b>
738 896	Loans Redeemed and Advances Paid	35 261 512	441 713	(1 478 110)	34 225 115
931 535	Contributions ex Operating Income	6 770 494	253 147	1 462 510	8 486 151
778 202	Contributions	-	253 147	1 462 510	-
153 333	Assets not previously capitalised	-	-	-	-
-	Other Sources	5 121 199	-	-	5 121 199
-	Contributions from Funds	141 318	-	-	141 318
994 845	Grants and subsidies - Centlec	-	1 189 276	-	-
11 063 809	Contributions from Government and District Municipality	62 801 383	18 043 406	-	80 844 789
8 323 160	Contributions	-	18 043 406	-	-
2 740 649	Assets not previously capitalised	-	-	-	-
610 347	Contributions Provincial Government	1 609 111	701 103	-	2 310 214
<b>(3 632 877)</b>	<b>Net Fixed Assets</b>	<b>2 980 925</b>	<b>(441 713)</b>	<b>-</b>	<b>2 539 212</b>

## Mohokare Local Municipality

### Annual Financial Statements

for the year ended 30 June 2008

### Appendix D

#### Analysis of Operating Income and Expenditure

2007 Actual R		2008 Actual R	2008 Budget R
<b>Income</b>			
18 195 943	Grants and Subsidies	22 662 899	20 944 719
16 719 920	- Central Government	21 010 231	20 385 705
1 476 023	- Provincial Government	1 652 668	559 014
17 608 069	Operating Income	23 494 757	29 840 168
3 603 425	- Assessment Rates	4 113 952	4 114 000
6 602 393	- Sale of Electricity	6 311 424	8 845 008
2 614 448	- Sale of Water	3 395 206	7 680 000
4 787 803	- Other Services and Charges	9 674 175	9 201 160
35 804 012		46 157 656	50 784 887
<b>Expenditure</b>			
18 693 956	Salaries, Wages and Allowances	19 640 348	19 623 196
14 207 728	General Expenses	20 257 582	13 939 375
4 628 906	- Purchase of Electricity	4 791 710	5 829 000
9 578 822	- Other General Expenses	15 465 872	8 110 375
2 209 833	Repairs & Maintenance & Fuel	2 116 705	5 092 760
1 396 101	Capital Charges	1 097 726	1 224 088
778 201	Contributions to Fixed Assets	253 147	2 474 177
2 248 678	Contributions	3 758 755	5 290 300
39 534 497		47 124 263	47 643 896

