



MOHOKARE
LOCAL MUNICIPALITY

Mohokare Local Municipality
Demarcation code FS163
Annual Financial Statements
for the year ended June 30, 2011

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended June 30, 2011

General Information

Legal form of entity	Local municipality
Council	
Mayor/ Speaker	M Shasha
Councillors	M Shasha R Thuhlo A Letele L Lekhula E Backward T Khasake B Majenge M Sehanka I Mehlomakhulu S Pokane I Riddle
Grading of local authority	2
Accounting Officer (Acting)	T Panyani
Chief Financial Officer (Acting)	S Moorosi
Registered office	Civic Center Hoofd Street Zastron 9950
Business address	Civic Center Hoofd Street Zastron 9950
Postal address	P O Box 20 Zastron 9950
Bankers	ABSA
Auditors	The Auditor - General: Free State

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice

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HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
INEPG	Integrated National Electrification Programme Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on August 30, 2010 and were signed on its behalf by:

Accounting Officer
Thabo Panyani

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Accounting Officer's Responsibilities and Approval

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2011.

Audit committee members and attendance

The audit committee (which is a shared audit function) consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 2 meetings were held.

Name of member	Number of meetings attended
G S Majola	2
K S Rapulungoane	2
V W Vapi	2
M Segalo	2

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Statement of Financial Position

Figures in Rands	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables from exchange transactions	9	12,499,159	149,742
VAT receivable		5,036,215	2,113,201
Consumer debtors	10	10,423,761	13,089,581
Cash and cash equivalents	11	317,135	(278,920)
		28,276,270	15,073,604
Non-Current Assets			
Biological assets	4	585,000	564,900
Investment property	5	29,404,500	880,853
Property, plant and equipment	6	145,090,910	131,295,338
		175,080,410	132,741,091
Non-Current Assets		175,080,410	132,741,091
Current Assets		28,276,270	15,073,604
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		203,356,680	147,814,695
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	15	28,843,420	15,604,479
Consumer deposits		68,563	74,788
Unspent conditional grants and receipts	14	9,708,399	7,411,803
Bank overdraft	11	765,509	1,262,139
		39,385,891	24,353,209
Non-Current Liabilities			
Other financial liabilities	12	3,058,885	3,582,126
Finance lease obligation	13	1,636,557	-
		4,695,442	3,582,126
Non-Current Liabilities		4,695,442	3,582,126
Current Liabilities		39,385,891	24,353,209
Liabilities of disposal groups		-	-
Total Liabilities		44,081,333	27,935,335
Assets		203,356,680	147,814,695
Liabilities		(44,081,333)	(27,935,335)
Net Assets		159,275,347	119,879,360
Net Assets			
Accumulated surplus		159,371,978	120,633,620

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Statement of Financial Performance

Figures in Rands	Note(s)	2011	2010
Revenue from exchange transactions			
Service charges	17	28,276,027	25,302,341
Rental of facilities and equipment	19	687,574	400,893
		<u>28,963,601</u>	<u>25,703,234</u>
Revenue from non-exchange transactions			
Property rates	16	3,212,610	5,399,953
Interest received (trading)		226,793	225,318
Public contributions and donations		20,580	-
Government grants & subsidies	18	75,753,014	32,768,618
		<u>79,212,997</u>	<u>38,393,889</u>
Administration and management fees received		42	(4,460)
Other income	20	1,162,046	3,105,438
Interest received - investment	25	31,336	45,186
Dividends received	25	3,466	5,204
Total income		<u>109,373,488</u>	<u>67,248,491</u>
Expenditure			
Personnel	23	(34,951,474)	(23,412,077)
Remuneration of councillors	24	(2,313,219)	(1,914,471)
Finance costs	27	(376,816)	(357,294)
Debt impairment		(12,421,479)	-
Repairs and maintenance		(1,008,592)	(1,481,896)
Bulk purchases	31	(16,136,859)	(11,891,849)
Grants and subsidies paid		(4,155,906)	(3,581,696)
General Expenses	21	(28,037,483)	(18,207,660)
Total Expenditure		<u>(99,401,828)</u>	<u>(60,846,943)</u>
Revenue		109,373,488	67,248,491
Expenditure		(99,401,828)	(60,846,943)
Other		-	-
Surplus for the year	22	<u>9,971,660</u>	<u>6,401,548</u>

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Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus	Total net assets
Opening balance as previously reported	(24,870,498)	(24,870,498)
Adjustments		
Correction of depreciation error	140,914,926	140,914,926
Other corrections of prior period errors	(1,879,374)	(1,879,374)
Balance at July 01, 2009 as restated	114,165,054	114,165,054
Changes in net assets		
Centlec	183,367	183,367
Other fair value gains (losses)	(116,349)	(116,349)
Net income (losses) recognised directly in net assets	67,018	67,018
Surplus/(deficit) for the period	6,401,548	6,401,548
Total recognised income and expenses for the period	6,468,566	6,468,566
Total changes	6,468,566	6,468,566
Opening balance as previously reported	(7,653,715)	(7,653,715)
Adjustments		
Correction of depreciation error	140,914,926	140,914,926
Other corrections of prior period error - net effect	(12,627,591)	(12,627,591)
Balance at July 01, 2010 as restated	120,633,620	120,633,620
Changes in net assets		
Increase in fair value investment property	28,523,647	28,523,647
Other adjustment directly in equity	243,051	243,051
Net income (losses) recognised directly in net assets	28,766,698	28,766,698
Surplus/(deficit) for the period	9,971,660	9,971,660
Total recognised income and expenses for the year	38,738,358	38,738,358
Total changes	38,738,358	38,738,358
Balance at June 30, 2011	159,371,978	159,371,978

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Cash flow statement

Figures in Rands	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers,government and others		28,963,601	25,701,935
Grants		53,121,909	38,366,619
Interest income		31,336	45,186
Dividends received		3,466	5,204
Other receipts		686,096	-
Other cash item (enter description)		977,188	3,105,438
		<u>83,783,596</u>	<u>67,224,382</u>
Payments			
Employee costs		(34,951,474)	(23,412,077)
Cash paid to suppliers and employees		(33,279,937)	(53,892,624)
Finance costs		(249,141)	(357,294)
		<u>(68,480,552)</u>	<u>(77,661,995)</u>
Total receipts		83,783,596	67,224,382
Total payments		(68,480,552)	(77,661,995)
Net cash flows from operating activities	32	<u>15,303,044</u>	<u>(10,437,613)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(13,795,572)	(7,153,413)
Non-cash items adjustments		(1,755,669)	12,418,622
Net cash flows from investing activities		<u>(15,551,241)</u>	<u>5,265,209</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(523,241)	3,582,126
Finance lease payments		1,508,882	-
Other cash item		355,241	-
Net cash flows from financing activities		<u>1,340,882</u>	<u>3,582,126</u>
Net increase/(decrease) in cash and cash equivalents		1,092,685	(1,590,278)
Cash and cash equivalents at the beginning of the year		(1,541,059)	49,219
Cash and cash equivalents at the end of the year	11	<u>(448,374)</u>	<u>(1,541,059)</u>

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Accounting Policies

1. Reporting municipality

Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. Its principal activities and the address of its principal place of business and are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with the effective 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.

The following significant accounting policies had been applied consistently during the current and previous reporting period except to the extent that a transitional provision, as set out in note 2.6 has been applied.

2.2 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 twelve months.

2.3 Functional and presentation currency

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

2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that

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Accounting Policies

2.5 Use of estimates and judgements (continued)

period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 2.22.

2.6 Property, plant and equipment

Refer to note 2.2 for details of the transitional provisions applied during the financial year. The policy set out below has been applied only to the extent that the requirement is not covered by the relevant transitional provision.

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 year.

Initial recognition and measurement

Property, plant and equipment are measured at cost. This cost is the provisional value of the property, plant and equipment until the municipality complies no longer applies Directive 4.

Land and buildings are measured at revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where an asset is acquired at no cost, or for a nominal cost, 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 a combination of monetary and non-monetary assets, the cost of the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the use of a property changes from owner-occupied to investment property carried at fair value using the fair value model, the property is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is treated in the same way as a revaluation in terms of GRAP 17 as follows:

- any resulting decrease in the carrying amount of the property is recognised in surplus or deficit. However, to the extent that an amount is included in a revaluation surplus for that property, the decrease is charged against that revaluation surplus.
- any resulting increase in the carrying amount is treated as follows:

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Accounting Policies

2.6 Property, plant and equipment (continued)

- to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.
- any remaining part of the increase is credited directly to the revaluation surplus in net assets. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Revaluations are made with sufficient regularity 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.

