



MOHOKARE
LOCAL MUNICIPALITY

2012/2013

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

GENERAL INFORMATION

SPEAKER

M.A. Shasha

MEMBERS OF COUNCIL

Speaker

M.A. Shasha

Chief Whip

R.J. Thuhlo

Councillors: O.T. Khasake
S. Pokane
M.J. Sehanka
M.A. Letele
I. Mehlomakhu

L. Lekhula
E.T. Backward
B.S. Majenge
I.S. Riddle

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External – Auditor General of South Africa

Internal – Outsourced to Umnotho Business Consulting CC

PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center
Hoofd Street
Zastron
9950

PO Box 20
Zastron
9950

Telephone: (051) 673-9600

Facsimile: (051) 673-1550

E-Mail: info@mohokare.gov.za

Website: <http://www.mohokare.gov.za>

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi (Until July 2013)

P. Dyonase (Acting from July 2013)

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

GENERAL INFORMATION (continued)

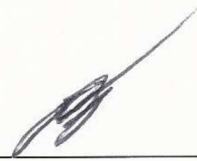
APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 93, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2013.



TC PANYANI
MUNICIPAL MANAGER
31 August 2013



P Dyonase
ACTING CHIEF FINANCIAL OFFICER
31 August 2013

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

MEMBERS OF THE COUNCIL

COUNCILLORS

| | |
|---------------|-----|
| O T Khasake | ANC |
| L Lekhula | ANC |
| S Pokane | DA |
| E T Backward | ANC |
| R J Thuhlo | ANC |
| M J Sehanka | ANC |
| B S Majenge | ANC |
| M A Letele | ANC |
| I S Riddle | DA |
| I Mehlomakulu | ANC |
| A M Shasha | ANC |

Mohokare Local Municipality
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

| | | Actual | |
|--|------|--------------------|--------------------|
| | Note | 2013 R | 2012 R |
| ASSETS | | | |
| Current Assets | | 10 054 117 | 8 729 897 |
| Inventories - Consumables | 2 | 657 099 | 626 830 |
| Receivables from Exchange Transactions | 3 | 2 474 323 | 671 345 |
| Receivables from Non-exchange Transactions | 4 | 785 370 | 360 |
| Sundry debtors | | 1 424 534 | 1 094 130 |
| VAT Receivable | 5 | 4 424 718 | 6 047 071 |
| Cash and Cash Equivalents | 6 | 288 073 | 290 161 |
| Non-Current Assets | | 340 038 254 | 328 550 839 |
| Property, Plant and Equipment | 7 | 320 256 835 | 308 581 999 |
| Investment Property | 8 | 19 266 525 | 19 266 525 |
| Biological Assets | 9 | 326 970 | 554 480 |
| Investments | 10 | 187 924 | 147 835 |
| Total Assets | | 350 092 371 | 337 280 736 |
| LIABILITIES | | | |
| Current Liabilities | | 41 272 356 | 34 876 356 |
| Consumer Deposits | 11 | 213 657 | 164 837 |
| Payables | 12 | 27 843 756 | 19 043 263 |
| Unspent Conditional Grants and Receipts | 13 | 12 855 049 | 12 080 659 |
| Bank Overdraft | 6 | 86 319 | 3 085 214 |
| Current Portion of Long-term Liabilities | 14 | 273 575 | 502 383 |
| Non-Current Liabilities | | 22 697 351 | 27 592 201 |
| Long-term Liabilities | 14 | 7 879 965 | 10 542 256 |
| Non-current Provisions | 15 | 14 817 386 | 17 049 945 |
| Total Liabilities | | 63 969 707 | 62 468 557 |
| Total Assets and Liabilities | | 286 122 664 | 274 812 179 |
| NET ASSETS | | 286 122 664 | 274 812 179 |
| Accumulated Surplus / (Deficit) | 16 | 286 122 664 | 274 812 179 |
| Total Net Assets | | 286 122 664 | 274 812 179 |

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

| | | Actual | |
|---|------|--------------------|---------------------|
| | Note | 2013 R | 2012 R |
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | | |
| Property Rates | 17 | 6 372 109 | 5 412 839 |
| Fines | | 59 316 | 157 143 |
| Gains on Fair Value adjustments | | 40 089 | 76 404 |
| Licences and Permits | | - | 439 |
| Government Grants and Subsidies Received | 18 | 92 259 798 | 75 357 043 |
| Donations Received | 19 | 3 087 751 | - |
| Revenue from Exchange Transactions | | | |
| Service Charges | 20 | 41 079 909 | 35 847 242 |
| Rental of Facilities and Equipment | 21 | 454 688 | 631 940 |
| Interest Earned - External Investments | 22 | 117 585 | 140 677 |
| Interest Earned - Outstanding Debtors | 22 | 1 732 437 | 273 209 |
| Interest Income - Provisions | 22 | 2 232 560 | - |
| Dividends Received | | 8 316 | 2 962 |
| Other Income | 23 | 1 527 251 | 772 783 |
| Total Revenue | | 148 971 807 | 118 672 681 |
| EXPENDITURE | | | |
| Employee Related Costs | 24 | 40 928 513 | 35 362 981 |
| Remuneration of Councillors | 25 | 2 844 699 | 2 599 729 |
| Depreciation and Amortisation | 26 | 21 960 063 | 21 630 400 |
| Impairment Losses | 27 | 14 209 172 | 31 110 414 |
| Repairs and Maintenance | | 3 044 792 | 1 702 805 |
| Finance Costs | 28 | 1 344 791 | 2 080 323 |
| Bulk Purchases | 29 | 18 119 395 | 14 212 147 |
| Contracted Services | 30 | 6 145 704 | 5 419 859 |
| Grants and Subsidies Paid | 31 | 6 951 827 | 1 091 381 |
| General Expenses | 32 | 21 711 188 | 20 744 353 |
| Loss on Disposal of Property, Plant and Equipment | | 401 178 | 131 102 |
| Total Expenditure | | 137 661 322 | 136 085 494 |
| SURPLUS / (DEFICIT) FOR THE YEAR | | 11 310 485 | (17 412 813) |

Refer to Appendix E(1) for explanation of budget variances

Mohokare Local Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

| Description | Accumulated Surplus / (Deficit) | Total for Accumulated Surplus/(Deficit) Account | Total |
|---|---------------------------------------|--|--------------------|
| | R | R | R |
| 2012 | | | |
| Balance at 30 June 2011 | 303 217 867 | 303 217 867 | 303 217 867 |
| Surplus / (Deficit) for the year per audited financial statements | (17 040 532) | (17 040 532) | (17 040 532) |
| Correction of Error (Note 34) through comparative figures | (372 281) | (372 281) | (372 281) |
| Balance at 30 June 2012 | 285 805 054 | 285 805 053 | 285 805 053 |
| Correction of Error (Note 34) through Accumulated Surplus | (10 992 876) | (10 992 876) | (10 992 876) |
| Restated balance at 30 June 2012 | 274 812 179 | 274 812 178 | 274 812 178 |
| 2013 | | | |
| Surplus/(Deficit) for the year | 11 310 485 | 11 310 485 | 11 310 485 |
| Balance at 30 June 2013 | 286 122 664 | 286 122 663 | 286 122 663 |
| | | | |

Details on the movement of the Funds and Reserves are set out in Note 34.

Mohokare Local Municipality
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | Note | Actual | |
|---|-----------|----------------------------|----------------------------|
| | | 2013 R | 2012 R |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Cash receipts from Ratepayers, Government and Other | | 125 473 411 | 125 069 175 |
| Dividends Received | | 8 316 | 2 962 |
| Interest Received | | 4 082 581 | 413 886 |
| Payments | | | |
| Cash paid to suppliers and Employees | | (89 278 404) | (107 647 280) |
| Interest Paid | | (1 344 791) | (2 080 323) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 36 | <u>38 941 113</u> | <u>15 758 419</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 7 | (33 053 205) | (17 671 613) |
| Proceeds on Disposal of Property, Plant and Equipment | | - | 2 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u>(33 053 205)</u> | <u>(17 671 611)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Borrowings | | | |
| Borrowings | | (2 891 101) | 670 930 |
| Increase / (Decrease) in Short-term Loans | | | |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | <u>(2 891 101)</u> | <u>670 930</u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>2 996 807</u> | <u>(1 242 261)</u> |
| Cash and Cash Equivalents at Beginning of Period | | (2 795 053) | (1 552 792) |
| Cash and Cash Equivalents at End of Period | | 201 754 | (2 795 053) |

Mohokare Local Municipality
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|--------------------|--------------------|-----------------------------|--------------------|---|--|
| | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventories | 794 000 | - | - | 794 000 | 657 099 | - | (136 901) | 82.76 | 82.76 |
| Inventories Held-for-Sale | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Receivables from Exchange Transactions | 41 553 000 | - | - | 41 553 000 | 2 474 323 | - | (39 078 677) | 5.95 | 5.95 |
| Receivables from Non-exchange Transactions | - | - | - | - | 785 370 | - | 785 370 | 0.00 | 0.00 |
| VAT Receivable | - | - | - | - | 4 424 718 | - | 4 424 718 | 0.00 | 0.00 |
| Cash and Cash Equivalents | 26 240 000 | - | - | 26 240 000 | 288 073 | - | (25 951 927) | 1.10 | 1.10 |
| Sundry Debtors | 6 180 000 | - | - | 6 180 000 | 1 424 534 | - | (4 755 466) | 23.05 | 23.05 |
| Current Portion of Long-term Receivables | 1 264 000 | - | - | 1 264 000 | - | - | (1 264 000) | 0.00 | 0.00 |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 39 244 000 | - | - | 39 244 000 | 320 256 835 | - | 281 012 835 | 816.07 | 816.07 |
| Intangible Assets | - | - | - | - | - | - | - | 0.00 | 0.00 |
| Investment Property | - | - | - | - | 19 266 525 | - | 19 266 525 | 0.00 | 0.00 |
| Biological Assets | 585 000 | - | - | 585 000 | 326 970 | - | (258 030) | 55.89 | 55.89 |
| Non-current Investments | - | - | - | - | 187 924 | - | 187 924 | 0.00 | 0.00 |
| Total Assets | 115 860 000 | - | - | 115 860 000 | 350 092 371 | - | 234 232 371 | 302.17 | 302.17 |
| Current Liabilities | | | | | | | | | |
| Consumer Deposits | 80 000 | - | - | 80 000 | 213 657 | - | 133 657 | 267.07 | 267.07 |
| Payables | 57 725 000 | - | - | 57 725 000 | 27 843 756 | - | (29 881 244) | 48.24 | 48.24 |
| Unspent Conditional Grants and Receipts | - | - | - | - | 12 855 049 | - | 12 855 049 | 0.00 | 0.00 |
| Provisions | 864 000 | - | - | 864 000 | - | - | (864 000) | 0.00 | 0.00 |
| Bank Overdraft | - | - | - | - | 86 319 | - | 86 319 | 0.00 | 0.00 |
| Current Portion of Long-term Liabilities | 576 000 | - | - | 576 000 | 273 575 | - | (302 425) | 47.50 | 47.50 |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | 1 260 000 | - | - | 1 260 000 | 7 879 965 | - | 6 619 965 | 625.39 | 625.39 |
| Non-current Provisions | 3 713 000 | - | - | 3 713 000 | 14 817 386 | - | 11 104 386 | 399.07 | 399.07 |
| Total Liabilities | 64 218 000 | - | - | 64 218 000 | 63 969 708 | - | (248 292) | 99.61 | 99.61 |
| Total Assets and Liabilities | 51 642 000 | - | - | 51 642 000 | 286 122 663 | - | 234 480 663 | 554.05 | 554.05 |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 51 642 000 | - | - | 51 642 000 | 286 122 664 | - | 234 480 664 | 554.05 | 554.05 |
| Total Net Assets | 51 642 000 | - | - | 51 642 000 | 286 122 664 | - | 234 480 664 | 554.05 | 554.05 |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|---------------------|--------------------|-----------------------------|-------------------|---|--|
| FINANCIAL PERFORMANCE | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Property Rates | 6 547 000 | (1 421 000) | - | 5 126 000 | 6 372 109 | - | 1 246 109 | 124% | 97% |
| Fair value gains | - | - | - | - | 40 089 | - | 40 089 | 0% | 0% |
| Fines | 53 000 | 59 000 | - | 112 000 | 59 316 | - | (52 684) | 100% | 0% |
| Licences and Permits | 1 000 | (1 000) | - | - | - | - | - | 0% | 0% |
| Government Grants and Subsidies Received | 56 302 000 | 3 769 000 | - | 60 071 000 | 92 259 798 | - | 32 188 798 | 154% | 164% |
| Public Contributions and Donations | - | - | - | - | 3 087 751 | - | 3 087 751 | 0% | 0% |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | 14 085 000 | 18 215 000 | - | 32 300 000 | 41 079 909 | - | 8 779 909 | 127% | 292% |
| Rental of Facilities and Equipment | 551 000 | (206 000) | - | 345 000 | 454 688 | - | 109 688 | 100% | 0% |
| Interest Earned - External Investments | 16 000 | (13 000) | - | 3 000 | 117 585 | - | 114 585 | 3919% | 735% |
| Interest Earned - Outstanding Debtors | - | - | - | - | 1 732 437 | - | 1 732 437 | 100% | 0% |
| Dividends Received | 8 000 | 2 000 | - | 10 000 | 8 316 | - | (1 684) | 100% | 0% |
| Other Income | 9 374 000 | 3 285 000 | - | 12 659 000 | 1 527 251 | - | (11 131 749) | 12% | 16% |
| Interest Income - Provisions | - | - | - | - | 2 232 560 | - | 2 232 560 | 0.00 | 0.00 |
| Total Revenue | 86 937 000 | 23 689 000 | - | 110 626 000 | 148 971 809 | - | 38 345 809 | 134.66 | 171.36 |
| Expenditure | | | | | | | | | |
| Employee Related Costs | 43 148 000 | 1 271 000 | - | 44 419 000 | 40 928 513 | - | (3 490 487) | 92% | 95% |
| Remuneration of Councillors | 2 626 000 | 43 000 | - | 2 669 000 | 2 844 699 | - | 175 699 | 107% | 108% |
| Depreciation and Amortisation | - | 21 000 000 | - | 21 000 000 | 21 960 063 | - | 960 063 | 105% | 0% |
| Impairment Losses | 6 178 000 | (4 248 000) | - | 1 930 000 | 14 209 172 | - | 12 279 172 | 736% | 230% |
| Repairs and Maintenance | - | - | - | - | 3 044 792 | - | 3 044 792 | 0% | 0% |
| Finance Costs | 165 000 | 168 000 | - | 333 000 | 1 344 791 | - | 1 011 791 | 404% | 815% |
| Bulk Purchases | 40 000 | (40 000) | - | - | 18 119 395 | - | 18 119 395 | 0% | 45298% |
| Contracted Services | 922 000 | 437 000 | - | 1 359 000 | 6 145 704 | - | 4 786 704 | 452% | 667% |
| Grants and Subsidies Paid | 1 800 000 | (744 000) | - | 1 056 000 | 6 951 827 | - | 5 895 827 | 658% | 386% |
| General Expenses | 30 672 000 | 25 761 000 | - | 56 433 000 | 21 711 188 | - | (34 721 812) | 38% | 71% |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | 401 178 | - | 401 178 | 0% | 0% |
| Total Expenditure | 85 551 000 | 43 648 000 | - | 129 199 000 | 137 661 324 | 41 481 969 | 8 462 324 | 106.55 | 160.91 |
| Surplus/(Deficit) | 1 386 000 | (19 959 000) | - | (18 573 000) | 11 310 486 | (41 481 969) | 29 883 486 | -61% | 816% |
| Transfers Recognised - Capital | 31 840 000 | (3 250 000) | - | 28 590 000 | - | - | - | 0.00 | 0.00 |
| Contributions Recognised - Capital and Contributed Assets | (33 126 000) | (603 000) | - | (33 729 000) | - | - | - | 0.00 | 0.00 |
| Surplus/(Deficit) after Capital Transfers and Contributions | 100 000 | (23 812 000) | - | (23 712 000) | 11 310 486 | (41 481 969) | 29 883 486 | -48% | 11310% |
| Surplus/(Deficit) for the Year | 100 000 | (23 812 000) | - | (23 712 000) | 11 310 486 | (41 481 969) | 29 883 486 | - | 11 310.49 |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|----------|-------------------|-------------------|-----------------------------|--------------------|---|--|
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | |
| Executive and Council | - | - | - | - | 353 652 | - | 353 652 | 0% | 0% |
| Finance and Administration | 390 000 | 384 000 | - | 774 000 | 2 262 097 | - | 1 488 097 | 292% | 580% |
| Community and Social Services | - | - | - | - | 1 050 718 | - | 1 050 718 | 0% | 0% |
| Housing | - | - | - | - | 13 023 | - | 13 023 | 0% | 0% |
| Public Safety | - | - | - | - | 14 614 | - | 14 614 | 0% | 0% |
| Sport and Recreation | - | 259 000 | - | 259 000 | 2 367 416 | - | 2 108 416 | 914% | 0% |
| Waste Management | 15 922 000 | (338 000) | - | 15 584 000 | 20 849 935 | - | 5 265 935 | 134% | 131% |
| Roads and Transport | 1 052 000 | 2 719 000 | - | 3 771 000 | 421 961 | - | (3 349 039) | 11% | 40% |
| Water | 15 762 000 | (2 420 000) | - | 13 342 000 | 2 425 051 | - | (10 916 949) | 18% | 15% |
| Electricity | - | - | - | - | 4 294 782 | - | 4 294 782 | 0% | 0% |
| Total Sources of Capital Funds | 33 126 000 | 604 000 | - | 33 730 000 | 34 053 249 | - | 323 249 | 100.96 | 102.80 |
| CASH FLOW | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | |
| Cash Receipts from Ratepayers, Government and Other | 124 370 000 | 20 522 000 | - | 144 892 000 | 124 589 322 | - | (20 302 678) | 8599% | 10018% |
| Cash Paid to Suppliers and Employees | (78 564 000) | (15 939 000) | - | (94 503 000) | (88 394 315) | 6 108 685 | 6 108 685 | 0% | 0% |
| Dividends received | 8 000 | 2 000 | - | 10 000 | 8 316 | - | (1 684) | 8316% | 10395% |
| Interest received | 270 000 | (13 000) | - | 257 000 | 4 082 581 | - | 3 825 581 | 158855% | 151207% |
| Interest paid | (77 000) | (171 000) | - | (248 000) | (1 344 791) | - | (1 096 791) | 0% | 0% |
| Transfers and Grants | (5 300 000) | 62 000 | - | (5 238 000) | - | - | 5 238 000 | 0% | 0% |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (32 736 000) | (484 000) | - | (33 220 000) | (33 053 205) | - | 166 795 | 0% | 0% |
| Decrease / (Increase) in Non-current Investments | (500 000) | - | - | (500 000) | - | - | 500 000 | 0% | 0% |
| Decrease / (Increase) in Long-term Receivables | (220 000) | - | - | (220 000) | - | - | 220 000 | 0% | 0% |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | |
| New Loans raised | (550 000) | 385 000 | - | (165 000) | (2 891 101) | - | (2 726 101) | 0% | 0% |
| Increase / (Decrease) in Consumer deposits | 120 000 | - | - | 120 000 | - | - | (120 000) | 0.00 | 0.00 |
| Cash and Cash Equivalents at End of the Year | 6 821 000 | 4 364 000 | - | 11 185 000 | 2 996 807 | 6 108 685 | (8 188 193) | 26.79 | 43.94 |