**Mohokare Local Municipality**

**Annual Financial Statements**

for the year ended 30 June 2008

**Appendix E**

**Detailed Income Statement**

2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	2008 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
22 327 240	26 035 467	(3 708 227)	<b>RATES AND GENERAL SERVICES</b>	32 493 009	33 027 398	(534 389)	1 928 872
10 967 857	13 418 719	(2 450 862)	<b>Community Services</b>	22 071 671	22 321 248	(249 577)	665 143
3 603 425	331 273	3 272 152	Assessment Rates	4 113 952	900 543	3 213 409	4 114 000
32 450	430 253	(397 803)	Corporate Services	521 191	4 164 319	(3 643 128)	-
-	2 863 943	(2 863 943)	Council's General Account	-	2 550 968	(2 550 968)	-
3 322	3 308 399	(3 305 077)	Public Works	5 200	2 914 174	(2 908 974)	-
394 645	449 570	(54 925)	Traffic	2 767 621	1 784 199	983 422	464 162
13 312	593 242	(579 930)	Town Hall and Offices	10 536	412 118	(401 582)	-
6 277 237	3 390 836	2 886 401	Finance	14 653 171	8 738 736	5 914 435	(3 266 179)
-	19 956	(19 956)	Internal Audit	-	74 049	(74 049)	-
643 466	1 723 301	(1 079 835)	Municipal Manager	-	678 802	(678 802)	-
-	307 946	(307 946)	Public Relations and Youth	-	103 340	(103 340)	(646 840)
856 505	2 266 563	(1 410 058)	<b>Subsidised Services</b>	795 947	1 158 691	(362 744)	(371 840)
189	103 352	(103 163)	Environmental Health	-	1 249	(1 249)	-
88 964	1 395 859	(1 306 895)	Parks, Grounds and Cemeteries	149 075	510 570	(361 495)	(371 840)
5 754	5 754	-	Disaster Management	9 807	9 807	-	-
761 598	761 598	-	Library	637 065	637 065	-	-
10 502 878	10 350 185	152 693	<b>Economic Services</b>	9 625 391	9 547 459	77 932	1 635 569
5 466 337	5 428 854	37 483	Refuse Removal	5 310 047	5 310 047	-	525 057
222 703	154 191	68 512	Properties	81 880	8 865	73 015	250 000
26 357	6 656	19 701	Camps and Pound	10 468	5 551	4 917	15 000
4 787 481	4 760 484	26 997	Sewerage	4 222 996	4 222 996	-	845 512
-	457 967	(457 967)	<b>HOUSING SERVICES</b>	186 998	409 813	(222 815)	-
-	457 967	(457 967)	Housing	186 998	409 813	(222 815)	-
13 476 772	13 041 063	435 709	<b>TRADING SERVICES</b>	13 477 649	13 687 052	(209 403)	1 212 119
662 794	662 794	-	Electricity	495 456	495 456	-	272 652
6 602 393	6 347 413	254 980	Electricity - Centlec	6 311 424	6 705 169	(393 745)	708 331
152 915	72 157	80 758	Farming	-	26 546	(26 546)	-
6 058 670	5 958 699	99 971	Water	6 670 769	6 459 881	210 888	231 136
<u>35 804 012</u>	<u>39 534 497</u>	<u>(3 730 485)</u>	<b>Total</b>	<u>46 157 656</u>	<u>47 124 263</u>	<u>(966 607)</u>	<u>3 140 991</u>
		9 401 228	Appropriations for the Year (See note 15)			629 488	
		5 670 743	Net (Deficit)/Surplus for the Year			(337 119)	
		(25 664 935)	Accumulated (Deficit): Beginning of the Year			(19 994 192)	
		(19 994 192)	Accumulated (Deficit): End of the Year			(20 331 311)	



## Mohokare Local Municipality

### Statistical Information

for the year ended 30 June 2008

### Appendix F

<b>General Statistics</b>		<b>2008</b>	<b>2007</b>
i) Population		37 000	37 000
ii) Valuation of Property : Rateable	Land	R605 773 440	R3 477 895
	Improvements	R0	R86 122 105
Valuation of Property : Non Rateable	Land	R31 265 764	R4 514 682
	Improvements	R0	R29 473 525
iii) Date of Valuation		2005/2006	2005/2006
iv) Number of Stands - Residential and Commercial		5 918	5 918
v) Assessment Rate on Land:		R 0.034	R 0.030
Assessment Rate on Improvements:		R 0.0000	R 0.0222
vi) Number of Employees		222	241
vii) Area (Town Land)		8 749ha	8 749ha

### Electricity Statistics

Electricity is distributed by Mangaung Municipality in terms of an agreement between Mohokare and Mangaung Municipality. Electricity is purchased from Escom, but not for resale.

### Water Statistics

i) Units purchased (kl) (The Municipality has its own water resources)		-	-
ii) Units sold (kl)		1 382 334	1 188 385
iii) Units lost in Distribution		Unkown	Unkown
iv) Percentage Loss in Distribution		0%	0%
v) Cost per Unit sold		R 4.67	R 5.01
vi) Income per Unit sold		R 2.46	R 2.20

**Mohokare Local Municipality**

**Report of the Auditor-General on Performance Measurement to  
the Mohokare Local Municipality**

*for the year ended 30 June 2008*

The Auditor-General will issue his report upon finalisation of the audit.