The revaluation surplus relating to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Rehabilitation costs capitalised to the cost of landfill sites are written off on a straight-line basis over the estimated useful lives of the sites.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 years
Furniture and fixtures	7 years
Motor vehicles	5 years
Office equipment	3 years
IT equipment	3 years

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Accounting Policies

2.6 Property, plant and equipment (continued)

Computer software	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 years
• Water	20 years
• Sewerage	20 years
• Stormwater drains	20 years
Other assets	
• Computer equipment	3 years
• Furniture and fittings	6 years
• Other assets	10 years
Communication equipment	5 years
Investment property	30 years
Leased Assets	
• Office equipment	Lease term
Tools and loose gear	5 years

Spare parts

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other revenue in surplus or deficit.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

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Accounting Policies

2.6 Property, plant and equipment (continued)

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on Thursday, June 30, 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 6.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

2.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, rather than for:

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

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or

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Accounting Policies

2.7 Investment property (continued)

service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Property interests held by the municipality (lessee) under an operating lease are accounted for as investment property.

The initial cost of a property interest held under a lease classified as an investment property, shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

Fair value

Investment property is subsequently measured at fair value with any change therein recognised in surplus or deficit .

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

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

2.8 Financial instruments

Classification

The municipality classifies financial instruments , or their component parts, on initial recognition as financial assets, a financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities at fair value through surplus or deficit - designated
- Financial liabilities measured at amortised cost

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Accounting Policies

2.8 Financial instruments (continued)

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Non-derivative financial assets

The municipality initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

The municipality has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class of financial asset	IAS 39 category
Investments in fixed deposits (banking institutions, etc)	Held-to-maturity
Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Short-term investment deposits	Held-to-maturity
Cash and cash equivalents	Loans and receivables
Unlisted shares (in 'Other financial assets')	Fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

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2.8 Financial instruments (continued)

- They are classified as held for trading; or
- Upon initial recognition they are designated as at fair value through profit or loss.

Financial assets are designated as at fair value through profit or loss if the municipality manages such investments and makes purchase and sale decisions based on their fair value in accordance with the municipality's documented risk management or investment strategy.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value and gains and losses arising from changes in fair value are recognised in surplus or deficit for the period. Transaction costs are recognised in surplus or deficit.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially recognised at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Non-derivative financial liabilities

The municipality initially recognises financial liabilities, including liabilities designated at fair value through surplus or deficit, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and

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2.8 Financial instruments (continued)

the difference in the respective carrying amounts is recognised in surplus or deficit.

The municipality has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- Loans and borrowings
- Trade and other payables from exchange transactions
- Bank overdraft
- Current portion of loans and borrowings
- Consumer deposits

The above financial liabilities form part of the “other financial liabilities carried at amortised cost” category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial guarantee contracts

Financial guarantees are contracts that require the municipality to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee becomes probable. Financial guarantees are included in other liabilities.

The municipality does not account for financial guarantee contracts under IFRS 4 *Insurance Contracts*.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

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2.9 Inventories

Cost

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

Unsold properties are measured at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down to net realisable value and sold by public auction.

The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

The water levels in the dams are based on cubic meter capacity taking into account the capacity of the dam, based on land surveying reports and the curve of the dam.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

The municipality applies Directive 4 for the measurement of water inventory.

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2.10 Impairment

Financial assets

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment.

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in net assets, and presented in the fair value reserve, to surplus or deficit. The cumulative loss that is removed from the fair value reserve and recognised in surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in surplus or deficit. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in surplus or deficit, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security

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2.10 Impairment (continued)

is recognised in net assets.

Impairment losses are not subsequently reversed for equity instruments which are carried at cost because fair value was not determinable.

Non-financial assets

Cash generating assets

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

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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2.10 Impairment (continued)

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

Non-cash-generating assets

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

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach - The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

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Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Services

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

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

Service charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on the average consumption of the past 3 months before the month being assessed.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest, royalties and dividends

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant

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Accounting Policies

Revenue from exchange transactions (continued)

conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Other

Tariff charges

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

Agency commission

Commission for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Rates and taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or

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Accounting Policies

Revenue from non-exchange transactions (continued)

service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Receipt of community services in exchange for a fine is not recognised as revenue.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service

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Accounting Policies

Revenue from non-exchange transactions (continued)

potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources

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Accounting Policies

Revenue from non-exchange transactions (continued)

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

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

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

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

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

Where the municipality collects fines in its capacity of an agent, the fine is not recognised as revenue.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

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2.12 Provisions

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

2.13 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.

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 bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

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

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

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2.13 Employee benefits (continued)

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

Termination benefits

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

2.14 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.

Finance leases - municipality as lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessee

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

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Accounting Policies

2.14 Leases (continued)

recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance leases - municipality as lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - municipality as lessor

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

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

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

Finance sale and leaseback

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller – lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease and the transactions is accounted for as follows:

- If the transaction is concluded at fair value, any gain or loss is recognised immediately.
- If the sale price is below fair value, any gain or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.
- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

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Accounting Policies

2.15 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

2.16 Donations and grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

2.17 Tax

Value added tax (VAT)

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

2.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.19 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) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

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Accounting Policies

2.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position until such expenditure is recovered or written off as irrecoverable.

2.21 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in note 37.

Where accounting errors have been identified and/or, there has been a change in accounting policy in the current year, corrections and adjustments are made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The nature and amounts of restatements as well as the reasons are disclosed in note 36

2.22 Accounting estimates and judgements

Key sources of estimation uncertainty

Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Provisions

The provisions raised by the municipality are detailed in note . These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Fair value estimation

The fair value information presented by the municipality in note 7 requires the application of valuation techniques and assumptions based on market conditions existing at the end of the reporting period. The actual fair values may differ from those estimated.

Critical judgements in applying accounting policies

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these

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Accounting Policies

2.22 Accounting estimates and judgements (continued)

properties.

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Identification of impairment indicators

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The municipality applies the impairment assessment to its assets or separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

2.23 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

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3. New standards and interpretations

3.1 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard as indicated below.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after April 01, 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

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3. New standards and interpretations (continued)

IAS 39: Financial Instruments: Recognition and Measurement - Amendment - Treating loan prepayment facilities as closely related embedded derivatives

The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated. If an exercise price of an embedded prepayment option reimburses the lender for an amount not exceeding the approximate present value of the lost interest for the remaining term of the host contract, then the economic characteristics and risks of the prepayment option embedded in a host debt or host insurance contract are closely related to the host contract and the embedded derivative is not separated from the host contract.

The amendments are to be applied prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2011.

The impact of the is set out in note Changes in Accounting Policy.

IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The existing disclosure requirements of IFRS 7 are amended as follows:

- IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.
- Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.
- IFRS 7 is amended to state that clarification that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

- Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.
- Disclosure of a the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

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3. New standards and interpretations (continued)

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7. The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs.

The amended is effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

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4. Biological assets

Biological assets where fair value cannot be measured reliably

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Biological assets - Cattle	585,000	-	585,000	564,900	-	564,900

Reconciliation of biological assets - 2011

	Opening balance	Net movement	Total
Biological assets - Cattle	564,900	20,100	585,000

Reconciliation of biological assets - 2010

	Opening balance	Total
Biological assets - Cattle	564,900	564,900

Non - Financial information

Quantities of each biological asset

Biological assets - Cattle	117	112
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Council keeps the biological assets for purposes of slaughtering during important functions for the Mohokare local municipality communities.

Assets carried at cost less accumulated depreciation and impairment losses

The cattle are carried at an estimated fair values.

Fair values are usually determined at public auctions where the cattle are sold. For purposes of record keeping, the cattle are currently carried at the value at which they could be sold currently in arms length transaction.

The estimated fair value of cattle is R 5,000.00.

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5. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	29,404,500	-	29,404,500	880,853	-	880,853

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	880,853	28,523,647	29,404,500

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	880,853	880,853

Pledged as security

No investment property was pledged as security for loans at year end.

The fair value of the investment property is determined with reference to the latest available valuation roll of the municipality as compiled by an independent valuer. The significant increase related to the increase in value of the property.

Investment property in the previous year was incorrectly disclosed as property, plant and equipment. This is prior period error (Refer note 37). The investment property was also correctly valued for the first time in the current year and as result a fair value gain was also recognised in the statement of changes in net assets. 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.