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

30 June 2012

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|-----------------|-------------------|-----------------------------|-------------|---|--|
| | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventories | - | - | - | - | 626 830 | - | 626 830 | 0% | 0% |
| Inventories Held-for-Sale | - | - | - | - | - | - | - | 0% | 0% |
| Receivables from Exchange Transactions | - | - | - | - | 671 345 | - | 671 345 | 0% | 0% |
| Receivables from Non-exchange Transactions | - | - | - | - | 360 | - | 360 | 0% | 0% |
| VAT Receivable | - | - | - | - | 6 047 071 | - | 6 047 071 | 0% | 0% |
| Cash and Cash Equivalents | - | - | - | - | 290 161 | - | 290 161 | 0% | 0% |
| Sundry Debtors | - | - | - | - | 1 094 130 | - | 1 094 130 | 0% | 0% |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | - | - | - | - | 308 581 999 | - | 308 581 999 | 0% | 0% |
| Intangible Assets | - | - | - | - | - | - | - | 0% | 0% |
| Investment Property | - | - | - | - | 19 266 525 | - | 19 266 525 | 0% | 0% |
| Biological Assets | - | - | - | - | 554 480 | - | 554 480 | 0% | 0% |
| Non-current Investments | - | - | - | - | 147 835 | - | 147 835 | 0% | 0% |
| Total Assets | - | - | - | - | 337 280 736 | - | 337 280 736 | | |
| Current Liabilities | | | | | | | | | |
| Consumer Deposits | - | - | - | - | 164 837 | - | 164 837 | 0% | 0% |
| Payables | - | - | - | - | 19 043 263 | - | 19 043 263 | 0% | 0% |
| Unspent Conditional Grants and Receipts | - | - | - | - | 12 080 659 | - | 12 080 659 | 0% | 0% |
| Bank Overdraft | - | - | - | - | 3 085 214 | - | 3 085 214 | 0% | 0% |
| Current Portion of Long-term Liabilities | - | - | - | - | 502 383 | - | 502 383 | 0% | 0% |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | - | - | - | - | 10 542 256 | - | 10 542 256 | 0% | 0% |
| Non-current Provisions | - | - | - | - | 17 049 945 | - | 17 049 945 | 0% | 0% |
| Total Liabilities | - | - | - | - | 62 468 557 | - | 62 468 557 | | |
| Total Assets and Liabilities | - | - | - | - | 274 812 179 | - | 274 812 179 | 0.00 | 0.00 |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | - | - | - | - | 274 812 179 | - | 274 812 179 | 0% | 0% |
| Total Net Assets | - | - | - | - | 274 812 179 | - | 274 812 179 | 0.00 | 0.00 |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|-------------------|---------------------|-----------------------------|---------------------|---|--|
| FINANCIAL PERFORMANCE | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Property Rates | 6 846 144 | - | - | 6 846 144 | 5 412 839 | - | (1 433 305) | 79.06 | 79.06 |
| Fair value gains | - | - | - | - | 76 404 | - | 76 404 | 0.00 | 0.00 |
| Fines | 1 210 000 | (1 160 000) | - | 50 000 | 157 143 | - | 107 143 | 314.29 | 12.99 |
| Licences and Permits | 110 | 890 | - | 1 000 | 439 | - | (561) | 43.86 | 398.73 |
| Government Grants and Subsidies Received | 63 839 447 | 8 871 553 | - | 72 711 000 | 75 357 043 | - | 2 646 043 | 103.64 | 118.04 |
| Public Contributions and Donations | (28 052) | - | - | (28 052) | - | - | 28 052 | 0.00 | 0.00 |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | 4 711 934 | 2 355 170 | - | 7 067 104 | 35 847 242 | - | 28 780 138 | 507.24 | 760.78 |
| Rental of Facilities and Equipment | 524 607 | - | - | 524 607 | 631 940 | - | 107 333 | 120.46 | 120.46 |
| Interest Earned - External Investments | 478 | 14 522 | - | 15 000 | 140 677 | - | 125 677 | 937.84 | 29 430.26 |
| Interest Earned - Outstanding Debtors | 242 201 | - | - | 242 201 | 273 209 | - | 31 008 | 112.80 | 112.80 |
| Dividends Received | 7 626 | - | - | 7 626 | 2 962 | - | (4 664) | 38.84 | 38.84 |
| Other Income | 265 685 | 500 183 | - | 765 868 | 772 783 | - | 6 915 | 100.90 | 290.86 |
| Total Revenue | 77 620 181 | 10 582 318 | - | 88 202 499 | 118 672 681 | - | 30 470 182 | 134.55 | 152.89 |
| Expenditure | | | | | | | | | |
| Employee Related Costs | 40 327 844 | (3 355 834) | - | 36 972 010 | 35 362 981 | - | (1 609 029) | 95.65 | 87.69 |
| Remuneration of Councillors | 2 511 235 | 90 153 | - | 2 601 389 | 2 599 729 | - | (1 659) | 99.94 | 103.52 |
| Depreciation and Amortisation | - | - | - | - | 21 630 400 | - | 21 630 400 | 0.00 | 0.00 |
| Impairment Losses | 1 595 310 | - | - | 1 595 310 | 31 110 414 | - | 29 515 104 | 1 950.12 | 1 950.12 |
| Repairs and Maintenance | 1 221 259 | 1 393 089 | - | 2 614 348 | 1 702 805 | - | (911 543) | 65.13 | 139.43 |
| Finance Costs | 228 566 | (151 068) | - | 77 497 | 2 080 323 | - | 2 002 826 | 2 684.39 | 910.16 |
| Bulk Purchases | 493 097 | 932 712 | - | 1 425 809 | 14 212 147 | - | 12 786 338 | 996.78 | 2 882.22 |
| Contracted Services | 5 150 945 | (29 055) | - | 5 121 890 | 5 419 859 | - | 297 969 | 105.82 | 105.22 |
| Grants and Subsidies Paid | 1 417 410 | - | - | 1 417 410 | 1 091 381 | - | (326 029) | 77.00 | 77.00 |
| General Expenses | 19 902 195 | (3 964 487) | - | 15 937 708 | 20 744 353 | - | 4 806 645 | 130.16 | 104.23 |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | 131 102 | - | 131 102 | 0.00 | 0.00 |
| Total Expenditure | 72 847 860 | (5 084 490) | - | 67 763 370 | 136 085 495 | 46 314 763 | 68 322 125 | 200.82 | 186.81 |
| Surplus/(Deficit) | 4 772 320 | 15 666 809 | - | 20 439 129 | (17 412 813) | (46 314 763) | (37 851 942) | 0.00 | 0.00 |
| Surplus/(Deficit) after Capital Transfers and Contributions | 4 772 320 | 15 666 809 | - | 20 439 129 | (17 412 813) | (46 314 763) | (37 851 942) | 0.00 | 0.00 |
| Surplus/(Deficit for the Year) | 4 772 320 | 15 666 809 | - | 20 439 129 | (17 412 813) | (46 314 763) | (37 851 942) | - | - |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|----------|-------------------|--------------------|-----------------------------|--------------------|---|--|
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | |
| Executive and Council | - | - | - | - | 404 000 | - | 404 000 | 0.00 | 0.00 |
| Waste Management | 9 616 947 | - | - | 9 616 947 | 8 124 886 | - | (1 492 061) | 84.49 | 84.49 |
| Roads and Transport | 8 990 000 | - | - | 8 990 000 | 10 556 946 | - | 1 566 946 | 117.43 | 117.43 |
| Water | 4 300 000 | - | - | 4 300 000 | 4 304 202 | - | 4 202 | 100.10 | 100.10 |
| Electricity | 1 210 000 | - | - | 1 210 000 | 1 214 789 | - | 4 789 | 100.40 | 100.40 |
| Total Sources of Capital Funds | 24 116 947 | - | - | 24 116 947 | 24 604 823 | - | 487 876 | 102.02 | 102.02 |
| CASH FLOW | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | |
| Cash Receipts from Ratepayers, Government and Other | - | - | - | - | 125 069 175 | - | 125 069 175 | 0.00 | 0.00 |
| Cash Paid to Suppliers and Employees | - | - | - | - | (107 647 280) | - | (107 647 280) | 0.00 | 0.00 |
| Interest received | - | - | - | - | 413 886 | - | 413 886 | 0.00 | 0.00 |
| Interest paid | - | - | - | - | (2 080 323) | - | (2 080 323) | 0.00 | 0.00 |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | |
| Purchase of Property, Plant and Equipment | - | - | - | - | (17 671 613) | - | (17 671 613) | 0.00 | 0.00 |
| Proceeds on Disposal of Property, Plant and Equipment | - | - | - | - | 2 | - | 2 | 0.00 | 0.00 |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | |
| Loans repaid | - | - | - | - | 670 930 | - | 670 930 | 0.00 | 0.00 |
| Cash and Cash Equivalents at End of the Year | - | - | - | - | (1 242 261) | 2 962 | (1 242 261) | 0.00 | 0.00 |
| | - | - | - | - | | | | | |

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

| Description | 2012/13 | 2011/12 |
|---|---------------------|---------------------|
| | R | R |
| Net surplus/(deficit) per the statement of financial performance | 11 310 485 | (17 412 813) |
| Revenue from Non-exchange Transactions | | |
| Property Rates | (1 246 109) | 1 433 305 |
| Fines | 52 684 | (107 143) |
| Licences and Permits | - | 561 |
| Government Grants and Subsidies Received | (32 188 798) | (2 646 043) |
| Public Contributions and Donations | (3 087 751) | (28 052) |
| Revenue from Exchange Transactions | | |
| Service Charges | (8 779 909) | (28 780 138) |
| Rental of Facilities and Equipment | (109 688) | (107 333) |
| Interest Earned - External Investments | (114 585) | (125 677) |
| Interest Earned - Outstanding Debtors | (1 732 437) | (31 008) |
| Interest Income - Provisions | (2 232 560) | |
| Dividends Received | 1 684 | 4 664 |
| Fair Value Gains | (40 089) | (76 404) |
| Other Revenue | 11 131 749 | (6 915) |
| Expenditure | | |
| Employee Related Costs | (3 490 487) | (1 609 029) |
| Remuneration of Councillors | 175 699 | (1 659) |
| Depreciation and Amortisation | 960 063 | 21 630 400 |
| Impairment Losses | 12 279 172 | 29 515 104 |
| Repairs and Maintenance | 3 044 792 | (911 543) |
| Finance Costs | 1 011 791 | 2 002 826 |
| Bulk Purchases | 18 119 395 | 12 786 338 |
| Contracted Services | 4 786 704 | 297 969 |
| Grants and Subsidies Paid | 5 895 827 | (326 029) |
| General Expenses | (34 721 812) | 4 806 645 |
| Loss on Disposal of Property, Plant and Equipment | 401 178 | 131 102 |
| Net surplus/deficit per approved budget | (18 573 000) | 20 439 129 |

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered 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.