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6. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Buildings	1,490,059	-	1,490,059	1,490,059	-	1,490,059
Furniture and fixtures	1,002,706	-	1,002,706	1,002,706	-	1,002,706
Motor vehicles	3,691,187	-	3,691,187	3,009,493	-	3,009,493
Office equipment	2,101,559	-	2,101,559	2,101,559	-	2,101,559
Infrastructure	11,497,434	-	11,497,434	11,497,434	-	11,497,434
Community	2,690,390	-	2,690,390	2,690,390	-	2,690,390
Other property, plant and equipment	24,518	-	24,518	24,518	-	24,518
Other equipment	19,787,830	-	19,787,830	19,787,830	-	19,787,830
Bins and containers	1,232	-	1,232	1,232	-	1,232
Capital work in progress	13,113,878	-	13,113,878	-	-	-
Wastewater network	39,453,035	-	39,453,035	39,453,035	-	39,453,035
Water network	50,228,937	-	50,228,937	50,228,937	-	50,228,937
Heritage	8,145	-	8,145	8,145	-	8,145
Total	145,090,910	-	145,090,910	131,295,338	-	131,295,338

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Buildings	1,490,059	-	1,490,059
Furniture and fixtures	1,002,706	-	1,002,706
Motor vehicles	3,009,493	681,694	3,691,187
Office equipment	2,101,559	-	2,101,559
Infrastructure	11,497,434	-	11,497,434
Community	2,690,390	-	2,690,390
Other property, plant and equipment	24,518	-	24,518
Other equipment	19,787,830	-	19,787,830
Bins and containers	1,232	-	1,232
Capital work in progress	-	13,113,878	13,113,878
Wastewater network	39,453,035	-	39,453,035
Water network	50,228,937	-	50,228,937
Heritage	8,145	-	8,145
	131,295,338	13,795,572	145,090,910

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Prior period error	Total
Buildings	3,129,289	-	(1,639,230)	1,490,059
Furniture and fixtures	38,033	-	964,673	1,002,706
Motor vehicles	2,149,929	1,158,569	(299,005)	3,009,493
Office equipment	830,742	-	1,270,817	2,101,559
Infrastructure	605,757	5,779,314	5,112,363	11,497,434
Community	2,036,284	-	654,106	2,690,390
Other property, plant and equipment	250,423	205,819	(431,724)	24,518
Other equipment	68,143,748	-	(48,355,918)	19,787,830
Bins and containers	325,080	-	(323,848)	1,232
Wastewater network	1,119,328	-	38,333,707	39,453,035
Water network	47,993,392	9,711	2,225,834	50,228,937
Heritage	10,168,678	-	(10,160,533)	8,145
	136,790,683	7,153,413	(12,648,758)	131,295,338

Transitional provisions

Property, plant and equipment recognised at provisional amounts

Directive 4

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain property, plant and equipment with a carrying value of R 145,010,910 (2010: R 143,514,291) was recognised at provisional amounts.

The municipality has changed the presentation of property, plant and equipment from the previous year in order to comply with GRAP 17. This is not a change in policy as the municipality had already adopted GRAP 17 but is corrected as a prior period error. In addition, the municipality has reclassified all land held from property, plant and equipment to investment property in accordance with GRAP 16.

The municipality is still using the transitional provisions in Directive 4 to value the property, plant and equipment. Therefore, the property, plant and equipment is stated at cost and not depreciated.

The municipality is in the process of appointing a service provider to develop a register containing the information required by section 63 of the Municipal Finance Management Act which will be made available for inspection at the registered office of the municipality.

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7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Total
Trade and other receivables	1,091,159	1,091,159
Cash and cash equivalents	317,135	317,135
Consumer debtors	9,780,255	9,780,255
	11,188,549	11,188,549

2010

	Loans and receivables	Total
Trade and other receivables	2,072,099	2,072,099
Cash and cash equivalents	289,781	289,781
Consumer debtors	13,843,842	13,843,842
	16,205,722	16,205,722

8. Inventories

In the prior year inventories were overstated by an amount of R 564,900 which should have been disclosed as Biological Assets. This error has been corrected in the current year (Refer note 38).

In the current year inventory consists of water which has been treated and is the municipalities' reservoirs at year end. This inventory is measured at a provisional value of zero based on Directive 4.

The municipality does not hold stock of consumables and these are subsequently expensed when purchased. However, the municipality has been storing pipes, valves and other small water infrastructure related consumables (purchased during 2007 financial year) the value of which is not certain. These have been recognised at a provisional value of zero until correctly valued. A list of these items is available at the municipality's administration office.

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9. Trade and other receivables from exchange transactions		
Sundry debtors	268,731	1,473,440
MIG account with debit balance	822,428	(1,323,698)
Equitable share receivable	11,408,000	-
	12,499,159	149,742
Reconciliation of impairment of trade and other receivables		
Opening balance	45,661,073	45,636,278
Impairment - current year	12,421,479	24,795
Amounts written off as uncollectible	(15,890,911)	-
Other - Centlec	(24,795)	-
	42,166,846	45,661,073
The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.		
10. Consumer debtors		
Gross balances		
Rates	9,785,459	10,012,028
Electricity	168,983	209,999
Water	17,804,907	22,764,478
Sewerage	17,733,844	20,534,026
Refuse	6,530,731	4,860,955
Housing rental	566,005	340,169
Other (specify)	679	4,205
	52,590,608	58,725,860
Less: Provision for debt impairment		
Rates	(7,845,924)	(7,780,417)
Electricity	(135,490)	(163,192)
Water	(14,275,871)	(17,690,436)
Sewerage	(14,218,893)	(15,957,136)
Refuse	(5,236,303)	(3,777,482)
Housing rental	(453,820)	(264,347)
Other (specify)	(544)	(3,268)
	(42,166,845)	(45,636,278)
Net balance		
Rates	1,939,534	2,231,611
Electricity	33,493	46,807
Water	3,529,035	5,074,042

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10. Consumer debtors (continued)		
Sewerage	3,514,950	4,576,890
Refuse	1,294,429	1,083,473
Housing rental	112,185	75,821
Other (specify)	135	937
	10,423,761	13,089,581
Rates		
Current (0 -30 days)	24,348	52,870
31 - 60 days	24,075	149,134
61 - 90 days	28,522	127,108
91 - 120 days	85,472	-
121 - 365 days	1,777,117	1,902,499
	1,939,534	2,231,611
Electricity		
61 - 90 days	-	100
121+ days	-	46,707
> 365 days	33,493	-
	33,493	46,807
Water		
Current (0 -30 days)	451,005	495,653
31 - 60 days	749,014	476,909
61 - 90 days	434,830	474,164
91 - 120 days	475,067	-
121 - 365 days	1,419,119	3,627,316
	3,529,035	5,074,042
Sewerage		
Current (0 -30 days)	294,388	290,002
31 - 60 days	297,475	247,376
61 - 90 days	294,460	223,360
91 - 120 days	276,721	-
121 - 365 days	342,692	3,816,152
> 365 days	2,009,214	-
	3,514,950	4,576,890
Refuse		
Current (0 -30 days)	215,204	172,757
31 - 60 days	212,522	149,702
61 - 90 days	208,012	142,890
91 - 120 days	203,987	-

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Figures in Rands	2011	2010
10. Consumer debtors (continued)		
121 - 365 days	450,893	618,124
> 365 days	3,811	-
	1,294,429	1,083,473
Housing rental		
Current (0 -30 days)	17,347	-
31 - 60 days	19,387	-
61 - 90 days	12,225	-
91 - 120 days	14,493	-
121 - 365 days	48,733	-
> 365 days	-	75,821
	112,185	75,821
Other (specify)		
Current (0 -30 days)	135	937
	916	937
Summary of debtors by customer classification		
Consumers/Households		
Current (0 -30 days)	1,034,351	-
31 - 60 days	1,331,186	-
61 - 90 days	1,010,020	-
91 - 120 days	1,027,512	-
121 - 365 days	7,170,000	-
> 365 days	37,658,967	-
	49,232,036	-
Industrial/ commercial		
Current (0 -30 days)	30,374	-
31 - 60 days	31,012	-
61 - 90 days	27,961	-
91 - 120 days	95,644	-
121 - 365 days	683,660	-
> 365 days	1,405,650	-
	2,274,301	-
National and provincial government		
Current (0 -30 days)	8,143	-
31 - 60 days	10,470	-
61 - 90 days	9,670	-
91 - 120 days	3,391	-

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Figures in Rands	2011	2010
10. Consumer debtors (continued)		
121 - 365 days	44,098	-
> 365 days	548,175	-
	623,947	-
Reconciliation of debt impairment provision		
Balance at beginning of the year	(45,661,073)	(45,636,278)
Contributions to provision	(12,421,479)	(24,795)
Debt impairment written off against provision	15,915,707	-
	(42,166,845)	(45,661,073)

The impairment provision of the previous year was not performed as required and it is impractical to retrospectively adjust the impairment provision figures. The amounts disclosed in the above note for the previous year are therefore not verified.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,180	(567,521)
Short-term deposits	299,229	268,299
Other cash and cash equivalents	16,726	20,302
Bank overdraft	(765,509)	(1,262,139)
	(448,374)	(1,541,059)
Current assets	317,135	(278,920)
Current liabilities	(765,509)	(1,262,139)
	(448,374)	(1,541,059)

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11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2011	June 30, 2010	June 30, 2009
ABSA Bank - Savings account - 4052654487	193,464	358,584	578,025	(2,446,574)	(1,494,654)	(1,485,500)
Standard Bank - Savings account - 041952766	107,085	69,518	585,463	1,251,911	70,926	585,463
ABSA Bank - Savings account - 2810000018	18,052	69,518	516,628	6,698	91,780	516,628
First National Bank - Savings account - 53593549308	87,327	69,809	431,448	422,456	69,809	431,448
ABSA Bank - Call acc 1014355924	88,840	-	-	88,840	85,842	81,975
ABSA Bank - Call acc 6074357138	278	-	-	278	273	268
ABSA Bank - Call acc 9074133593	1,634	-	-	1,628	1,695	1,754
ABSA Bank - Call acc 9086343532	34,770	-	-	31,640	5,375	2,243,465
FNB Call acc 72359004546	56,190	-	-	56,190	54,461	52,111
Old mutual flexi save	120,563	-	-	120,653	120,653	120,653
OVK Holding shares	6,778	-	-	6,778	10,354	20,330
OVK Operation shares	9,948	-	-	9,948	9,948	3,616
Petty Cash	1,180	-	-	1,180	569,881	1,180
Total	726,109	567,429	2,111,564	(448,374)	(403,657)	2,573,391

12. Other financial liabilities

Measured at amortised cost

Other loans	3,058,885	3,582,126
	-	-
	<u>3,058,885</u>	<u>3,582,126</u>

Non-current liabilities

At amortised cost	3,058,885	3,582,126
	3,058,885	3,582,126
	-	-

The fair values of the financial liabilities measured at amortised cost based on current contracts and any

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12. Other financial liabilities (continued)		
special arrangements made for repayment.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	575,867	-
- in second to fifth year inclusive	1,060,690	-
	<hr/>	
	1,636,557	-
less: future finance charges	(200,040)	-
	<hr/>	
Present value of minimum lease payments	1,436,517	-
	<hr/>	
Present value of minimum lease payments due		
- within one year	467,380	-
- in second to fifth year inclusive	969,137	-
	<hr/>	
	1,436,517	-
	<hr/>	

It is municipality's policy to lease certain office equipment under finance leases.

The average lease term is 3 - 5 years and the average effective borrowing rate was 10% (2010: 11%).

Interest rates are fixed at the contract date. Two of the three lease contracts escalate at 15% p.a and no arrangements have been entered into for contingent rent. The other lease contract has no escalation.

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14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Draught relief	1,352,069	1,352,069
Spatial Development	2,220,000	2,220,000
Prov Grant	176,085	176,085
Prov Grant - Rouxville water	92,818	92,818
Prov Grant - Salary Managers	2,208,424	2,208,424
Prov Grant - Sal Temp Worker	527,275	527,275
PHP Housing	1,846,795	1,846,795
MSIG	31,183	31,813
FMG	-	(1,841,711)
DWAF	343,835	(111,680)
Prov Grant - Elec	909,915	909,915
	9,708,399	7,411,803

Movement during the year

Balance at the beginning of the year	8,583,408	13,397,280
Received during the year	49,617,609	26,435,201
Income recognition during the year	(25,168,130)	(31,249,073)
	9,708,399	7,411,803

See note 18 for the reconciliation of other grants from National/Provincial Government.

15. Trade and other payables from exchange transactions

Trade payables	6,570,226	6,405,924
Payments received in advance (Consumer accounts in credit)	740,136	-
Unbalanced cash control accounts	12,094,868	-
Accrued leave pay	3,023,637	1,495,528
Accrued bonus	689,433	569,243
Other payables	5,725,120	7,133,784
	28,843,420	15,604,479

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Figures in Rands	2011	2010
16. Property rates		
Rates received		
Residential	2,672,839	4,276,209
Commercial	394,657	(668,177)
State	281,964	1,791,921
Small holdings and farms	2,712,828	-
Less: Income forgone	(2,849,678)	-
	3,212,610	5,399,953
17. Service charges		
Sale of electricity	12,040,738	12,001,430
Sale of water	6,719,873	5,465,360
Sewerage and sanitation charges	5,728,438	4,708,594
Refuse removal	3,786,978	3,126,957
	28,276,027	25,302,341

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18. Government grants and subsidies		
Equitable share	52,269,926	32,768,618
GOGTA Grant	8,369,210	-
MIG	13,113,878	-
FMG	1,250,000	-
MSIG	750,000	-
	75,753,014	32,768,618

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is credited to their accounts.

Draught Relief

Balance unspent at beginning of year	1,352,069	1,352,069
--------------------------------------	-----------	-----------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Spatial Development

Balance unspent at beginning of year	2,220,000	2,220,000
--------------------------------------	-----------	-----------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Provincial Grant

Balance unspent at beginning of year	176,085	176,085
--------------------------------------	---------	---------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Prov Grant - Rouxville water

Balance unspent at beginning of year	92,818	92,818
--------------------------------------	--------	--------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

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Figures in Rands	2011	2010
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18. Government grants and subsidies (continued)

Prov Grant - Salary Managers

Balance unspent at beginning of year	2,208,424	2,208,424
--------------------------------------	-----------	-----------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past two financial years.

Prov Grant - Salary Temp Worker

Balance unspent at beginning of year	527,275	527,275
--------------------------------------	---------	---------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past two financial years.

PHP Housing

Balance unspent at beginning of year	1,846,795	1,846,795
--------------------------------------	-----------	-----------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

MSIG

Balance unspent at beginning of year	31,813	31,813
Current-year receipts	750,000	-
Conditions met - transferred to revenue	(750,630)	-
	31,183	31,813

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

The municipality used the grant to discharge its duties with regards to compliance matters, assisted where possible by external consultants. The above balance of R 31,183 is currently being investigated and will be written off with the permission of funders as it resulted in prior year misapplication of accounting policies. This will be reported as an prior period error once permission is obtained.

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Figures in Rands	2011	2010
18. Government grants and subsidies (continued)		
MIG		
Balance unspent at beginning of year	-	(1,423,339)
Current-year receipts	(12,913,000)	(15,587,283)
Conditions met - transferred to revenue	13,839,865	2,818,889
Expenses incurred but assets not ready for use	(926,865)	14,191,733
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 14)

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Included in the unspent MIG Grant are retention monies and suretyship withheld from various projects financed by MIG.

INEPG - Elec - Phomolong & Somido

Conditions still to be met - remain liabilities (see note 14)

The grant is used to implement the Programme by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

FMG

Balance unspent at beginning of year	(1,841,711)	75,220
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,250,000)	(2,916,931)
	<u>-</u>	<u>(1,841,711)</u>

Conditions still to be met - remain liabilities (see note 14)

The grant is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.

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Figures in Rands	2011	2010
18. Government grants and subsidies (continued)		
DWAF		
Balance unspent at beginning of year	(111,680)	656,173
Current-year receipts	2,466,029	-
Conditions met - transferred to revenue	(2,122,194)	-
Other	111,680	(767,853)
	343,835	(111,680)

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years

Provincial Grant - Elec

Balance unspent at beginning of year	909,915	909,915
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Conditions still to be met - remain liabilities (see note 14)

Provide explanations of conditions still to be met and other relevant information

19. Rental of facilities and equipment

Rental of equipment	687,574	399,594
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20. Other income

Sundry Income	1,162,046	3,105,438
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Figures in Rands	2011	2010
21. General expenses		
Advertising	441,774	225,854
Animal Costs	3,168	4,246
Auditors remuneration	2,175,075	2,159,013
Bank charges	1,213,257	169,087
Chemicals	961,832	1,655,266
Cleaning	112,049	152,481
Computer expenses	137,062	117,865
Pauper burials	18,826	17,565
Consulting and professional fees	5,412,455	6,469,055
Consumables	83,566	20,499
Entertainment	142,282	91,733
Special programmes	536,645	520,750
Fines and penalties	833,142	188,815
Fuel and oil	1,707,967	1,235,288
Insurance	532,618	358,482
Lease rentals on operating lease (including yellow fleet R 6,3m in 2011)	7,719,942	2,249,755
Magazines, books and periodicals	33,144	91,224
Medical expenses	29,374	26,541
Valuations	3,090,318	373,605
Motor vehicle expenses	31,086	32,636
Postage and courier	317,318	250,662
Printing and stationery	463,620	101,350
Royalties and license fees	201,917	20,952
Security (Guarding of municipal property)	36,672	24,686
Software expenses	83,295	136,213
Subscriptions and membership fees	83,127	29,864
Telephone and fax	1,496,811	1,092,832
Training	31,567	110,944
Transport and freight	17,038	14,529
Uniforms	90,536	265,868
	28,037,483	18,207,660