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

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 7 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 46 to the Annual Financial Statements. No liability existed at year end.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 24 and GRAP 103 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

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.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding properties held for transfer, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition infrastructure are carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

| | Years | | Years |
|-------------------------------------|--------------|---------------------------------|--------------|
| Infrastructure | | Buildings | 20 - 100 |
| Roads and Paving | 100 | | |
| <u>Significant components:</u> | | Other | |
| Road surface - Gravel | 5 | Specialist Vehicles | 10 |
| Road structural layer (access) | 80 | Other Vehicles | 7 |
| Road surface - Bituminous - Thin | 7 | Office Equipment | 4 - 7 |
| Road structural layer - Collector | 50 | Furniture and Fittings | 4 - 7 |
| Road structural layer - Distributor | 30 | Bins and Containers | 4 |
| Road surface - Bituminous - Med | 9 | Specialised Plant and Equipment | 10 |
| Road surface - Bituminous - Thick | 12 | | |
| Road surface - Concrete block | 15 | Community | |
| Electricity | 45 - 50 | Recreational Facilities | 15 - 80 |
| <u>Significant components:</u> | | Security | 5 |
| Mini-Sub | 45 | | |
| MV Power Transformer | 45 | | |
| MV Switch gear - circuit breaker | 45 | | |
| MV Switch gear - isolating link | 30 | | |
| Circuit breaker panel | 50 | | |
| Battery charger | 10 | | |
| Water | 20 - 80 | | |
| Sewerage | 40 - 80 | | |
| Landfill Sites | 5 - 100 | | |

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

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

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

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5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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

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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 Impairment of Non-Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

| No | Consideration | Inputs related to the consideration |
|----|----------------------------------|-------------------------------------|
| 1 | Base rate used as starting point | Prime rate of lending 8,5% |
| 2 | Adjustments for industry risks | None |
| 3 | Adjustment for entity risks | None |

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition;
- or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

| Type of Financial Asset | Classification in terms of GRAP 104 |
|---------------------------------------|--|
| Short-term Investment Deposits – Call | Financial asset at amortised cost |
| Bank Balances and Cash | Financial asset at amortised cost |
| Non-Current Investments | Financial asset at fair value |
| Consumer Debtors | Financial asset at amortised cost |
| Other Debtors | Financial asset at amortised cost |
| Investments in Fixed Deposits | Financial asset at amortised cost |

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

| Type of Financial Liabilities | Classification in terms of GRAP 104 |
|--|--|
| Long term Liabilities | Financial liability at amortised cost |
| Other Creditors | Financial liability at amortised cost |
| Bank overdraft | Financial liability at amortised cost |
| Short-term Loans | Financial liability at amortised cost |
| Current portion of Long-Term Liabilities | Financial liability at amortised cost |

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including consumer deposits, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

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

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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at Fair Value as determined at year end.

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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

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11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly 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 being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 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.

11. 2. 5 Income from Agency Services

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

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity 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 entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when expenses are incurred to construct the items of property, plant and equipment.

11. 3. 5 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. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

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

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 3 Defined Benefit Plans (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. 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 in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the unauthorised expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

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), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

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. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

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

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Related parties to management will be disclosed regardless if any transactions took place between the Municipality and the related parties. All transactions that took place between the Municipality and any related party will be disclosed in the financial statements at its monetary value.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

24. COMPARATIVE INFORMATION

24. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

27. CAPITAL COMMITMENTS

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

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

28. BIOLOGICAL ASSETS

A biological asset is described as a living animal or plant which is under the control of the Municipality wherefore the fair value or cost can be determined reliably.

Initial recognition

Biological assets shall be initially recognised at purchase cost when purcgased or fair value in the case of newborn animals or donated plants.

The determination of fair value for a biological asset may be facilitated by grouping biological assets according to significant attributes; for example, by age or quality. The Municipality selects the attributes corresponding to the attributes used in the market as a basis for pricing.

Subsequent Measurement

The fair value of the biological assets shall be determined on an annual basis.

Gains and losses

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in surplus or deficit for the period in which it arises.

Disclosure in the Financial statements

The Municipality shall provide a description of each group of biological assets.

Included in the financial statements shall be a description of:

- (a) the nature of its activities involving each group of biological assets; and
- (b) non-financial measures or estimates of the physical quantities of:
 - (i) each group of the entity's biological assets at the end of the period; and
 - (ii) output of agricultural produce during the period.

The Municipality shall disclose the methods and significant assumptions applied in determining the fair value of each group of biological assets.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|----------------|----------------|
| 1. GENERAL INFORMATION | | |
| <p>Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p> | | |
| 2. INVENTORIES - CONSUMABLES | | |
| Maintenance Materials - at cost | 219 398 | 246 950 |
| Spare Parts - at cost | 418 925 | 365 638 |
| Water - at cost | 18 776 | 14 242 |
| Total Inventories | 657 099 | 626 830 |
| Consumable Inventory Expensed during the financial period | 973 782 | 405 214 |

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R2,53 per kilolitre (2012: R3,51 per kilolitre) in Zastron, R3,02 per kilolitre (2012: R2,88 per kilolitre) in Rouxville and R7,13 per kilolitre (2012: R2,02 per kilolitre) in Smithfield.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balances R | Provision for Impairment R | Net Balances R |
|---|------------------------|----------------------------------|----------------------|
| As at 30 June 2013 | | | |
| Service Debtors: | 55 011 491 | 52 883 160 | 2 128 331 |
| Electricity | 1 315 926 | 280 185 | 1 035 742 |
| Refuse | 12 240 472 | 12 213 960 | 26 512 |
| Sewerage | 15 934 826 | 15 260 945 | 673 881 |
| Water | 25 520 266 | 25 128 070 | 392 196 |
| Other Receivables | 18 308 584 | 17 962 593 | 345 992 |
| Housing | 871 237 | 632 614 | 238 623 |
| Other Debtors | 17 437 347 | 17 329 979 | 107 368 |
| Total Receivables from Exchange Transactions | 73 320 075 | 70 845 752 | 2 474 323 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R | |
|---|------------------------|----------------------------------|----------------------|
| | Gross Balances R | Provision for Impairment R | Net Balances R |
| As at 30 June 2012 | | | |
| Service Debtors: | 49 216 438 | 48 592 934 | 623 504 |
| Electricity | 1 009 966 | 957 448 | 52 518 |
| Refuse | 10 694 214 | 10 628 594 | 65 620 |
| Sewerage | 13 902 941 | 13 744 518 | 158 423 |
| Water | 23 609 318 | 23 262 374 | 346 944 |
| Other Receivables | 18 134 022 | 18 086 182 | 47 840 |
| Housing | 697 103 | 680 371 | 16 732 |
| Other Debtors | 17 436 919 | 17 405 811 | 31 108 |
| Total Receivables from Exchange Transactions | 67 350 460 | 66 679 115 | 671 345 |

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications for connections to services like electricity and water, that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no individual consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R1 080 875 (30 June 2012: R1 756 710) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

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

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

| | Current | Past Due | | | Total |
|--------------------------------|----------------|---------------|---------------|------------------|------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Electricity: | | | | | |
| Gross Balances | - | - | - | 1 315 926 | 1 315 926 |
| Less: Provision for Impairment | - | - | - | 280 185 | 280 185 |
| Net Balances | - | - | - | 1 035 742 | 1 035 742 |
| Refuse: | | | | | |
| Gross Balances | 371 069 | 346 736 | 340 271 | 11 182 396 | 12 240 472 |
| Less: Provision for Impairment | 369 035 | 345 169 | 338 630 | 11 161 126 | 12 213 960 |
| Net Balances | 2 034 | 1 567 | 1 641 | 21 270 | 26 512 |
| Sewerage: | | | | | |
| Gross Balances | 567 808 | 505 989 | 480 465 | 14 380 564 | 15 934 826 |
| Less: Provision for Impairment | 422 541 | 419 638 | 422 470 | 13 996 296 | 15 260 945 |
| Net Balances | 145 267 | 86 351 | 57 995 | 384 268 | 673 881 |
| Water: | | | | | |
| Gross Balances | 2 391 504 | 615 640 | 576 126 | 21 936 996 | 25 520 266 |
| Less: Provision for Impairment | 2 305 484 | 569 496 | 534 916 | 21 718 174 | 25 128 070 |
| Net Balances | 86 019 | 46 144 | 41 210 | 218 822 | 392 196 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Other Receivables:

| | | | | | |
|--------------------------------|---------------|---------------|--------------|----------------|----------------|
| Gross Balances | 103 586 | 149 088 | 142 928 | 17 912 983 | 18 308 584 |
| Less: Provision for Impairment | 92 193 | 138 451 | 137 568 | 17 594 380 | 17 962 593 |
| Net Balances | 11 393 | 10 637 | 5 359 | 318 602 | 345 992 |

As at 30 June 2012 Receivables of R2 229 609 were past due but not impaired. The age analysis of these Receivables are as follows:

| Past Due | | | Total |
|--------------|--------------|-----------|-------|
| 31 - 60 Days | 61 - 90 Days | + 90 Days | |

All Receivables:

| | | | | |
|--------------------------------|----------------|----------------|------------------|------------------|
| Gross Balances | 1 617 454 | 1 539 790 | 66 728 864 | 69 886 108 |
| Less: Provision for Impairment | 1 472 755 | 1 433 584 | 64 750 160 | 67 656 499 |
| Net Balances | 144 699 | 106 206 | 1 978 704 | 2 229 609 |

As at 30 June 2012

| Current | Past Due | | | Total |
|-------------|--------------|--------------|-----------|-------|
| 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |

Electricity:

| | | | | | |
|--------------------------------|----------|----------|----------|---------------|---------------|
| Gross Balances | - | - | - | 1 009 966 | 1 009 966 |
| Less: Provision for Impairment | - | - | - | 957 448 | 957 448 |
| Net Balances | - | - | - | 52 518 | 52 518 |

Refuse:

| | | | | | |
|--------------------------------|---------------|---------------|--------------|-----------|---------------|
| Gross Balances | 331 559 | 417 633 | 397 904 | 9 547 118 | 10 694 214 |
| Less: Provision for Impairment | 299 990 | 392 309 | 389 177 | 9 547 118 | 10 628 594 |
| Net Balances | 31 569 | 25 324 | 8 727 | - | 65 620 |

Sewerage:

| | | | | | |
|--------------------------------|---------------|---------------|---------------|------------|----------------|
| Gross Balances | 513 724 | 616 246 | 569 136 | 12 203 835 | 13 902 941 |
| Less: Provision for Impairment | 437 984 | 552 948 | 549 751 | 12 203 835 | 13 744 518 |
| Net Balances | 75 740 | 63 298 | 19 385 | - | 158 423 |

Water:

| | | | | | |
|--------------------------------|----------------|----------------|---------------|------------|----------------|
| Gross Balances | 2 685 981 | 1 220 800 | 931 719 | 18 770 818 | 23 609 318 |
| Less: Provision for Impairment | 2 555 353 | 1 019 033 | 917 170 | 18 770 818 | 23 262 374 |
| Net Balances | 130 628 | 201 767 | 14 549 | - | 346 944 |

Other Receivables:

| | | | | | |
|--------------------------------|--------------|--------------|--------------|---------------|---------------|
| Gross Balances | 102 598 | 147 667 | 141 565 | 17 742 192 | 18 134 022 |
| Less: Provision for Impairment | 92 827 | 139 404 | 138 515 | 17 715 436 | 18 086 182 |
| Net Balances | 9 771 | 8 263 | 3 050 | 26 756 | 47 840 |

As at 30 June 2012 Receivables of R423 637 were past due but not impaired. The age analysis of these Receivables are as follows:

| Past Due | | | Total |
|--------------|--------------|-----------|-------|
| 31 - 60 Days | 61 - 90 Days | + 90 Days | |

All Receivables:

| | | | | |
|--------------------------------|----------------|---------------|---------------|----------------|
| Gross Balances | 2 402 346 | 2 040 324 | 59 273 928 | 63 716 598 |
| Less: Provision for Impairment | 2 103 694 | 1 994 613 | 59 194 655 | 63 292 962 |
| Net Balances | 298 652 | 45 711 | 79 274 | 423 637 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

| | Household | Industrial/ Commercial | National and Provincial Government | Other |
|---|-------------------------|---------------------------|--|---------------------|
| | R | R | R | R |
| As at 30 June 2013 | | | | |
| <i>Current:</i> | | | | |
| 0 - 30 days | 3 347 638 | 84 480 | 49 242 | 684 |
| <i>Past Due:</i> | | | | |
| 31 - 60 Days | 1 509 334 | 68 350 | 35 925 | 772 |
| 61 - 90 Days | 1 450 567 | 65 595 | 31 056 | 766 |
| + 90 Days | 61 629 357 | 4 057 805 | 964 652 | 23 852 |
| Sub-total | <u>67 936 896</u> | <u>4 276 231</u> | <u>1 080 875</u> | <u>26 074</u> |
| Less: Provision for Impairment | 66 765 749 | 4 055 619 | - | 24 385 |
| Total Trade Receivables by Customer Classification | <u>1 171 147</u> | <u>220 612</u> | <u>1 080 875</u> | <u>1 689</u> |
| | | | | |
| | Household | Industrial/ Commercial | National and Provincial Government | Other |
| | R | R | R | R |
| As at 30 June 2012 | | | | |
| <i>Current:</i> | | | | |
| 0 - 30 days | 3 525 925 | 53 406 | 54 152 | 381 |
| <i>Past Due:</i> | | | | |
| 31 - 60 Days | 2 266 418 | 74 238 | 61 191 | 499 |
| 61 - 90 Days | 1 947 923 | 53 702 | 38 202 | 495 |
| + 90 Days | 54 838 661 | 2 815 697 | 1 603 165 | 16 405 |
| Sub-total | <u>62 578 927</u> | <u>2 997 043</u> | <u>1 756 710</u> | <u>17 780</u> |
| Less: Provision for Impairment | 62 002 584 | 2 937 387 | 1 721 364 | 17 780 |
| Total Trade Receivables by Customer Classification | <u>576 342</u> | <u>59 656</u> | <u>35 346</u> | <u>-</u> |
| | | | | |
| | | | 2013 R | 2012 R |