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Figures in Rands	2011	2010
22. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		
• Contractual amounts	6,335,454	-
Equipment		
• Contractual amounts	1,384,488	2,249,755
	7,719,942	2,249,755
Employee costs	37,264,693	25,326,548

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Figures in Rands	2011	2010
23. Employee related costs		
Basic	21,354,445	15,553,302
Medical aid - company contributions	1,321,522	997,068
UIF	228,967	162,378
SDL	244,810	173,406
Other payroll levies	14,517	9,134
Leave pay provision charge	1,814,452	(490,314)
Pro-rata bonus provision charge	192,930	-
Pension fund - company contributins	4,265,821	2,666,608
Travel, motor car, accommodation, subsistence and other allowances	2,241,936	1,608,356
Overtime payments	1,621,378	1,006,078
13th Cheques	1,429,809	1,261,051
Housing benefits and allowances	79,247	116,225
Telephone allowance	91,095	52,100
Other allownaces	50,545	296,685
	34,951,474	23,412,077

Remuneration of municipal manager

Annual Remuneration	396,198	384,653
Car Allowance	73,758	19,638
Bonuses	-	26,545
Contributions to UIF, Medical and Pension Funds	1,496	108,682
Other	40,956	216,006
	512,408	755,524

The municipal manager has been on has been suspended with full pay since 04 April 2011. Council is investigating the matter and will take the necessary steps in accordance with s32 (2)b of the Municipal Finance and Management Act 56 of 2003.

Remuneration of Chief Finance Officer (Acting)

Annual Remuneration	204,526	331,624
Car Allowance	-	24,383
Bonuses - 13th cheque	17,043	18,460
Contributions to UIF, Medical and Pension Funds	49,047	86,436
Other	25,753	213,331
Acting allowance	121,587	-
	417,956	674,234

The municipality does not have a Chief Financial Officer since the beginning of the financial year. The above salary indicates the amount paid to the individual who is acting in that position.

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Figures in Rands	2011	2010
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23. Employee related costs (continued)

Remuneration of the Head: Technical Services (Acting)

Annual Remuneration	169,178	151,296
Car Allowance	-	37,897
Bonuses - 13th cheque	14,098	12,709
Contributions to UIF, Medical and Pension Funds	36,652	-
Other	-	9,718
Acting allowance	152,656	-
	372,584	211,620

The municipality did not have a Manager: Technical services during the financial year. The above salary indicates the amount paid to the individual who is acting in that position.

Remuneration of the Head: Corporate Services

Annual Remuneration	291,782	260,940
Car Allowance	30,000	30,785
Bonuses - 13th cheque	24,315	21,919
Contributions to UIF, Medical and Pension Funds	83,502	13,176
Acting allowance	30,987	-
	460,586	326,820

The municipality did not have a Manager: Corporate services of the financial year. The above salary indicates the amount paid to the individual who is acting in that position

Remuneration of the Head: Community Services (Acting)

Annual Remuneration	169,178	-
Car Allowance	30,000	-
Bonuses - 13th cheque	14,098	-
Contributions to UIF, Medical and Pension Funds	54,612	-
Acting allowance	149,254	-
	417,142	-

The municipality did not have a Manager: Community services during the financial year. The above salary indicates the amount paid to the individual who is acting in that position

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24. Remuneration of councillors

Councillors	2,292,683	1,906,361
Executive Committee Members	20,536	8,110
	2,313,219	1,914,471

In-kind benefits

The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The previous Mayor had two full-time bodyguards and current Mayor has no bodyguards.

25. Investment revenue

Dividend revenue

Listed financial assets - Local	3,466	5,204
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Finance income

Unlisted financial assets	31,336	45,186
	3,466	5,204
	31,336	45,186
	34,802	50,390

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 31,336 (PY: R 45,186).

26. Gains or losses on biological assets

27. Finance costs

Finance leases	127,675	-
Bank	249,141	357,233
Other interest paid	-	61
	376,816	357,294

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 376,816 (PY: R 357,294).

28. Auditors' remuneration

Fees	2,175,075	2,159,013
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29. Operating lease		
The municipality leases backup facilities :		
• there is no contingent rent payable.		
• the lease is renewable annually;		
The municipality also leased a fleet of vehicles under a finance lease during the financial year. As this lease commenced and was cancelled during the financial year, the assets have not been included in finance leased assets but the lease has been accounted for as an operating lease.		
30. Contracted services		
Centlec Pty (Ltd) is contracted to provide electricity services for the consumers on behalf of the municipality. A service level agreement was entered into with Centlec and the two parties share the profits and losses of the arrangement.		
31. Bulk purchases		
Electricity	16,136,859	11,871,957
Water	-	19,892
	16,136,859	11,891,849
The bulk Electricity purchases represent expenditure incurred by Centlec as part of the outsourcing arrangement for electricity services.		
32. Cash generated from (used in) operations		
Surplus	9,971,660	6,401,548
Adjustments for:		
Finance costs - Finance leases	127,675	-
Debt impairment	12,421,479	-
Movements in provisions	-	620,377
Changes in working capital:		
Trade and other receivables from exchange transactions	(12,349,417)	(5,654,300)
Consumer debtors	(9,098,029)	(9,768,529)
Trade and other payables from exchange transactions	13,238,941	10,077,400
VAT	(2,923,014)	-
Unspent conditional grants and receipts	2,296,596	(4,813,871)
Consumer deposits	(6,225)	(81,835)
VAT Non-cash	2,923,014	2,113,201
Other non-cash items	(1,299,636)	(9,331,604)
	15,303,044	(10,437,613)

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Figures in Rands	2011	2010
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33. Capital commitments

33.1 Commitments in respect of capital expenditure

Approved and contracted for

- | | | |
|---------------------------------|-----------|------------|
| • Property, plant and equipment | 2,346,453 | 26,649,008 |
|---------------------------------|-----------|------------|

Approved but not yet contracted for

- | | | |
|---------------------------------|------------|------------|
| • Property, plant and equipment | 12,407,994 | 12,460,000 |
|---------------------------------|------------|------------|

This committed expenditure relates to Infrastructure assets and will be financed by available government grants

This expenditure will be financed from

- | | | |
|---------------------|------------|------------|
| • Government grants | 14,754,447 | 39,109,008 |
|---------------------|------------|------------|

33.2 Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality to for offsite backup facilities. The lease is renewable every year and rentals are fixed for an average of three years. No contingent rent is payable

Operating leases - as lessor (revenue)

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

34. Contingencies

Contingent liabilities

The municipality is currently involved in a number of court/other legal cases. The implications are that the municipality will incur expenditure for the settlement of the cases. These represent possible liabilities or possible assets. The expenditure incurred to date on these is indicated but the future possible settlement costs are not known:

Party involved	Expenses
1. Litheko Motsomi incorporated	R 76,527
2. SAMWU	R 64,498
3. Limarco Twenty One CC	R 54,676
4. Keoratile traffic solutions	Unknown
5. Keoratile traffic solutions	R 56,000

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35. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

Relationships

Accounting Officer

Refer to accounting officer's report note

Ultimate controlling entity

National Government of the Republic of South Africa

Close family member of key management

All close family members of key management

Members of key management

K.S Motsoeneng

T. Panyani

S. Moorosi

M. Tsoamotse

T. Lekwala

M. van Pletzen

E. Meades

C. Leeuw

36. Prior period errors

1. Accumulated depreciation totalling R 140,914,926 was calculated in contradiction with the Directive 4 as adopted by the municipality. This was corrected as a prior period error by reversing all the depreciation in the previous financial year. In addition, the classification, presentation and disclosure of property, plant and equipment was changed to comply with GRAP 17 requirements.

2. The equitable share grant in the statement of financial performance was understated by an amount of R 3,302,837. This was due to errors in accounting for indigent subsidies in the accounting records of the municipality.

3. Petty cash included amounts for operating expenditure of R 568,701 which overstated the account

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36. Prior period errors (continued)

balance in the previous financial year.

4. The municipality has implemented a GRAP fixed asset register for the first time. The result of this was that assets were counted and classified in the correct GRAP compliant categories. Differences amounted to R 12,648,758 from the previous year asset register.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	140,914,926	-
Property, plant and equipment	12,648,758	-

Statement of financial performance

Revenue	3,302,841	-
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Cash flow statement

Cash flow from operating activities

Cash receipts	3,302,841	-
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37. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

1. Biological assets of the municipality valued at R 564,900 were incorrectly classified as inventory. This classification adjustment is shown on the statement of financial position.

2. Property, plant and equipment has been classified according to class in accordance with GRAP 17.

3. All properties meeting the requirements to be classified as investment property have been re-classified as such. As a result, investment property of R 29,404,500 (previous year: 880,853) was incorrectly disclosed as property, plant and equipment.

Statement of financial position

Biological assets	585,000	-
Property, plant & equipment	145,010,910	-
Investment property	29,404,500	-

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38. Risk management

Financial risk management

Objectives, policies and processes for managing risks

The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The Council has established a Risk Management Committee, which is responsible for developing and monitoring the municipality's risk management policies. The committee reports regularly to the Council on its activities. The municipality's audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the economic entity's internal audit function.

The municipality's corporate treasury function provides services to the entity, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include the following:

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk, equity price risk and commodity price risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of non-derivative financial instruments, and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes. The corporate treasury function reports to the Risk Management Committee on a quarterly basis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties to the extent possible and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

With the exception of trade receivables, the municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers.

The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management

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Figures in Rands

2011

2010

38. Risk management (continued)

committee annually.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the municipality's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Financial assets which expose the economic entity to credit risk at year end were as follows:

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the economic entity's short, medium and long-term funding and cash flow requirements.

The economic entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

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2011

2010

38. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The economic entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. The economic entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA Overdraft

39. Events after the reporting date

No material events after reporting date occurred.

40. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Unauthorised expenditure awaiting authorisation	2,971,004	-
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Incident

Unbudgeted expenditure

Disciplinary steps / Criminal proceedings

None

Unauthorised expenditure of R 2,971,004 was incurred as a result of unforeseen expenditure in some budget votes. These were investigated by the Accounting Officer and presented to Council for further review. Council has investigated the matter and the above disclosed amount is awaiting to be condoned by Council. A register containing the details of such expenditure is available for inspection at the municipal offices.

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Notes to the Annual Financial Statements

Figures in Rands	2011	2010
41. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	975,072	796,702
Fruitless and wasteful expenditure - current year	87,134	627,411
Condoned or written off by Council - October 2010	-	(449,041)
	1,062,206	975,072

The fruitless and wasteful expenditure incurred during the year was mainly interest and penalties as a result of late payment of debt by the municipality. The fruitless and wasteful expenditure is awaiting council approval.

A register containing the details of the above fruitless and wasteful expenditure is available for inspection at the municipal main offices.

42. Irregular expenditure

Opening balance	63,324,064	36,055,507
Irregular Expenditure - current year	561,742	27,268,557
	63,885,806	63,324,064

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
48 Incidents during the financial year	None	<u>561,742</u>

43. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Forensic investigations by Pricewaterhousecoopers and KPMG that certain individual/s misappropriated assets of the municipality were undertaken. The reports on the investigations are still being awaited. The amount involved cannot be reasonably estimated at year end.

Audit fees

Opening balance	3,203,807	2,225,934
Current year subscription / fee	2,175,075	2,159,013
Amount paid - current year	(4,799,080)	(1,181,140)
	579,802	3,203,807

The municipality received indirectly a grant from provincial department of COGTA through the department settling audit fees outstanding of R 2 million for the municipality. The department paid the audit fees directly to the office of the Auditor General

PAYE and UIF

Mohokare Local Municipality

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Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rands	2011	2010
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43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Amount paid - current year	228,967	162,378
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Pension and Medical Aid Deductions

Amount paid - current year	5,587,343	3,663,676
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VAT

VAT receivable	5,036,215	2,113,201
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VAT output payables and VAT input receivables are shown in note . The municipality was subject to a VAT audit in the previous financial year. There have not been adjustments made to VAT balances pending the results of the audit by the SARS. All the required supporting documentation has been submitted to the SARS. Therefore, the amounts disclosed in the balance sheet for VAT are provisional and could change significantly as a result of the audit.

For the current financial year, all VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2011:

June 30, 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shasha	2,393	20,199	22,592
Thuhlo	6,353	980	7,333
Letele	744	134	878
Sehanka	1,450	365	1,815
Majenge	496	10,645	11,141
	11,436	32,323	43,759

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Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rands	2011	2010
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44. Deviation from supply chain management regulations

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

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

A number of deviations occurred during the year (48 incidents) whereby supply chain policies were not followed. A register containing the details, reasons, suppliers and amounts involved is available for inspection at the municipal head office.

45. Revenue

Property rates	3,212,610	5,399,953
Service charges	28,276,027	25,302,341
Rental of facilities & equipment	687,574	400,893
Public contributions and donations	20,580	-
Government grants & subsidies	75,753,014	32,768,618
	107,949,805	63,871,805

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

Service charges	28,276,027	25,302,341
Rental of facilities & equipment	687,574	400,893
	28,963,601	25,703,234

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

Property rates	3,212,610	5,399,953
Public contributions and donations	20,580	-
Government grants & subsidies	75,753,014	32,768,618
	78,986,204	38,168,571

Mohokare Local Municipality

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Annual Financial Statements for the year ended June 30, 2011

Appendix A: Schedule of external loans

APPENDIX A

June 2011

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT THURSDAY, JUNE 30, 2011

Loan Number	Redeemable	Balance at Wednesday, June 30, 2010 Rand	Received and interest Rand	Redeemed written off during the period Rand	Balance at Thursday, June 30, 2011 Rand	
DBSA LOAN						
CONSOLIDATED LOAN	1	2015	1,691,471	197,410	168,000	1,720,881
			1,691,471	-	168,000	1,720,881
CENTLEC LOANS						
Prepaid meters: mohokare area	40021201	2021	32,791	-	9,589	23,202
Highmast lighting	40023225	2022	76,042	-	22,238	53,804
Bank overdraft	40023267	2022	726,057	-	212,327	513,730
23 Highmast lights mohokare	40025472	2023	-	-	-	-
Mohokare ext. Upgr & impr of low voltage network	40025485	2023	252,242	-	73,765	178,477
Improvement of low voltage network	40027467	2024	377,627	-	110,433	267,194
High mast lighting	40027470	2024	301,335	-	88,122	213,213
Replacement of domestic/commercial meters	40027483	2024	124,561	-	36,426	88,135
			1,890,655	-	552,900	1,337,755
TOTAL EXTERNAL LOANS						
DBSA LOAN			1,691,471	-	168,000	1,720,881
CENTLEC LOANS			1,890,655	-	552,900	1,337,755
			3,582,126	-	720,900	3,058,636

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Annual Financial Statements for the year ended June 30, 2011

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Accumulated depreciation

	Cost/Revaluation							Accumulated depreciation		
	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings										
Infrastructure										
Community Assets										
Heritage assets										
Specialised vehicles										
Other assets										
Total property plant and equipment										
Agricultural/Biological assets										
Intangible assets										
Investment properties										
Total										

Mohokare Local Municipality

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Annual Financial Statements for the year ended June 30, 2011

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Cost Accumulated Depreciation

	Opening Balance	Additions	Disposals	Depreciation	Impairment deficit	Closing Balance	Opening Balance	Additions	Disposals	Classified as held for sale	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality													
Finance & Admin/Finance	913,896	205,819	-	-	-	1,119,715	-	-	-	-	-	-	1,119,715
Health/Clinics	1,442,692	-	-	-	-	1,442,692	-	-	-	-	-	-	1,442,692
Comm. & Social/Libraries and archives	16,628,323	-	-	-	-	16,628,323	-	-	-	-	-	-	16,628,323
Sport and Recreation	4,907,013	-	-	-	-	4,907,013	-	-	-	-	-	-	4,907,013
Waste Water Management/Sewerage	68,853,205	-	(9,010)	-	-	68,844,195	-	-	-	-	-	-	68,844,195
Water/Water Distribution	42,097,872	9,711	-	-	-	42,107,583	-	-	-	-	-	-	42,107,583
Electricity /Electricity Distribution	2,685,462	5,779,314	-	-	-	8,464,776	-	-	-	-	-	-	8,464,776
	137,528,463	5,994,844	(9,010)	-	-	143,514,297	-	-	-	-	-	-	143,514,297
Undefined Difference: Municipal Owned Entities	137,528,463	5,994,844	(9,010)			143,339,802							143,514,297
Total													
Municipality	137,528,463	5,994,844	(9,010)	-	-	143,514,297	-	-	-	-	-	-	143,514,297
	137,528,463	5,994,844	(9,010)	-	-	143,514,297	-	-	-	-	-	-	143,514,297

Mohokare Local Municipality

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Annual Financial Statements for the year ended June 30, 2011

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Mohokare Local Municipality

Mohokare Local Municipality

APPENDIX D for the period ended Thursday, June 30, 2011

June 2011

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
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Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended June 30, 2011