3.3 Reconciliation of the Provision for Impairment

| | | |
|--------------------------------------|--------------------------|--------------------------|
| Balance at beginning of year | 66 679 115 | 42 303 022 |
| <i>All Consumer Debtors</i> | <u>66 679 115</u> | <u>42 303 022</u> |
| Impairment Losses recognised | 14 192 827 | 24 376 093 |
| <i>All Consumer Debtors</i> | <u>14 192 827</u> | <u>24 376 093</u> |
| Amounts written off as uncollectable | (10 026 190) | - |
| <i>All Consumer Debtors</i> | <u>(10 026 190)</u> | <u>-</u> |
| Balance at end of year | <u>70 845 752</u> | <u>66 679 115</u> |

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|-------------------|-------------------|
| 3.4 Ageing of impaired Receivables from Exchange Transactions | 2013 | 2012 |
| | R | R |
| <i>Current:</i> | | |
| 0 - 30 Days | 3 189 253 | 3 386 154 |
| <i>Past Due:</i> | | |
| 31 - 60 Days | 1 472 755 | 2 103 694 |
| 61 - 90 Days | 1 433 584 | 1 994 613 |
| + 90 Days | 64 750 160 | 59 194 655 |
| Total | 70 845 752 | 66 679 116 |

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | Gross Balances R | Provision for Impairment R | Net Balances R |
|---|---------------------------------|---|-------------------------------|
| As at 30 June 2013 | | | |
| Assessment Rates Debtors | 7 061 149 | 6 275 779 | 785 370 |
| Total Receivables from Non-exchange Transactions | 7 061 149 | 6 275 779 | 785 370 |
| | Gross Balances R | Provision for Impairment R | Net Balances R |
| As at 30 June 2012 | | | |
| Assessment Rates Debtors | 6 597 467 | 6 597 107 | 360 |
| Total Receivables from Non-exchange Transactions | 6 597 467 | 6 597 107 | 360 |

None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

| | Current <i>0 - 30 days</i> | Past Due | | | Total |
|--------------------------------|-------------------------------|---------------------|---------------------|------------------|----------------|
| | | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| Assessment Rates: | | | | | |
| Gross Balances | 56 041 | 56 743 | 56 261 | 6 892 104 | 7 061 149 |
| Less: Provision for Impairment | 46 676 | 47 085 | 46 342 | 6 135 677 | 6 275 779 |
| Net Balances | 9 365 | 9 658 | 9 919 | 756 427 | 785 370 |

As at 30 June Receivables of R776 004 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|---------------------|---------------------|------------------|----------------|
| | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| All Receivables: | | | | |
| Gross Balances | 56 743 | 56 261 | 6 892 104 | 7 005 108 |
| Less: Provision for Impairment | 47 085 | 46 342 | 6 135 677 | 6 229 103 |
| Net Balances | 9 658 | 9 919 | 756 427 | 776 004 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

As at 30 June 2012

| | Current | Past Due | | | Total |
|--------------------------------|-------------|--------------|--------------|-----------|------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Assessment Rates: | | | | | |
| Gross Balances | 3 131 | 43 099 | 43 268 | 6 507 969 | 6 597 467 |
| Less: Provision for Impairment | 3 131 | 42 919 | 43 088 | 6 507 969 | 6 597 107 |
| Net Balances | - | 180 | 180 | - | 360 |

As at 30 June 2013 Receivables of R360 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|--------------|--------------|-----------|------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Receivables: | | | | |
| Gross Balances | 43 099 | 43 268 | 6 507 969 | 6 594 336 |
| Less: Provision for Impairment | 42 919 | 43 088 | 6 507 969 | 6 593 976 |
| Net Balances | 180 | 180 | - | 360 |

4.2 Summary of Assessment Rates Debtors by Customer Classification

As at 30 June 2013

| | Household R |
|---|----------------|
| <u>Current:</u> | |
| 0 - 30 days | 56 041 |
| <u>Past Due:</u> | |
| 31 - 60 Days | 56 743 |
| 61 - 90 Days | 56 261 |
| + 90 Days | 6 892 104 |
| Sub-total | 7 061 149 |
| Less: Provision for Impairment | 6 275 779 |
| Total Rates Debtors by Customer Classification | 785 370 |

As at 30 June 2012

| | Household R |
|---|----------------|
| <u>Current:</u> | |
| 0 - 30 days | 3 131 |
| <u>Past Due:</u> | |
| 31 - 60 Days | 43 099 |
| 61 - 90 Days | 43 268 |
| + 90 Days | 6 507 969 |
| Sub-total | 6 597 467 |
| Less: Provision for Impairment | 6 597 107 |
| Total Rates Debtors by Customer Classification | 360 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | |
|-------------|-------------|
| 2013 | 2012 |
| R | R |
| 2013 | 2012 |
| R | R |

4.3 Reconciliation of Provision for Impairment

| | | |
|--------------------------------------|------------------|------------------|
| Balance at beginning of year | 6 597 107 | - |
| <i>Other Debtors</i> | 6 597 107 | - |
| <i>Assessment Rates Debtors</i> | - | - |
| Impairment Losses recognised | (782) | 6 597 107 |
| <i>Other Debtors</i> | (782) | 6 597 107 |
| <i>Assessment Rates Debtors</i> | - | - |
| Amounts written off as uncollectable | (320 546) | - |
| <i>Other Debtors</i> | (320 546) | - |
| <i>Assessment Rates Debtors</i> | - | - |
| Balance at end of year | 6 275 779 | 6 597 107 |

5. VAT RECEIVABLE / (PAYABLE)

| | | |
|----------------------------|------------------|------------------|
| Vat Payable. | (378 107) | (6 633 455) |
| Vat Receivable. | 4 802 825 | 12 680 525 |
| Vat Receivable / (Payable) | 4 424 718 | 6 047 071 |

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

| | | |
|--|----------------|--------------------|
| Current Investments | 276 607 | 272 772 |
| Bank Accounts | 10 287 | 16 209 |
| Bank Overdraft | (86 319) | (3 085 214) |
| Cash and Cash Equivalents | 1 180 | 1 180 |
| Total Bank, Cash and Cash Equivalents | 201 754 | (2 795 053) |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

| | | |
|---|----------------|----------------|
| Call Deposits | 276 607 | 272 772 |
| Deposits available for Operations | 276 607 | 272 772 |
| Total Deposits attributable to Commitments of the Municipality | 276 607 | 272 772 |

6.2 Bank Accounts

| | | |
|----------------------------|-----------------|--------------------|
| Cash in Bank | 10 287 | 16 209 |
| Bank Overdraft | (86 319) | (3 085 214) |
| Total Bank Accounts | (76 032) | (3 069 005) |

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:

| | | |
|---|---------------|----------------|
| Cash book balance at beginning of year | (3 085 214) | (2 065 666) |
| Cash book balance at end of year | (86 319) | (3 085 214) |
| Bank statement balance at beginning of year | 610 138 | 193 464 |
| Bank statement balance at end of year | 55 885 | 610 138 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|--------------|--------------|
| Other Bank Accounts | | |
| <i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i> | | |
| Cash book balance at beginning of year | 730 | 18 052 |
| Cash book balance at end of year | <u>526</u> | <u>730</u> |
| Bank statement balance at beginning of year | 730 | 18 052 |
| Bank statement balance at end of year | <u>526</u> | <u>730</u> |
| <i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i> | | |
| Cash book balance at beginning of year | 8 711 | 107 085 |
| Cash book balance at end of year | <u>5 549</u> | <u>8 711</u> |
| Bank statement balance at beginning of year | 8 711 | 107 085 |
| Bank statement balance at end of year | <u>5 549</u> | <u>8 711</u> |
| <i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i> | | |
| Cash book balance at beginning of year | 6 768 | 87 328 |
| Cash book balance at end of year | <u>4 212</u> | <u>6 768</u> |
| Bank statement balance at beginning of year | 6 768 | 87 327 |
| Bank statement balance at end of year | <u>4 212</u> | <u>6 768</u> |

An amount of R12 885 049 (2012: R12 086 909) is attributable to Unspent Conditional Grants.

For the period from 21 February 2013 up to 31 March 2013 the municipality had an overdraft facility of R5 million on its current account with its banker and therefore incurred interest on the overdrawn current account. The municipality also has a facility to an amount of R150 000 with its banker relating to fleet cards is also Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

| | | |
|--|---------------------|---------------------|
| Cash Floats and Advances | 1 180 | 1 180 |
| Total Cash on hand in Cash Floats, Advances and Equivalents | <u>1 180</u> | <u>1 180</u> |

A Pledge of R25 000 in favour of Eskom is held with First National Bank. A Limited cession of R20 000 is held with ABSA Bank

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

| Description | Land and Buildings | Infra-structure | Community | Other | Leased Assets | Total |
|---|--------------------|--------------------|-------------------|------------------|----------------|--------------------|
| | R | R | R | R | R | R |
| Carrying values at 30 June 2012 | 17 994 217 | 228 909 515 | 56 666 171 | 4 674 018 | 338 078 | 308 581 999 |
| Cost | 43 243 690 | 505 583 645 | 126 850 308 | 7 731 985 | 1 291 611 | 684 701 239 |
| - Completed Assets | 43 243 690 | 458 777 343 | 126 850 308 | 7 731 985 | 1 291 611 | 637 894 937 |
| - Under Construction | - | 46 806 301 | - | - | - | 46 806 301 |
| Accumulated Impairment Losses | (137 214) | - | - | - | - | (137 214) |
| Accumulated Depreciation: | (25 112 260) | (276 674 129) | (70 184 136) | (3 057 967) | (953 533) | (375 982 026) |
| - Cost | (25 112 260) | (276 674 129) | (70 184 136) | (3 057 967) | (953 533) | (375 982 026) |
| Acquisitions | - | - | - | 3 226 770 | - | 3 226 770 |
| Capital donations received | - | - | 1 000 000 | - | - | 1 000 000 |
| Capital under Construction - Completed: | - | 12 032 337 | - | - | - | 12 032 337 |
| Capital under Construction - Additions: | - | 27 459 469 | 2 366 966 | - | - | 29 826 435 |
| - Cost | - | 27 459 469 | 2 366 966 | - | - | 29 826 435 |
| Depreciation: | (1 020 169) | (15 516 354) | (4 013 240) | (1 226 860) | (183 439) | (21 960 063) |
| - Based on Cost | (1 020 169) | (15 516 354) | (4 013 240) | (1 226 860) | (183 439) | (21 960 063) |
| Carrying value of Disposals: | - | - | - | (912 707) | - | (912 707) |
| - Cost | - | - | - | (912 707) | - | (912 707) |
| Capital under Construction - Completed | - | (12 032 337) | - | - | - | (12 032 337) |
| Other Movements | | | | | | |
| - Accumulated Impairment Losses | - | - | - | (17 127) | - | (17 127) |
| - Accumulated Depreciation | - | - | - | 511 529 | - | 511 529 |
| - Based on Cost | - | - | - | 511 529 | - | 511 529 |
| Carrying values at 30 June 2013 | 16 974 047 | 240 852 630 | 56 019 897 | 6 255 622 | 154 639 | 320 256 835 |
| Cost | 43 243 690 | 533 043 114 | 130 217 274 | 10 046 048 | 1 291 611 | 717 841 737 |
| - Completed Assets | 43 243 690 | 470 809 680 | 127 850 308 | 10 046 048 | 1 291 611 | 653 241 337 |
| - Under Construction | - | 62 233 434 | 2 366 966 | - | - | 64 600 400 |
| Accumulated Impairment Losses | (137 214) | - | - | (17 127) | - | (154 341) |
| Accumulated Depreciation: | (26 132 429) | (292 190 484) | (74 197 377) | (3 773 299) | (1 136 972) | (397 430 561) |
| - Cost | (26 132 429) | (292 190 484) | (74 197 377) | (3 773 299) | (1 136 972) | (397 430 561) |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Reconciliation of Carrying Value

| Description | Land and Buildings | Infra-structure | Community | Other | Leased Assets | Total |
|---|--------------------|--------------------|-------------------|------------------|----------------|--------------------|
| | R | R | R | R | R | R |
| Carrying values at 1 July 2011 | 19 285 964 | 226 547 254 | 60 657 128 | 5 653 234 | 665 523 | 312 809 104 |
| Cost | 43 474 067 | 487 912 032 | 126 850 308 | 7 731 985 | 1 291 611 | 667 260 002 |
| - Completed Assets | 43 474 067 | 458 777 343 | 126 850 308 | 7 731 985 | 1 291 611 | 638 125 314 |
| - Under Construction | - | 29 134 688 | - | - | - | 29 134 688 |
| Accumulated Depreciation: | (24 188 103) | (261 364 778) | (66 193 179) | (2 078 751) | (626 088) | (354 450 898) |
| - Cost | (24 188 103) | (261 364 778) | (66 193 179) | (2 078 751) | (626 088) | (354 450 898) |
| Acquisitions | - | - | - | - | - | - |
| Capital under Construction - Additions: | - | 17 671 613 | - | - | - | 17 671 613 |
| - Cost | - | 17 671 613 | - | - | - | 17 671 613 |
| Depreciation: | (1 023 430) | (15 309 352) | (3 990 957) | (979 217) | (327 445) | (21 630 400) |
| - Based on Cost | (1 023 430) | (15 309 352) | (3 990 957) | (979 217) | (327 445) | (21 630 400) |
| Carrying value of Disposals: | (131 104) | - | - | - | - | (131 104) |
| - Cost | (230 376) | - | - | - | - | (230 376) |
| - Accumulated Depreciation | 99 272 | - | - | - | - | 99 272 |
| - Based on Cost | 99 272 | - | - | - | - | 99 272 |
| Impairment Losses | (137 214) | - | - | - | - | (137 214) |
| Carrying values at 30 June 2012 | 17 994 217 | 228 909 515 | 56 666 171 | 4 674 018 | 338 078 | 308 581 999 |
| Cost | 43 243 690 | 505 583 645 | 126 850 308 | 7 731 985 | 1 291 611 | 684 701 239 |
| - Completed Assets | 43 243 690 | 458 777 343 | 126 850 308 | 7 731 985 | 1 291 611 | 637 894 937 |
| - Under Construction | - | 46 806 301 | - | - | - | 46 806 301 |
| Accumulated Impairment Losses | (137 214) | - | - | - | - | (137 214) |
| Accumulated Depreciation: | (25 112 260) | (276 674 129) | (70 184 136) | (3 057 967) | (953 533) | (375 982 026) |
| - Cost | (25 112 260) | (276 674 129) | (70 184 136) | (3 057 967) | (953 533) | (375 982 026) |

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2013. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 34.1 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

At Original Cost:

Infrastructure

Electricity

Roads and Stormwater network

| | | |
|--|--------|--------|
| | 29 302 | 29 302 |
| | 522 | 522 |
| | 28 780 | 28 780 |
| | 29 302 | 29 302 |

Gross Carrying Amount of PPE fully depreciated and still in use

7.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

7.4 Impairment of Property, Plant and Equipment

The amount of R17 127 (2012: R137 214) disclosed for impairment losses on Property, Plant and Equipment is in respect of buildings and it's content that were damaged during 2012 riots and Movable Assets that got lost during the 2012/13 financial period..