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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APPENDIX E(1) for the ended Thursday, June 30, 2011

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal. R'000	Current year 2011 Bud. Amt R'000	Variance R'000		Prior Year # 1 2010 Forecast Amt R'000	Variance R'000			Prior Year # 1 2010 Act. Bal. R'000	Prior Year # 1 2010 Bud. Amt R'000	Variance R'000		Current year 2011 Forecast Amt R'000	Variance R'000		Budget Remaining R'000	Current year 2011 Bud. Amt R'000
			Var			Var					Var			Var		
							Revenue									
-	-	-	-	-	-	-	- Sale of goods	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sale of goods in agricultural activities	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services in agricultural activities	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Service charges	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Levies	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates - penalties imposed and collection charges	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sales of housing	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Construction contracts	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Royalty income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rental of facilities and equipment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Interest received (trading)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Income from agency services	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Public contributions and donations	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fines	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Licences and permits	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Government grants & subsidies	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Miscellaneous other revenue	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Administration and management fees received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fees earned	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Commissions received	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance	Prior Year # 1 2010 Forecast Amt	Variance		Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance		Current year 2011 Forecast Amt	Variance	Budget Remaining	Current year 2011 Bud. Amt
-	-	-	-	-	- Royalties received	-	-	-	-	-	-	-	-
-	-	-	-	-	- Rental income	-	-	-	-	-	-	-	-
-	-	-	-	-	- Discount received	-	-	-	-	-	-	-	-
-	-	-	-	-	- Recoveries	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other income 1	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other income 2	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other income 3	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other income	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other farming income 1	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other farming income 2	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other farming income 3	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other farming income 4	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other farming income	-	-	-	-	-	-	-	-
-	-	-	-	-	- Government grants	-	-	-	-	-	-	-	-
-	-	-	-	-	- Interest received - investment	-	-	-	-	-	-	-	-
-	-	-	-	-	- Interest received - other	-	-	-	-	-	-	-	-
-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
					Expenses								
-	-	-	-	-	- Personnel	-	-	-	-	-	-	-	-
-	-	-	-	-	- Remuneration of councillors	-	-	-	-	-	-	-	-
-	-	-	-	-	- Administration	-	-	-	-	-	-	-	-
-	-	-	-	-	- Transfer payments	-	-	-	-	-	-	-	-
-	-	-	-	-	- Depreciation	-	-	-	-	-	-	-	-
-	-	-	-	-	- Impairment	-	-	-	-	-	-	-	-
-	-	-	-	-	- Amortisation	-	-	-	-	-	-	-	-
-	-	-	-	-	- Impairments	-	-	-	-	-	-	-	-
-	-	-	-	-	- Reversal of impairments	-	-	-	-	-	-	-	-
-	-	-	-	-	- Finance costs	-	-	-	-	-	-	-	-
-	-	-	-	-	- Debt impairment	-	-	-	-	-	-	-	-
-	-	-	-	-	- Collection costs	-	-	-	-	-	-	-	-
-	-	-	-	-	- Repairs and maintenance - Manufacturing expenses	-	-	-	-	-	-	-	-
-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-
-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance	Prior Year # 1 2010 Forecast Amt	Variance		Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance	Current year 2011 Forecast Amt	Variance	Budget Remaining	Current year 2011 Bud. Amt
-	-	-	-	-	- Bulk purchases	-	-	-	-	-	-	-
-	-	-	-	-	- Contracted Services	-	-	-	-	-	-	-
-	-	-	-	-	- Grants and subsidies paid	-	-	-	-	-	-	-
-	-	-	-	-	- Cost of housing sold	-	-	-	-	-	-	-
-	-	-	-	-	- Expenses (by function)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Operating profit	-	-	-	-	-	-	-
-	-	-	-	-	- Other revenue and costs	-	-	-	-	-	-	-
-	-	-	-	-	- Gain on disposal of assets and liabilities	-	-	-	-	-	-	-
-	-	-	-	-	- Deficit on foreign exchange	-	-	-	-	-	-	-
-	-	-	-	-	- Fair value adjustments	-	-	-	-	-	-	-
-	-	-	-	-	- Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-
-	-	-	-	-	- Income from equity accounted investments	-	-	-	-	-	-	-
-	-	-	-	-	- Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-	-	-	-
-	-	-	-	-	- Taxation	-	-	-	-	-	-	-
-	-	-	-	-	- Discontinued operations	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Net surplus/ (deficit) for the year	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance	Prior Year # 1 2010 Forecast Amt	Variance

Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance	Current year 2011 Forecast Amt	Variance	Budget Remaining	Current year 2011 Bud. Amt

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Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
Land and buildings						
1.1.1300.0105.1Land (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Quarries (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Buildings (Separate for AFS purposes)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Infrastructure						
1.1.1300.0101.CRoads, Pavements & Bridges	-	-	-	-	-	
1.1.1300.0101.CStorm water	-	-	-	-	-	
1.1.1300.0102.CGeneration	-	-	-	-	-	
1.1.1300.0102.CTransmission & Reticulation	-	-	-	-	-	
1.1.1300.0102.CStreet lighting	-	-	-	-	-	
1.1.1300.0103.CDams & Reservoirs	-	-	-	-	-	
1.1.1300.0103.CWater purification	-	-	-	-	-	
1.1.1300.0103.CReticulation	-	-	-	-	-	
1.1.1300.0104.CReticulation	-	-	-	-	-	
1.1.1300.0104.CSewerage purification	-	-	-	-	-	
1.1.1300.0105.CTransportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	
1.1.1300.0105.1Waste Management	-	-	-	-	-	
1.1.1300.0105.1Gas	-	-	-	-	-	
1.1.1300.0105.1Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Community Assets						
1.1.1300.1400.1Parks & gardens	-	-	-	-	-	
1.1.1300.1400.1Sportsfields and stadium	-	-	-	-	-	
1.1.1300.1400.1Swimming pools	-	-	-	-	-	
1.1.1300.1400.1Community halls	-	-	-	-	-	
1.1.1300.1400.1Libraries	-	-	-	-	-	
1.1.1300.1400.1Recreational facilities	-	-	-	-	-	
1.1.1300.1400.2Clinics	-	-	-	-	-	
1.1.1300.1400.2Museums & art galleries	-	-	-	-	-	
1.1.1300.1400.2Other	-	-	-	-	-	
1.1.1300.1400.2Social rental housing	-	-	-	-	-	
1.1.1300.1400.2Cemeteries	-	-	-	-	-	
1.1.1300.1400.2Fire, safety & emergency	-	-	-	-	-	
1.1.1300.1400.2Security and policing	-	-	-	-	-	
1.1.1300.1400.2Buses	-	-	-	-	-	
	-	-	-	-	-	
Heritage assets						
1.1.1300.2310.2Other	-	-	-	-	-	
1.1.1300.2310.2Buildings	-	-	-	-	-	

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
	-	-	-	-	-	
Specialised vehicles						
1.1.1300.3400.3Refuse	-	-	-	-	-	
1.1.1300.3400.3Fire	-	-	-	-	-	
1.1.1300.3400.3Conservancy	-	-	-	-	-	
1.1.1300.3400.3Ambulances	-	-	-	-	-	
1.1.1300.3400.3Buses	-	-	-	-	-	
	-	-	-	-	-	
Other assets						
1.1.1300.2400.2General vehicles	-	-	-	-	-	
1.1.1300.2400.2Plant & equipment	-	-	-	-	-	
1.1.1300.2400.2Computer Equipment	-	-	-	-	-	
1.1.1300.2400.2Computer Software (part of computer equipment)	-	-	-	-	-	
1.1.1300.2400.2Furniture & Fittings	-	-	-	-	-	
1.1.1300.2400.2Office Equipment	-	-	-	-	-	
1.1.1300.2400.2Office Equipment - Leased	-	-	-	-	-	
1.1.1300.2400.2Abattoirs	-	-	-	-	-	
1.1.1300.2400.2Markets	-	-	-	-	-	
1.1.1300.2400.3Airports	-	-	-	-	-	
1.1.1300.2400.3Security measures	-	-	-	-	-	
1.1.1300.2400.3Civic land and buildings	-	-	-	-	-	
1.1.1300.2400.3Other buildings	-	-	-	-	-	
1.1.1300.2400.3Other land	-	-	-	-	-	
1.1.1300.2400.3Bins and Containers	-	-	-	-	-	
1.1.1300.2400.3Work in progress	-	-	-	-	-	
1.1.1300.2400.3Other	-	-	-	-	-	
1.1.1300.2400.3Other Assets - Leased	-	-	-	-	-	
	-	-	-	-	-	
Agricultural/Biological assets						
1.1.1301.0000.CAgricultural	-	-	-	-	-	
1.1.1302.0000.CBiological assets	-	-	-	-	-	
	-	-	-	-	-	
Intangible assets						
1.1.1303.0000.COther	-	-	-	-	-	
1.1.1303.0000.CComputers - software & programming	-	-	-	-	-	
	-	-	-	-	-	
Investment properties						
1.1.1304.0000.CInvestment property	-	-	-	-	-	
	-	-	-	-	-	
Total						

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
Land and buildings	-	-	-	-	-	
Infrastructure	-	-	-	-	-	
Community Assets	-	-	-	-	-	
Heritage assets	-	-	-	-	-	
Specialised vehicles	-	-	-	-	-	
Other assets	-	-	-	-	-	
Intangible assets	-	-	-	-	-	
Investment properties	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended June 30, 2011

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Mohokare Local Municipality

APPENDIX F for the ended Thursday, June 30, 2011

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					D mu com gran in ter frame latest Rev Y	
FMG	TREASURY	750,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MSIG	TREASURY	1,250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GRANT IN KIND	COGTA	-	-	-	6,800,000	-	-	-	-	-	-	-	-	-	-	-	-	-
MIG	TREASURY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>2,000,000</u>	-	-	<u>6,800,000</u>	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

MOHOKARE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B										
MOHOKARE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011										
	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Buildings	1 490 059	-	-	-	1 490 059	-	-	-	-	1 490 059
Furniture & Fixtures	1 002 706	-	-	-	1 002 706	-	-	-	-	1 002 706
Motor vehicles	3 009 493	681 694	-	-	3 691 187	-	-	-	-	3 691 187
Office equipment	2 101 559	-	-	-	2 101 559	-	-	-	-	2 101 559
Infrastructure	11 497 434	-	-	-	11 497 434	-	-	-	-	11 497 434
Community	2 690 390	-	-	-	2 690 390	-	-	-	-	2 690 390
Other property, plant & equipment	24 518	-	-	-	24 518	-	-	-	-	24 518
Other equipment	19 787 830	-	-	-	19 787 830	-	-	-	-	19 787 830
Bins & containers	1 232	-	-	-	1 232	-	-	-	-	1 232
Capital work in progress	-	13 113 878	-	-	13 113 878	-	-	-	-	13 113 878
Wastewater network	39 453 035	-	-	-	39 453 035	-	-	-	-	39 453 035
Water network	50 228 937	-	-	-	50 228 937	-	-	-	-	50 228 937
Heritage assets	8 145	-	-	-	8 145	-	-	-	-	8 145
Total fixed assets	131 295 338	13 795 572	-	-	145 090 910	-	-	-	-	145 090 910

MOHOKARE LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

DETAILS	COST					Accumulated Depreciation				
	OPENING BALANCE	ADDITIONS	CONSTRUCTIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	DEPRECIATION	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
Planing and Development	-	-	-	-	-	-	-	-	-	-
Executive & Council	-	-	-	-	-	-	-	-	-	-
Finance and Administration	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
Community & Social Services	-	-	-	-	-	-	-	-	-	-
Sports & Recreation	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

Annexure intentionally left blank as reliable information to complete is not readily available.

MOHOKARE LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

2010 ACTUAL INCOME R	2010 ACTUAL EXPENSES R	2010 SURPLUS/ (DEFICIT) R		2011 ACTUAL INCOME	2011 ACTUAL EXPENSES	2011 SURPLUS/ (DEFICIT)
-43 884	4 240 723	4 196 839	Executive & Council	(20 799)	5 492 917	5 472 118
-39 558 495	18 343 618	(21 214 877)	Finance and Administration	(70 112 218)	31 040 511	(39 071 707)
-16 491	1 108 131	1 091 640	Planning & Development	#VALUE!	903 465	#VALUE!
-148 271	2 492 615	2 344 344	Community & Social Services	(72 393)	2 786 330	2 713 937
-250 269	462 838	212 569	Housing	(452 139)	740 785	288 646
-583 119	3 459 410	2 876 291	Public Safety	(170 713)	1 801 309	1 630 595
-46 692	1 344 571	1 297 878	Sports & Recreation	(704)	1 793 268	1 792 564
0	101 766	101 766	Environmental Protection		50 973	50 973
-3 196 894	6 020 843	2 823 949	Waste Management	(3 786 978)	4 983 637	1 196 659
-7 360 603	5 339 933	(2 020 670)	Waste Water Management	(5 735 713)	8 325 380	2 589 667
-7 699	3 169 735	3 162 037	Road Transport	(4 310)	9 246 216	9 241 905
-5 529 642	4 933 071	(596 572)	Water	(19 826 475)	18 833 345	(993 130)
-12 141 984	11 988 092	(153 892)	Electricity	(12 040 738)	16 935 076	4 894 338
(68 884 045)	63 005 347	(5 878 698)	TOTAL	#VALUE!	102 933 213	#VALUE!

MOHOKARE LOCAL MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	3 212 610	4 615 000	(1 402 390)	-30%	A significant rebate (R 2,8 m) was given to ratepayers
Service charges	28 276 027	24 693 000	3 583 027	15%	Improved collection
Rental of building	687 574	68 000	619 574	911%	Revenue was underbudgeted. R 128k was levied for chalets let to SAPS
Interest on debtors	226 793		226 793	100%	Interest not budgeted for
Interest on Investment	31 336		31 336	100%	Interest not budgeted for
Dividends received	3 466		3 466	100%	Not material
Government grants and subsidies	75 753 014	50 199 000	25 554 014	51%	COGTA Grant in aid of R 6,8 m not budgeted. MIG of R 13m recognised in revenue.
Other income	1 182 668	7 057 000	(5 874 332)	-83%	Good collection
Total Revenue	109 373 488	86 632 000	22 741 488	26%	
EXPENDITURE					
Employee related costs	34 951 474	33 848 000	1 103 474	3%	Not material
Remuneration of Councillors	2 313 219	2 322 000	(8 781)	0%	Not material
Bad debts	12 421 479		12 421 479	100%	Not Budgeted for
Repairs and maintenance	1 008 592		1 008 592	100%	Not correctly budgeted for
Interest paid	376 816	4 797 000	(4 420 184)	-92%	Planned finance costs for yellow fleet did not occur
Bulk purchases	16 136 859	4 033 000	12 103 859	300%	Centlec was not included in the budget.
General expenses	32 193 389	41 632 000	(9 438 611)	-23%	Allocation of expenses incurred not consistent with budget. No actual saving achieved
Total Expenditure	99 401 828	86 632 000	12 769 828	15%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	9 971 660	-	9 971 660		

MOHOKARE LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2011

	<u>2011</u> <u>Actual</u>	<u>2011</u> <u>Under</u> <u>Construction</u>	<u>2011</u> <u>Total</u> <u>Additions</u>	<u>2011</u> <u>Budget</u>	<u>2011</u> <u>Variance</u>	<u>2011</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	-	-	-	-	-	0%	
Finance and Administration	-	-	-	-	-	0%	
Health	-	-	-	-	-	0%	
Community & Social Services	-	-	-	-	-	0%	
Sports & Recreation	-	-	-	-	-	0%	
Waste Management	-	-	-	-	-	0%	
Waste Water Management	-	6 323 114	6 323 114	-	6 323 114	-100%	MIG projects were not correctly budgeted
Road Transport	681 694	3 760 898	4 442 592	25 703 000	(21 260 408)	-83%	MIG projects were not correctly budgeted. Fleet budgeted was returned
Water	-	3 029 867	3 029 867	12 913 000	(9 883 133)	-77%	MIG projects were not correctly budgeted
Electricity	-	-	-	-	-	0%	
						0%	
TOTAL	681 694	13 113 878	13 795 572	38 616 000	(24 820 428)	-64.27%	

MOHOKARE LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2011

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
		R	R	R	R	R	R	R	R							
Equitable Share	Equitable Share	17 025 802	13 620 642	10 215 482	-	13 620 642	13 620 642	13 620 642		-	-	-	-	-	Y	-
Financial Management Grant	Financial Management Grant	1 250 000	-	-	-	416 756	139 059	353 271	340 914	-	-	-	-	-	Y	-
Municipal Systems Improvement Grant	Municipal Systems Improvement Grant	750 000	-	-	-	283 024	46 489	301 658	118 829	-	-	-	-	-	Y	-
Municipality Infrastructure Grant	Municipality Infrastructure Grant	6 069 000	5 036 000	1 808 000	-	8 117 565	3 192 969	1 353 229	249 237	-	-	-	-	-	Y	-
COGTA Grant in aid	Department of Corporative Governance and Traditional Affairs	-	-	-	6 800 000	-	-	-	6 800 000	-	-	-	-	-	Y	-