Land and Buildings

Other Assets: Office Equipment

| | | |
|--|--------|---------|
| | 17 127 | 137 214 |
| | - | - |
| | 17 127 | 137 214 |

Total Impairment of Property, Plant and Equipment

Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.

8. INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

Fair Value

| | | |
|--|------------|------------|
| | 19 266 525 | 19 266 525 |
| | 19 266 525 | 19 266 525 |

Net Gains / (Losses) from Fair Value Adjustments

| | | |
|--|---|---|
| | - | - |
|--|---|---|

Carrying values at 30 June

Fair Value

| | | |
|--|------------|------------|
| | 19 266 525 | 19 266 525 |
| | 19 266 525 | 19 266 525 |

Estimated Fair Value of Investment Property at 30 June

| | | |
|--|------------|------------|
| | 19 266 525 | 19 266 525 |
| | 19 266 525 | 19 266 525 |

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

300 613 358 202

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate

9.50% 9.50%

8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|----------------|----------------|
| 9. BIOLOGICAL ASSETS | | |
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | <u>326 970</u> | <u>554 480</u> |

The movement in Biological Assets is reconciled as follows:

| | Cattle | Horses | Total |
|--|----------------|---------------|----------------|
| Carrying values at 1 July 2012 | 487 200 | 7 710 | 554 480 |
| Fair Value | 487 200 | 7 710 | 554 480 |
| Acquisitions during the Year (Calves born) | - | - | - |
| Gains from Changes in Fair Value | - | 1 530 | 1 530 |
| Losses during the Year | (14 130) | (1 500) | (15 630) |
| Decreases due to consumption | (17 400) | - | (17 400) |
| Losses from Changes in Fair Value | (196 010) | - | (196 010) |
| Carrying values at 30 June 2013 | 259 660 | 7 740 | 326 970 |
| Cost | 259 660 | 7 740 | 326 970 |
| | Cattle | Horses | Total |
| Carrying values at 30 June 2011 | 573 300 | 11 700 | 585 000 |
| Fair Value | 573 300 | 11 700 | 585 000 |
| Acquisitions during the Year (Calves born) | 115 500 | - | 115 500 |
| Gains from Changes in Fair Value | 52 650 | 6 920 | 59 570 |
| Losses during the Year | (109 350) | (3 990) | (113 340) |
| Decreases due to consumption | (92 250) | - | (92 250) |
| Carrying values at 30 June 2012 | 487 200 | 7 710 | 554 480 |
| Cost | 487 200 | 7 710 | 554 480 |

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

9.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

The following assumptions were used:

Rand per kg on the open market
The average weight of cattle per class

9.2 Non-financial Information

| | | |
|--------------------------------------|-----|-----|
| Quantities of each Biological Asset: | | |
| Cattle | 101 | 110 |
| Horses | 10 | 11 |

10. INVESTMENTS

Unlisted

| | | |
|-----------------------|----------------|----------------|
| Local Authority Stock | 187 924 | 147 835 |
| | 187 924 | 147 835 |

Total Investments

| | | |
|-----------------|---------|---------|
| All Investments | 187 924 | 147 835 |
|-----------------|---------|---------|

Total Investments

| | | |
|--|----------------|----------------|
| | 187 924 | 147 835 |
|--|----------------|----------------|

Council's valuation of Unlisted Investments

| | | |
|-----------------------|----------------|----------------|
| Local Authority Stock | 187 924 | 147 835 |
| | 187 924 | 147 835 |

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 Ordinary Shares valued at R7.50 (2012: R6.98) per share and 13 731 Holding Shares valued at R6.48 (2012: R4.06) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the market value of the shares held with OVK.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--------------------------------|----------------|----------------|
| 11. CONSUMER DEPOSITS | | |
| Electricity and Water | 213 657 | 164 837 |
| Total Consumer Deposits | 213 657 | 164 837 |

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

No interest is paid on Consumer Deposits held.

12. PAYABLES

| | | |
|---|-------------------|-------------------|
| Trade Creditors | 10 398 164 | 8 452 723 |
| Payments received in Advance | 3 319 389 | 2 698 841 |
| Payable disputed with SARS | 268 115 | - |
| Staff Bonuses | 941 236 | 834 728 |
| Long Service Bonus Accrual | - | 135 461 |
| Staff Leave Accrued | 2 250 510 | 2 147 944 |
| Staff Salaries | 7 834 672 | 4 672 994 |
| Water treatment grant paid to Mohokare in error | 2 711 899 | - |
| Other Creditors | 119 770 | 100 571 |
| Total Creditors | 27 843 756 | 19 043 263 |

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

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

The municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the municipality.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government

| | | |
|--|-------------------|-------------------|
| National Government Grants | 12 855 049 | 12 080 659 |
| Total Conditional Grants and Receipts | 12 855 049 | 12 080 659 |

See Note 19 for the reconciliation of Grants from Government. The Unspent Grants are reported to National Treasury. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|-------------------|-------------------|
| 14. LONG-TERM LIABILITIES | 2013 R | 2012 R |
| Finance Lease Liabilities | 151 879 | 1 001 264 |
| Government Loans | 1 300 844 | 1 411 710 |
| Other Loans (Centlec Capital Loans) | 1 105 150 | 1 214 262 |
| Centlec Payable | 5 595 666 | 7 417 403 |
| Sub-total | 8 153 539 | 11 044 638 |
| Less: Current Portion transferred to Current Liabilities:- | 273 575 | 502 383 |
| Finance Lease Liabilities | 151 878 | 318 456 |
| Government Loans | 121 697 | 183 927 |
| Other Loans | - | - |
| Total Long-term Liabilities (Neither past due, nor impaired) | 7 879 964 | 10 542 255 |

14.1 Summary of Arrangements

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 8% and 11% (2012: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 20 years and at an interest rate of 10% annum. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

14.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment with lease terms not more than 3 years (2012: 5 years). The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% and 11%). The 5 year lease has been cancelled with the relevant suppliers due to the lease term being in contradiction to the MFMA stipulations.

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

| | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|---|------------------------|------------------|---|------------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| Amounts payable under finance leases: | | | | |
| Within one year | 160 632 | 364 404 | 160 632 | 364 404 |
| In the second to fifth years, inclusive | - | 691 562 | - | 691 562 |
| Over five years | - | - | - | - |
| | 160 632 | 1 055 966 | 160 632 | 1 055 966 |
| Less: Future Finance Obligations | (8 754) | (54 702) | (8 754) | (54 702) |
| Present Value of Minimum Lease Obligations | 151 878 | 1 001 264 | 151 878 | 1 001 264 |
| Less: Amounts due for settlement within 12 months (Current Portion) | | | (151 878) | (318 456) |
| Finance Lease Obligations due for settlement after 12 months (Non-current Portion) | | | - | 682 808 |

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

- Office Equipment

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|---|-------------|-------------|
| | R | R |
| Included in these classes are the following significant leases: | | |
| (i) Gestetner (IT Equipment) | | |
| - Installments are payable monthly in advance | | |
| - Average period outstanding | 36 months | 36 months |
| - Average effective interest rate | 9.43% | 9.43% |
| - Average monthly installment | R 16 850.00 | R 16 850.00 |
| (ii) Sharp (IT Equipment) | | |
| - Installments are payable monthly in advance | | |
| - Average period outstanding | 60 months | 60 months |
| - Average effective interest rate, based on prime | 9.43% | 9.43% |
| - Average monthly installment | R 16 811.00 | R 16 811.00 |
| | 2013 | 2012 |
| | R | R |

15. NON-CURRENT PROVISIONS

| | | |
|---|-------------------|-------------------|
| Provision for Rehabilitation of Land-fill Sites | 14 817 385 | 17 049 945 |
| Total Non-current Provisions | 14 817 385 | 17 049 945 |

The movement in Non-current Provisions are reconciled as follows:

| | | Land-fill Sites |
|--------------------------------|--|------------------------|
| | | R |
| 30 June 2013 | | |
| Balance at beginning of year | | 17 049 945 |
| Decrease due to discounting | | (2 232 560) |
| | | 14 817 385 |
| Transfer to current provisions | | - |
| Balance at end of year | | 14 817 385 |
| 30 June 2012 | | |
| Balance at beginning of year | | 15 563 009 |
| Increase due to discounting | | 1 486 936 |
| | | 17 049 945 |
| Transfer to current provisions | | - |
| Balance at end of year | | 17 049 945 |

15.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R14 million to restore the sites at the end of its useful life, estimated to be in 2021 for the Zastron and Matlakeng sites and 2031 for the Rouxville and Smithfield sites. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

16. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

| | | |
|--|--------------------|--------------------|
| Accumulated Surplus / (Deficit) due to the results of Operations | 286 122 664 | 274 812 179 |
| Total Accumulated Surplus | 286 122 664 | 274 812 179 |

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 34 "Correction of Errors" for details of the restatements.

- Restatement of Accumulated Surplus - Note 34.1
- Restatement of Revenue & Expenditure - Note 34.2
- Restatement of General Expenses - Note 34.3
- Restatement of Finance Leases - Note 34.4
- Restatement of PPE - Note 34.5
- Restatement of OVK shares - Note 34.6
- Restatement of Payables - Note 34.7
- Restatement of Bank & Cash- Note 34.8
- Restatement of VAT receivable- Note 34.9
- Restatement of Properties held for Transfer- Note 34.10

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

17. PROPERTY RATES

| | Property Valuations | | Actual Levies | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | July 2013 R000's | July 2012 R000's | July 2013 R000's | July 2012 R000's |
| Residential | 299 182 | 299 182 | 3 680 324 | 3 766 621 |
| Commercial | 58 595 | 58 595 | 442 913 | 411 281 |
| Agricultural | 2 307 525 | 2 307 525 | 3 171 478 | 2 978 961 |
| State | 204 314 | 204 314 | 99 688 | 74 352 |
| Rates Rebates | | | (1 022 294) | (1 818 376) |
| Total Property Rates | 2 869 615 | 2 869 615 | 6 372 109 | 5 412 839 |

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

- Residential Properties: 0,6099 c/R (2011/12: 0,5700 c/R)
- Commercial Properties: 0,8263 c/R (2011/12: 0,7722 c/R)
- State Properties: 0,2884 c/R (2011/12: 0,2695 c/R)
- Agricultural Properties: 0,1317 c/R (2011/12: 0,1231 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|--------------------------|--------------------------|
| | 2013 R | 2012 R |
| 18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED | | |
| National Equitable Share | 51 002 000 | 45 632 000 |
| Operational Grants | <u>51 002 000</u> | <u>45 632 000</u> |
| Conditional / Unconditional Grants | 42 032 188 | 29 318 200 |
| National: FMG | 1 500 000 | 1 500 000 |
| National: MIG | 18 840 000 | 15 532 000 |
| National: MSIG | 800 000 | 790 000 |
| National: RBIG | 12 882 988 | 8 094 000 |
| National: INEPG | 2 000 000 | 627 000 |
| GOGTA Grant | 5 009 200 | 2 775 200 |
| Expanded Public Works Programme | 1 000 000 | - |
| Total Government Grants and Subsidies | <u><u>93 034 188</u></u> | <u><u>74 950 200</u></u> |
| Government Grants and Subsidies: | | |
| Conditional Grants - Capital | 36 956 988 | 15 532 000 |
| Conditional Grants - Operational | 5 075 200 | - |
| Unconditional Grants - Capital | - | 8 721 000 |
| Unconditional Grants - Operational | 51 002 000 | 50 697 200 |
| Centlec Consolidated Grants | 0 | - |
| Total Government Grants and Subsidies | <u><u>93 034 188</u></u> | <u><u>74 950 200</u></u> |
| Summary of Transfers: | | |
| Conditions met - transferred to Revenue: Operating Expenses | 57 346 742 | 50 697 200 |
| Conditions met - transferred to Revenue: Capital Expenses | 34 913 057 | 24 659 843 |
| Total Transfers | <u><u>92 259 798</u></u> | <u><u>75 357 043</u></u> |
| Operational Grants: | | |
| 18.1 National: Equitable Share (Unconditional) | <u><u>51 002 000</u></u> | <u><u>45 632 000</u></u> |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld. | | |
| 18.2 National: FMG Grant (Conditional) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 500 000 | 1 500 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 500 000) | (1 500 000) |
| Conditions still to be met - transferred to Liabilities | - | - |
| The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld. | | |
| 18.3 National: MIG Funds (Conditional) | | |
| Balance unspent at beginning of year | 12 039 610 | 12 487 503 |
| Current year receipts | 18 840 000 | 15 532 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (110 597) | - |
| Conditions met - transferred to Revenue: Capital Expenses | (18 729 403) | (15 979 892) |
| Conditions still to be met - transferred to Liabilities | <u><u>12 039 610</u></u> | <u><u>12 039 610</u></u> |
| The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld. | | |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|-----------|-----------|
| 18.4 National: MSIG Funds (Conditional) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 800 000 | 790 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (800 000) | (790 000) |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities | <u>-</u> | <u>-</u> |

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

18.5 National: Regional Bulk Infrastructure Grant (Conditional)

| | | |
|---|--------------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 12 882 988 | 8 094 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | (12 882 988) | (8 094 000) |
| Conditions still to be met - transferred to Liabilities | <u>-</u> | <u>-</u> |

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from RBIG. No funds have been withheld.

18.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)

| | | |
|---|-------------|---------------|
| Balance unspent at beginning of year | 41 049 | - |
| Current year receipts | 2 000 000 | 627 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | (2 041 049) | (585 951) |
| Conditions still to be met - transferred to Liabilities | <u>-</u> | <u>41 049</u> |

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

18.7 Expanded Public Works Programme (EPWP) (Conditional)

| | | |
|---|-------------|----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 000 000 | - |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (1 000 000) | - |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 14) | <u>-</u> | <u>-</u> |

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

18.8 COGTA Grant (Unconditional)(Management salaries)

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 2 081 400 | 2 081 400 |
| Current year receipts | 2 775 200 | 2 775 200 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (2 775 200) | (2 775 200) |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities | <u>2 081 400</u> | <u>2 081 400</u> |

A grant was received from COGTA for the purpose of assisting the Municipality with payments of Managers salaries. No funds have been withheld. The liability shown is not a liability to COGTA but rather an accounting treatment as Revenue received in advance.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|-------------|-----------|
| 18.9 COGTA Grant (Conditional) (Vehicles & Equipment) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 123 000 | - |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | (1 123 000) | - |
| Conditions still to be met - transferred to Liabilities (see Note 14) | <u>-</u> | <u>-</u> |

A grant was received from COGTA for the purpose of assisting the Municipality with the purchase of Vehicles and Equipment necessary for service delivery. No funds have been withheld.

| | | |
|---|----------------|----------|
| 18.10 COGTA Grant (Conditional) (Water pumps) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 111 000 | - |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (158 945) | - |
| Conditions met - transferred to Revenue: Capital Expenses | (136 616) | - |
| Conditions still to be met - transferred to Liabilities (see Note 14) | <u>815 439</u> | <u>-</u> |

A grant was received from COGTA for the purpose of assisting the Municipality with the replacement of old and redundant water pumps necessary for service delivery. No funds have been withheld.

18.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

19. DONATIONS RECEIVED

| | | |
|---|-------------------------|-----------------|
| Unconditional Contributions | 2 087 751 | - |
| Daycare centre donated | 1 000 000 | - |
| Total Public Contributions and Donations | <u>3 087 751</u> | <u>-</u> |

20. SERVICE CHARGES

| | | |
|---------------------------------|--------------------------|--------------------------|
| Sale of Electricity | 20 657 642 | 16 685 637 |
| Sale of Water | 10 056 118 | 8 588 844 |
| Refuse Removal | 4 142 203 | 4 221 848 |
| Sewerage and Sanitation Charges | 6 223 946 | 6 350 914 |
| Total Service Charges | <u>41 079 909</u> | <u>35 847 242</u> |

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

21. RENTAL OF FACILITIES AND EQUIPMENT

| | | |
|---|-----------------------|-----------------------|
| Operating Lease Rental Revenue: | | |
| - Investment Property | 300 613 | 358 202 |
| Rental Revenue from Buildings | 20 484 | 25 478 |
| Rental Revenue from Halls | 13 579 | 8 570 |
| Rental Revenue from Other Facilities | 120 013 | 239 691 |
| Total Rental of Facilities and Equipment | <u>454 688</u> | <u>631 940</u> |

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|------------------|----------------|
| 22. INTEREST EARNED | | |
| External Investments: | | |
| Bank Account | 4 673 | 574 |
| Investments | 82 835 | 75 059 |
| Centlec Interest received | 30 077 | 65 043 |
| | <u>117 585</u> | <u>140 677</u> |
| Landfill site provision | | |
| Finance charges on Landfill site provision | 2 232 560 | - |
| Interest - Variable Rate Instruments | <u>2 232 560</u> | <u>-</u> |
| Outstanding Debtors: | | |
| Outstanding Billing Debtors | 1 732 437 | 273 209 |
| | <u>1 732 437</u> | <u>273 209</u> |
| Total Interest Earned | <u>4 082 581</u> | <u>413 886</u> |
| Interest Earned on Financial Assets, analysed by category of asset, is as follows: | | |
| Non-Current Investments | 117 585 | 140 677 |
| Loans and Receivables | 1 732 437 | 273 209 |
| | <u>1 850 022</u> | <u>413 886</u> |

23. OTHER REVENUE

| | | |
|-------------------------------|------------------|----------------|
| Building Plan Fees | 1 269 | 2 350 |
| Cemetery Fees | 43 969 | 27 370 |
| Centlec Sundry Income | - | 108 674 |
| Gravel Sales | - | 208 |
| Photostats | - | 78 |
| Pound Fees | 80 | 1 171 |
| Commission on collections | 75 694 | - |
| Rates Certificates | 26 715 | 10 944 |
| Cattle additions | - | 115 500 |
| Cancelation of Lease contract | 540 955 | - |
| Sundry Income | 838 569 | 506 488 |
| Total Other Revenue | <u>1 527 251</u> | <u>772 783</u> |

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 18 to 23, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|-------------------|-------------------|
| 24. EMPLOYEE RELATED COSTS | | |
| Employee Related Costs - Salaries and Wages | 27 557 734 | 23 887 813 |
| Basic Salaries and Wages | 27 492 304 | 23 555 769 |
| Long Service Bonuses | - | 135 461 |
| Contribution to Leave Fund | 65 430 | 196 583 |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund | 6 980 546 | 5 742 359 |
| Medical | 1 664 532 | 1 423 361 |
| Pension | 4 664 275 | 3 707 997 |
| Bonus fund | 19 000 | 27 108 |
| Industrial Council Levy | 18 296 | 34 627 |
| Skills Development Levy | 323 903 | 279 811 |
| UIF | 290 539 | 269 455 |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 1 942 995 | 1 735 610 |
| Allowances | 1 942 995 | 1 735 610 |
| Housing Benefits and Allowances | 31 588 | 48 111 |
| Overtime Payments | 2 119 695 | 1 812 413 |
| Annual Bonuses | 2 170 637 | 1 937 165 |
| Temporary Employees - Salaries and Wages | 125 319 | 199 511 |
| Total Employee Related Costs | 40 928 513 | 35 362 981 |

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

| | | |
|---|----------------|----------------|
| Annual Remuneration | 528 335 | 474 548 |
| Performance Bonus | - | - |
| Travel Allowances | 267 000 | 190 293 |
| Company Contributions to UIF, Medical and Pension Funds | 138 337 | 31 561 |
| Other | 6 997 | 55 058 |
| Total | 940 669 | 751 460 |

Remuneration of the Chief Financial Officer

| | | |
|---|----------------|----------------|
| Annual Remuneration | 532 072 | 365 445 |
| Annual Bonus | - | - |
| Travel Allowances | 180 000 | 135 000 |
| Company Contributions to UIF, Medical and Pension Funds | 21 012 | 14 578 |
| Acting Allowance | - | 28 753 |
| Other | 4 888 | 3 739 |
| Total | 737 972 | 547 515 |

Remuneration of the Manager: Community Services

| | | |
|---|----------------|----------|
| Annual Remuneration | 257 072 | - |
| Annual Bonus | 21 476 | - |
| Travel Allowances | 60 000 | - |
| Company Contributions to UIF, Medical and Pension Funds | 75 183 | - |
| Long service award | 9 631 | - |
| Other | 3 447 | - |
| Total | 426 809 | - |

The post was vacant for the whole June 2012 financial year. No acting Allowance was paid during the full financial period year.

Remuneration of the Manager: Corporate Services

| | | |
|---|----------------|----------------|
| Annual Remuneration | 396 817 | 309 765 |
| Annual Bonus | - | - |
| Travel Allowances | 150 000 | 112 500 |
| Company Contributions to UIF, Medical and Pension Funds | 97 321 | 66 648 |
| Acting allowance | - | 16 609 |
| Other | 5 203 | 3 922 |
| Total | 649 341 | 509 444 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|----------------|----------------|
| Remuneration of the Manager: Technical Services | | |
| Annual Remuneration | 546 068 | 383 580 |
| Performance Bonus | - | - |
| Travel Allowances | - | - |
| Company Contributions to UIF, Medical and Pension Funds | 98 812 | 70 167 |
| Acting allowance | - | 44 432 |
| Other | 5 130 | 3 585 |
| Total | 650 010 | 501 764 |

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

25. REMUNERATION OF COUNCILLORS

| | | |
|---|------------------|------------------|
| Mayor - Ms AM Shasha | 385 183 | 408 818 |
| Chief Whip - RJ Thuhlo | 162 676 | 125 025 |
| Councillors | 1 411 970 | 1 107 001 |
| Company Contributions to UIF, Medical and Pension Funds | 225 129 | 215 567 |
| Medical Aid | 36 453 | 51 995 |
| Pension Fund | 162 544 | 130 132 |
| UIF | - | 10 981 |
| Skills Development Levy | 26 132 | 22 459 |
| Other Allowances (Cellular Phones, Housing, Transport, etc) | 659 741 | 743 318 |
| Housing Subsidy | 147 176 | 47 746 |
| Telephone Allowance | 140 076 | 136 320 |
| Travelling Allowance | 372 489 | 559 252 |
| Total Councillors' Remuneration | 2 844 699 | 2 599 729 |

In-kind Benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

26. DEPRECIATION AND AMORTISATION

| | | |
|---|-------------------|-------------------|
| Depreciation: Property, Plant and Equipment | 21 960 063 | 21 630 400 |
| Total Depreciation and Amortisation | 21 960 063 | 21 630 400 |

27. IMPAIRMENT LOSSES

27.1 Impairment Losses on Fixed Assets

| | | |
|--------------------------------------|---------------|----------------|
| Impairment Losses Recognised: | 17 127 | 137 214 |
| Property, Plant and Equipment | 17 127 | 137 214 |
| | 17 127 | 137 214 |

27.2 Impairment Losses on Financial Assets

| | | |
|--|-------------------|-------------------|
| Impairment Losses Recognised: | 14 192 045 | 30 973 200 |
| Receivables from Exchange Transactions | 14 192 827 | 24 376 093 |
| Receivables from Non-exchange Transactions | (782) | 6 597 107 |
| | 14 192 045 | 30 973 200 |
| Total Impairment Losses | 14 209 172 | 31 110 414 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|-------------------|-------------------|
| 28. FINANCE COSTS | | |
| DBSA Loan | 161 516 | 187 530 |
| Creditors Overdue | 898 880 | 201 397 |
| Finance Leases | 45 948 | 70 114 |
| Landfill Provision | 0 | 1 486 937 |
| Bank overdraft | - | 570 |
| Finance costs incurred by Centlec | 238 448 | 133 775 |
| Total Interest Expense | 1 344 791 | 2 080 323 |
| Total Interest Paid on External Borrowings | 1 344 791 | 2 080 323 |
| 29. BULK PURCHASES | | |
| Electricity (Centlec) | 18 119 395 | 14 212 147 |
| Total Bulk Purchases | 18 119 395 | 14 212 147 |
| 30. CONTRACTED SERVICES | | |
| Professional Fees | 5 384 062 | 5 229 465 |
| Security Services | 761 642 | 130 856 |
| Valuation Services | - | 59 539 |
| Total Contracted Services | 6 145 704 | 5 419 859 |
| 31. GRANTS AND SUBSIDIES PAID | | |
| Free Basic Services | 6 950 602 | 1 091 381 |
| Sport Events | 1 225 | - |
| Total Grants and Subsidies | 6 951 827 | 1 091 381 |

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|-------------------|-------------------|
| 32. GENERAL EXPENSES | | |
| Included in General Expenses are the following: | | |
| Administration fees | 1 650 492 | - |
| Advertising | 104 974 | 157 892 |
| Audit Fees | 1 935 005 | 1 597 457 |
| Bank Charges | 113 964 | 77 876 |
| Cancellation Fees | 35 000 | - |
| Cattle Feed | 2 251 | 431 |
| Cattle Consumption | 17 400 | 92 250 |
| Biological Asset Losses | 15 630 | 113 340 |
| Cattle Fair Value adjustment Loss | 194 480 | - |
| Centlec General Expenses | 1 866 584 | 3 119 188 |
| Centlec Service Expenses | 13 414 | 1 662 106 |
| Chemicals and Poison | 2 371 693 | 2 092 087 |
| Cleaning Material | 48 508 | 99 945 |
| Computer Software Licenses | 54 165 | 192 868 |
| Consumables | 973 782 | 405 214 |
| Entertainment | 47 959 | 182 165 |
| Fines & Penalties | 1 254 506 | 94 808 |
| Fuel & Oil | 1 364 792 | 1 355 963 |
| Insurance | 502 740 | 432 314 |
| Lease Charges | 412 157 | 1 180 582 |
| Legal Costs | 718 538 | 353 638 |
| Levies: SALGA | - | 88 414 |
| Magazines, books and periodicals | 150 369 | 38 558 |
| Medical Expenses | 75 935 | 50 366 |
| Motor vehicle expenses | 39 377 | 20 917 |
| Pauper burials | 21 367 | 14 840 |
| Postage and Courier | 342 001 | 604 652 |
| Printing & Stationary | 1 276 503 | 552 926 |
| Royalties and license fees | 175 494 | 116 256 |
| Software expenses | 91 370 | 80 922 |
| Special Programmes | 501 435 | 301 826 |
| Subscription Fees | 310 740 | 341 630 |
| Telephone Cost | 1 744 214 | 1 705 360 |
| Training Costs | 321 780 | 668 174 |
| Transport Costs | 54 423 | 16 508 |
| Travelling and Subsistence | 2 544 777 | 2 759 353 |
| Uniforms and Protective Clothing | 363 368 | 173 531 |
| Total General Expenses | 21 711 188 | 20 744 353 |

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

32.1 Material Losses

| | 20 432 637 | 4 701 864 |
|----------------------|------------|-----------|
| Debtors written off | 11 662 108 | - |
| Distribution Losses: | | |
| Electricity Losses | 4 249 211 | 4 701 864 |
| Water losses | 4 521 318 | - |

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

33. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy to fully comply with GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

| FINANCIAL ASSETS | Old Classification as per IAS 39 | Classification per GRAP 104 | Old Carrying Amount | New Carrying Amount |
|--|----------------------------------|-----------------------------|---------------------|---------------------|
| Trade and Other Receivables from Exchange Transactions | Loans and Receivables | Amortised cost | 2 474 322.74 | 2 474 322.74 |
| Trade and Other Receivables from Non-Exchange Transactions | Loans and Receivables | Amortised cost | 785 369.85 | 785 369.85 |
| Bank, Cash and Cash Equivalents | Loans and Receivables | Amortised cost | 288 073.16 | 288 073.16 |
| Non-current Investments | Loans and Receivables | Amortised cost | 187 924.38 | 187 924.38 |

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies to fully comply with GRAP 24: Presentation of Budget Information in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

34. CORRECTION OF ERROR

34.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

| | | Accumulated Surplus |
|--|------------|----------------------------|
| Balance as published as at 30 June 2012 | | 286 177 333 |
| Change in accounting policy: | | - |
| Correction of error: | | |
| <i>Corrections through Accumulated surplus</i> | | (10 992 873) |
| Electricity debtors | -191 123 | |
| OVK shares | 35 176 | |
| Salary control account clearing | -2 003 052 | |
| Payables incorrectly recorded in prior period | 411 813 | |
| WIP 2012 Opening balance | -3 364 704 | |
| Intangible Assets incorrectly accounted for | -534 123 | |
| Lease liability | -350 938 | |
| Bank & Cash opening balance | 831 710 | |
| Fixed Assets opening balances | 3 040 868 | |
| Sundry Debtors | -64 365 | |
| Centlec Prior Period adjustment | 3 341 367 | |
| Properties held for transfer value adjustment | -4 215 670 | |
| VAT incorrectly adjusted | -6 684 530 | |
| Revenue received in advance (COGTA Grant) | -2 081 400 | |
| Unknown Deposits | 836 096 | |
| <i>Corrections through comparative figures in the Income statement</i> | | (372 281) |
| Payables not recorded in prior period | -303 509 | |
| Impairment of Assets | 16 782 | |
| Depreciation on fixed assets | -414 965 | |
| Unknown deposits | 205 611 | |
| Biological Assets valuation | 123 800 | |
| Restated balance as at 30 June 2013 | | 274 812 179 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

34.2 Reclassification of Revenue and Expenditure

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

| | Revenue for the Year | Expenditure for the Year | Surplus for the Year |
|--|-------------------------|-----------------------------|-------------------------|
| Total as per AFS previously published for 2011/12 | 120 257 072 | 137 297 606 | (17 040 534) |
| Adjustment for Rates Rebates (Note 17) | (1 818 376) | (1 818 376) | - |
| Adjustment for Biological Assets Fair Value (Note 9) | 59 570 | (64 230) | 123 800 |
| Adjustment for Expenses relating to Payables (Note 12) | - | 272 312 | (272 312) |
| Adjustment for Changes in Depreciation (Note 7) | - | 414 965 | (414 965) |
| Adjustment for Changes in Impairments (Note 7) | - | (16 782) | 16 782 |
| Adjustment for Unknown deposits (Note 34.7) | 205 612 | - | 205 612 |
| Adjustment for Rental income | (31 197) | - | (31 197) |
| Restated Total as per AFS currently disclosed for 2011/12 | 118 672 681 | 136 085 494 | (17 412 813) |

34.3 General Expenses and Accumulated Surplus

The effect of the Change in General Expenses as follows:

| | General Expenses |
|---|---------------------|
| Balances published as at 30 June 2012 | 20 795 542 |
| Reversal of Fair value loss on Biological assets (Note 10) | (64 230) |
| Service expenses relating to Payables (Note 13) | 462 |
| Computer Software Licences relating to Payables (Note 13) | 3 694 |
| Printing & Stationary expenses relating to Payables (Note 13) | 2 981 |
| Royalties and License fees relating to Payables (Note 13) | 5 905 |
| Restated Balances as at 30 June 2012 | 20 744 353 |

GRAP 13 - Leases

The Accounting Standard for *Leases* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated due to an additional lease contract identified. The effect of the error is as follows:

34.4 Finance Lease Liabilities, and Accumulated Surplus

The prior year figures of Finance Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Error is as follows:

| | Finance Lease Liabilities |
|--|---------------------------------|
| Balances published as at 30 June 2012 | 650 326 |
| Recognition of Current Portion (Through Accumulated surplus) | 190 306 |
| Recognition of Non-Current Portion (Through Accumulated surplus) | 160 632 |
| Restated Balances as at 30 June 2012 | 1 001 264 |

**34.5 Property, Plant & Equipment
Cost and Accumulated Surplus**

The effect of the Correction of Error is as follows:

| | Intangible assets | Property, Plant and Equipment |
|--|----------------------|-------------------------------------|
| Amount per AFS previously published for 2011/12 | 534 123 | 308 051 335 |
| Work-in-progress 2012 opening balance restated | - | (3 364 703) |
| Fixed Assets Opening balances differences | - | 1 844 556 |
| Intangible assets written off | (534 123) | - |
| Directive 7 incorrectly applied | - | 3 482 219 |
| Duplicated assets | - | (1 431 408) |
| Restated Balances as at 30 June 2012 | - | 308 581 999 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

34.6 Correction of OVK shares

The opening balances of the OVK shares have been restated to correctly disclose shares not included in error during the previous financial year.

The effect of the Correction of Error is as follows:

| | Holding shares | Operating shares | Total |
|--|----------------|------------------|----------------|
| Balances published as at 30 June 2012 | 40 389 | 72 271 | 112 660 |
| Adjustment for Shares not included | 15 359 | 19 816 | 35 175 |
| Restated Balances as at 30 June 2012 | 55 748 | 92 087 | 147 835 |

34.7 Reclassification of Payables and Accumulated Surplus

The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2012.

The effect of the Correction of Error is as follows:

| | Unknown Deposits | Payables |
|---|------------------|-------------------|
| Balances published as at 30 June 2012 | 1 041 707 | 16 068 867 |
| Transactions incurred for the Year 2011/12 | | |
| Adjustment of Payables through accumulated surplus | (836 096) | 1 591 239 |
| Adjustment of Trade Payables through the income and expenditure statement | (205 611) | 303 509 |
| Adjustment of VAT input relating to Payables | | 39 960 |
| Adjustment relating to Unknown deposits | | (1 041 712) |
| Recognition of COGTA grant received in advance | | 2 081 400 |
| Restated Balances as at 30 June 2012 | - | 19 043 263 |

34.8 Bank & Cash

| | Bank & Cash | Bank Overdraft |
|---|----------------|--------------------|
| Balances published as at 30 June 2012 | 288 595 | (3 915 357) |
| Uncleared entries not corrected in prior period | 1 566 | 830 143 |
| Restated Balances as at | 290 161 | (3 085 214) |

34.9 VAT

| | | |
|--|--|-------------------|
| Balances published as at 30 June 2012 | | 12 367 668 |
| Adjustment to Accumulated Surplus through Payables | | 39 960 |
| VAT incorrectly written off in the prior period | | (6 360 557) |
| Restated Balances as at 30 June 2012 | | 6 047 071 |

34.10 Inventory - Properties held for Transfer

Properties held for transfer was found to have been included at an incorrect value. As the properties will be transferred to new owners at no remuneration, the value should be zero.

| | | |
|--|--|------------------|
| Balances published as at 30 June 2012 | | 4 215 670 |
| Value adjustment to Accumulated Surplus | | (4 215 670) |
| Restated Balances as at 30 June 2012 | | - |

35. CHANGE IN ACCOUNTING ESTIMATES

2013
R

2012
R

35.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2013. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

| | | |
|---|-------------------|-------------------|
| Increase / (Decrease) in Depreciation of PPE | 21 960 063 | 21 630 400 |
|---|-------------------|-------------------|

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|-------------------|--------------------|
| 36. CASH GENERATED BY OPERATIONS | 2013 R | 2012 R |
| Surplus / (Deficit) for the Year | 11 310 485 | (17 412 813) |
| Correction of Prior Year Errors | - | (8 322 181) |
| Appropriations to/from Internal Reserves | | (372 281) |
| Depreciation and Amortisation | 21 960 063 | 21 630 400 |
| Impairment losses on Property, Plant and Equipment | 17 127 | 137 214 |
| Other Movements on Property, Plant and Equipment (Capital donations) | (1 000 000) | - |
| Other Movements on Investment | (40 089) | (76 404) |
| Other Movements on Biological Assets | 227 510 | 30 520 |
| Loss on Disposal of PPE | 401 178 | 131 102 |
| Provision for bad debt | 14 192 045 | - |
| Donations made applied to payables | (2 087 751) | - |
| Contribution to Provisions - Non-current | (2 232 559) | 1 486 936 |
| Operating surplus before working capital changes | 42 748 009 | (2 395 227) |
| Decrease/(Increase) in Inventories - Consumables | (30 269) | (114 926) |
| Decrease/(Increase) in Consumer Debtors | (15 995 023) | 5 215 604 |
| Decrease/(Increase) in Other Debtors | (785 009) | 4 126 211 |
| Decrease/(Increase) in Sundry Debtors | (330 403) | 62 715 |
| Decrease/(Increase) in VAT Receivable | 1 622 353 | 9 136 192 |
| Increase/(Decrease) in Consumer Deposits | 48 821 | 866 |
| Increase/(Decrease) in Payables | 10 888 244 | 133 827 |
| Increase/(Decrease) in Conditional Grants and Receipts | 774 390 | (406 843) |
| Cash generated by / (utilised in) Operations | 38 941 113 | 15 758 419 |

37. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.

38. FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|-------------|--------------|
| Long-term Liabilities (See Note 14) | 8 153 539 | 11 044 638 |
| Used to finance Property, Plant and Equipment - at cost | (8 153 539) | (11 044 638) |
| Sub-total | - | - |

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R 2012
R

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

2013
R 2012
R

Reconciliation of Unauthorised Expenditure:

| | | |
|---|-------------------|-------------------|
| Opening balance | 46 314 763 | - |
| Unauthorised Expenditure current year | 41 481 969 | 46 314 763 |
| Approved by Council or condoned | - | - |
| Unauthorised Expenditure awaiting authorisation | <u>87 796 732</u> | <u>46 314 763</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per unit. No incidents were noticed where payments were made by unauthorised personnel.</i> | N/A |

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

| | | |
|---|------------------|------------------|
| Opening balance | 1 192 372 | 797 919 |
| Fruitless and Wasteful Expenditure current year | 2 153 386 | 394 452 |
| Condoned or written off by Council | - | - |
| To be recovered – contingent asset | - | - |
| Transfer to receivables for recovery | - | - |
| Fruitless and Wasteful Expenditure awaiting condonement | <u>3 345 758</u> | <u>1 192 372</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|----------------------------------|---|
| <i>Fines and Penalties</i> | 1 254 506 |
| <i>Interest on late accounts</i> | 898 880 |

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

| | | |
|---|-------------------|-------------------|
| Opening balance | 96 632 348 | 84 453 269 |
| Irregular Expenditure current year | 1 941 084 | 12 179 079 |
| Condoned or written off by Council | - | - |
| To be recovered – contingent asset (see Note 49) | - | - |
| Transfer to receivables for recovery (see Note 4) | - | - |
| Irregular Expenditure awaiting condonement | <u>98 573 432</u> | <u>96 632 348</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|---|---|
| <i>No quotes (15 Incidents)</i> | R 156 501 |
| <i>No deviation letter (7 Incidents)</i> | R 198 488 |
| <i>Highest bidder used (2 Instances)</i> | R 24 452 |
| <i>No Tax clearance certificate (27 Instances)</i> | R 898 522 |
| <i>Overpayment on quote (1 Instance)</i> | R 42 301 |
| <i>Only 1 quote obtained (1 Instance)</i> | R 124 744 |
| <i>No declarations (16 Instances)</i> | R 259 948 |
| <i>Contracts entered into not complying to SCM procedures</i> | R 236 128 |
| <i>Under Managements Investigation</i> | R 18 240 745 |
| | <i>These expenses relate to Irregular expenses identified under the audit process. These expenses will be investigated by Management to determine whether it should in fact be included under the Irregular expenditures.</i> |

41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - SALGA

| | | |
|---|-----------|----------|
| Opening Balance | - | - |
| Council Subscriptions | 406 000 | 88 414 |
| Amount Paid - current year | (406 000) | (88 414) |
| Amount Paid - previous years | - | - |
| Balance Unpaid (included in Creditors) | <u>-</u> | <u>-</u> |

41.2 Audit Fees

| | | |
|---|------------------|----------------|
| Opening Balance | 822 067 | 593 219 |
| Current year Audit Fee | 1 015 252 | 1 597 456 |
| Amount Paid - current year | (998 165) | (775 389) |
| Amount Paid - previous years | (839 154) | (593 219) |
| Donations received towards Audit Fees | (802 434) | - |
| Balance Unpaid (included in Creditors) | <u>(802 434)</u> | <u>822 067</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|--|------------------|------------------|
| 41.3 VAT | | |
| The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year. | | |
| 41.4 PAYE, Skills Development Levy and UIF | | |
| Opening Balance | 1 516 817 | 1 184 027 |
| Current year Payroll Deductions | 4 241 074 | 3 717 963 |
| Amount Paid - current year | (585 436) | (3 107 331) |
| Amount Paid - previous years | (610 632) | (277 842) |
| Penalties and interest | 257 060 | - |
| Offset to VAT receivable | (2 641 069) | - |
| Balance Unpaid (included in Payables) | 2 177 814 | 1 516 817 |

The balance represents PAYE,SDL and UIF deducted from the payroll during the 2012/13 financial period.

| | | |
|---|------------------|------------------|
| 41.5 Pension and Medical Aid Deductions | | |
| Opening Balance | 2 109 105 | 1 593 067 |
| Current year Payroll Deductions and Council Contributions | 7 481 360 | 4 144 829 |
| Amount Paid - current year | (5 043 441) | (3 628 791) |
| Amount Paid - previous years | (531 403) | - |
| Interest accrual | 194 091 | - |
| Balance Unpaid (included in Payables) | 4 209 712 | 2 109 105 |

The balance represents Pension and Medical Aid contributions deducted from employees and councillors payroll in the 2012/13 financial year's, as well as the municipality's contributions to these funds.

41.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

| | Total | Outstanding up to 90 days | Outstanding more than 90 days |
|--|---------------|---------------------------------|-------------------------------------|
| 30 June 2013 | | | |
| Councillor Lekhula L | 4 277 | 550 | 3 727 |
| Councillor Letele MA | 3 101 | 523 | 2 578 |
| Councillor Thuhlo RJ | 652 | 364 | 288 |
| Councillor Majenge BS | 203 | 110 | 93 |
| Councillor Sehanka MJ | 13 905 | 733 | 13 172 |
| Councillor Shasha SD | 14 807 | 706 | 14 101 |
| Total Councillor Arrear Consumer Accounts | 36 943 | 2 986 | 33 958 |
| 30 June 2012 | | | |
| Councillor Lekhula L | 1 914 | 477 | 1 437 |
| Councillor Letele MA | 1 721 | 336 | 1 385 |
| Councillor Thuhlo RJ | 6 638 | 1 456 | 5 182 |
| Councillor Majenge BS | 3 161 | 466 | 2 695 |
| Councillor Sehanka MJ | 8 108 | 532 | 7 576 |
| Councillor Riddle IS | 2 503 | 420 | 2 083 |
| Total Councillor Arrear Consumer Accounts | 24 044 | 3 687 | 20 358 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

| 30 June 2013 | Highest amount outstanding | Ageing |
|-----------------------|-----------------------------------|---------------|
| Councillor Lekhula L | 3 727 | > 90 Days |
| Councillor Letele MA | 2 578 | > 90 Days |
| Councillor Thuhlo RJ | 288 | > 90 Days |
| Councillor Majenge BS | 93 | > 90 Days |
| Councillor Sehanka MJ | 13 172 | > 90 Days |
| Councillor Shasha SD | 14 101 | > 90 Days |

| 30 June 2012 | Highest amount outstanding | Ageing |
|-----------------------|-----------------------------------|---------------|
| Councillor Lekhula L | 1 437 | > 90 Days |
| Councillor Letele MA | 1 385 | > 90 Days |
| Councillor Thuhlo RJ | 5 182 | > 90 Days |
| Councillor Majenge BS | 2 695 | > 90 Days |
| Councillor Sehanka MJ | 7 576 | > 90 Days |
| Councillor Riddle IS | 2 083 | > 90 Days |

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in November 2011.

No known matters existed at reporting date.

2013
R **2012**
R

41.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

| Electricity: | | | 2013 | 2012 |
|---------------------------|-------------|--|---------------------|------------------------|
| Purchased during the year | units (kWh) | | 20 993 230 | 1 834 140 696 |
| Sold during the year | units (kWh) | | <u>(16 043 826)</u> | <u>(1 630 393 374)</u> |
| Unaccounted Losses | units (kWh) | | 4 949 404 | 203 747 322 |
| Loss % | | | 24% | 6.11% |
| Loss (R): | | | - | - |

Calculated as follows:

| | % | Lost Units | Tariff | Value |
|--------------------------|----------|-------------------|---------------|--------------|
| 30 June 2013 | | | | |
| Total Electricity Losses | 100.00% | 4 949 404 | R 1.72 | 4 249 211 |
| - Residential | 97.43% | 4 822 205 | R 0.86 | 4 140 006 |
| - Business | 2.57% | 127 200 | R 0.86 | 109 205 |
| 30 June 2012 | | | | |
| Total Electricity Losses | 100.00% | 4 949 404 | 208.40% | 4 701 864 |
| - Residential | 97.43% | 4 822 205 | 95% | 4 556 983 |
| - Business | 2.57% | 127 200 | 114% | 144 880 |

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | | 2013 R | 2012 R |
|---------------------|--------------------------|-------------------|------------------|
| Water: | | | |
| | | Lost Units | Tariff |
| | | | Value |
| 30 June 2013 | Unaccounted Water Losses | <u>1 151 380</u> | <u>3.9269</u> |
| | | | <u>4 521 318</u> |
| 30 June 2012 | Unaccounted Water Losses | <u>0</u> | <u>0.0000</u> |
| | | | <u>-</u> |

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The Loss on water distribution could not be calculated for the 2012 financial period due to the fact that there are no zonal meters to determine the kilo-litres distributed.

42. COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of Capital Expenditure:

| | | |
|--|-------------------|-------------------|
| - Approved and Contracted for:- | 10 785 405 | 43 618 365 |
| <i>Infrastructure</i> | 10 785 405 | 43 618 365 |
| - Approved but Not Yet Contracted for:- | | |
| <i>Infrastructure</i> | - | - |
| Total Capital Commitments | 10 785 405 | 43 618 365 |
| This expenditure will be financed from: | | |
| Government Grants | 10 785 405 | 43 618 365 |
| | 10 785 405 | 43 618 365 |

42.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 16.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | | 2013 R | 2012 R |
|--|--------------------------|------------------|------------------|
| 43. FINANCIAL INSTRUMENTS | | | |
| 43.1.1 Classification | | | |
| FINANCIAL ASSETS: | | | |
| In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows: | | | |
| <u>Financial Assets</u> | <u>Classification</u> | | |
| Non-current Investments | | | |
| Investment in OVK Shares | Fair value | 187 924 | 147 835 |
| Receivables from Exchange Transactions | | | |
| Electricity | Amortised cost | 1 035 742 | 52 518 |
| Refuse | Amortised cost | 26 512 | 65 620 |
| Sewerage | Amortised cost | 673 881 | 158 423 |
| Water | Amortised cost | 392 196 | 346 944 |
| Sundry Debtors | Amortised cost | 1 424 534 | 1 094 130 |
| Other Receivables | Amortised cost | 345 992 | 47 840 |
| Receivables from Non-exchange Transactions | | | |
| Assessment Rates Debtors | Amortised cost | 785 370 | 360 |
| Cash and Cash Equivalents | | | |
| Call Deposits | Amortised cost | 276 607 | 272 772 |
| Bank Balances | Amortised cost | 10 287 | 16 209 |
| Cash Floats and Advances | Amortised cost | 1 180 | 1 180 |
| SUMMARY OF FINANCIAL ASSETS | | | |
| Financial Assets at Amortised Cost: | | | |
| Receivables from Exchange Transactions | Electricity | 1 035 742 | 52 518 |
| Receivables from Exchange Transactions | Refuse | 26 512 | 65 620 |
| Receivables from Exchange Transactions | Sewerage | 673 881 | 158 423 |
| Receivables from Exchange Transactions | Water | 392 196 | 346 944 |
| Sundry Debtors | Sundry Debtors | 1 424 534 | 1 094 130 |
| Receivables from Exchange Transactions | Other Debtors | 345 992 | 47 840 |
| Receivables from Non-exchange Transactions | Assessment Rates Debtors | 785 370 | 360 |
| Cash and Cash Equivalents | Bank Balances | 10 287 | 16 209 |
| Cash and Cash Equivalents | Call Deposits | 276 607 | 272 772 |
| Cash and Cash Equivalents | Cash Floats and Advances | 1 180 | 1 180 |
| | | 4 972 299 | 2 055 997 |
| Financial Assets at Fair Value: | | | |
| Non-current Investments | Shares in OVK | 187 924 | 147 835 |
| | | 187 924 | 147 835 |
| Total Financial Assets | | 5 160 224 | 2 203 832 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | | 2013 R | 2012 R |
|---|------------------------------|-------------------|-------------------|
| FINANCIAL LIABILITIES: | | | |
| In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows: | | | |
| <u>Financial Liabilities</u> | <u>Classification</u> | | |
| Long-term Liabilities | | | |
| Finance Lease Liabilities | Amortised cost | 1 | 682 808 |
| Government Loans | Amortised cost | 1 179 147 | 1 227 783 |
| Centlec Payable | Amortised cost | 5 595 666 | 7 417 403 |
| Other Loans | Amortised cost | 1 105 150 | 1 214 262 |
| Payables | | | |
| Trade Creditors | Amortised cost | 10 398 164 | 8 452 723 |
| Payments received in Advance | Amortised cost | 3 319 389 | 2 698 841 |
| Sundry Deposits | Amortised cost | 2 711 899 | |
| Consumer Deposits | Amortised cost | 213 657 | 164 837 |
| Other Creditors | Amortised cost | 119 770 | 100 571 |
| Bank Overdraft | | | |
| Bank Overdraft | Amortised cost | 86 319 | 3 085 214 |
| Current Portion of Long-term Liabilities | | | |
| Finance Lease Liabilities | Amortised cost | 151 878 | 318 456 |
| Government Loans | Amortised cost | 121 697 | 183 927 |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Financial Liabilities at Amortised Cost: | | | |
| Long-term Liabilities | Finance Lease Liabilities | 1 | 682 808 |
| Long-term Liabilities | Government Loans | 1 179 147 | 1 227 783 |
| Long-term Liabilities | Centlec Liability | 5 595 666 | 7 417 403 |
| Long-term Liabilities | Other Loans | 1 105 150 | 1 214 262 |
| Payables | Trade Creditors | 10 398 164 | 8 452 723 |
| Payables | Payments received in Advance | 3 319 389 | 2 698 841 |
| Payables | Sundry Deposits | 2 711 899 | |
| Payables | Other Creditors | 119 770 | 100 571 |
| Consumer Deposits | Consumer deposits | 213 657 | 164 837 |
| Current Portion of Long-term Liabilities | Finance Lease Liabilities | 151 878 | 318 456 |
| Current Portion of Long-term Liabilities | Government Loans | 121 697 | 183 927 |
| Bank Overdraft | Bank Overdraft | 86 319 | 3 085 214 |
| | | 25 002 738 | 25 546 824 |
| Total Financial Liabilities | | 25 002 738 | 25 546 824 |

43.1.2 Financial Assets Pledged as security

A Pledge of R25 000 in favour of Eskom is held with First National Bank.
A Limited cession of R20 000 is held with ABSA Bank

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

| | 30 June 2013 | | 30 June 2012 | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | Carrying Amount R | Fair Value R | Carrying Amount R | Fair Value R |
| FINANCIAL ASSETS | | | | |
| Measured at Amortised Cost: | 4 972 299 | 4 972 299 | 2 055 997 | 2 055 997 |
| Call Deposits | 276 607 | 276 607 | 272 772 | 272 772 |
| Bank Balances and cash | 11 467 | 11 467 | 17 389 | 17 389 |
| Trade Receivables from Exchange Transactions | 3 898 856 | 3 898 856 | 1 765 475 | 1 765 475 |
| Trade Receivables from Non-exchange Transactions | 785 370 | 785 370 | 360 | 360 |
| Measured at Fair Value | 187 924 | 187 924 | 147 835 | 147 835 |
| OVK Shares | 187 924 | 187 924 | 147 835 | 147 835 |
| Total Financial Assets | <u>5 160 224</u> | <u>5 160 224</u> | <u>2 203 832</u> | <u>2 203 832</u> |
| FINANCIAL LIABILITIES | | | | |
| Measured at Amortised Cost: | 25 002 738 | 25 002 738 | 25 546 824 | 25 546 824 |
| Finance Lease Liabilities | 1 | 1 | 682 808 | 682 808 |
| Government Loans | 1 179 147 | 1 179 147 | 1 227 783 | 1 227 783 |
| Other Loans | 1 105 150 | 1 105 150 | 1 214 262 | 1 214 262 |
| Payments Received in Advance | 3 319 389 | 3 319 389 | 2 698 841 | 2 698 841 |
| Consumer Deposits | 213 657 | 213 657 | 164 837 | 164 837 |
| Bank Overdraft | 86 319 | 86 319 | 3 085 214 | 3 085 214 |
| Centlec Payable | 5 595 666 | 5 595 666 | 7 417 403 | 7 417 403 |
| Trade and Other Payables: | | | | |
| - Creditors | 10 398 164 | 10 398 164 | 8 452 723 | 8 452 723 |
| - Sundry Deposits | 2 711 899 | 2 711 899 | | |
| - Other payables | 119 770 | 119 770 | 100 571 | 100 571 |
| - Current Portion of Long-term Liabilities | 273 575 | 273 575 | 502 383 | 502 383 |
| Total Financial Liabilities | <u>25 002 738</u> | <u>25 002 738</u> | <u>25 546 824</u> | <u>25 546 824</u> |
| Total Financial Instruments | <u>(19 842 514)</u> | <u>(19 842 514)</u> | <u>(23 342 992)</u> | <u>(23 342 992)</u> |
| Unrecognised Gain / (Loss) | | - | | - |

The Financial Instruments of the municipality have been reclassified as disclosed in Note 33, Change in Accounting Policy.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|--------------|--------------|--------------|------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| OVK Shares | - | 187 924 | - | 187 924 |
| Total Financial Assets | - | 187 924 | - | 187 924 |
| Total Financial Instruments | - | 187 924 | - | 187 924 |

30 June 2012

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|--------------|--------------|--------------|------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| OVK Shares | - | 147 835 | - | 147 835 |
| Total Financial Assets | - | 147 835 | - | 147 835 |
| Total Financial Instruments | - | 147 835 | - | 147 835 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R 2012
R

43.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 15, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 18 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

The debt-to-equity ratio, is reflected at 2,48%, decreasing to 0,95%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

2013
R 2012
R

The gearing ratio at the year-end was as follows:

| | | |
|---------------------------------|--------------|--------------|
| Debt | 25 002 738 | 25 546 824 |
| Cash and Cash Equivalents | 288 073 | 290 161 |
| Net Debt | 25 290 811 | 25 836 985 |
| Equity | 286 122 664 | 274 812 179 |
| Net debt to equity ratio | 8.84% | 9.40% |

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 15

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R

2012
R

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. To address the timely collection of trade receivables, attorneys are appointed to assist with debt collection.

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.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 45.8 and 45.9 to the Annual Financial Statements.

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 45.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

43.6.2 Interest Rate Risk Management

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.

Financial Assets and Liabilities that are sensitive to interest rate risk are investments and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors 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 debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

43.7 Credit Risk Management

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 a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

| | 2013 | 2012 |
|--|------------------|------------------|
| | R | R |
| Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained: | | |
| Investments | 187 924 | 147 835 |
| Consumer Debtors | 3 259 693 | 671 705 |
| Other Debtors | 1 424 534 | 1 094 130 |
| Bank, Cash and Cash Equivalents | 201 754 | (2 795 053) |
| Maximum Credit and Interest Risk Exposure | 5 073 905 | (881 382) |

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 R | 2012 R |
|---|----------------|--------------------|
| | % | % |
| Consumer Debtors: | | |
| - Household | 93.30% | 93.55% |
| - Industrial / Commercial | 5.32% | 4.05% |
| - National and Provincial Government | 1.35% | 2.40% |
| Total Credit Risk | 100.00% | 100.00% |
| Bank and Cash Balances | | |
| ABSA Bank Ltd | 11 051 | (2 990 120) |
| First National Bank | 63 322 | 64 523 |
| Old Mutual | 120 653 | 120 653 |
| Standard Bank | 5 549 | 8 711 |
| Cash Equivalents | 1 180 | 1 180 |
| Total Bank and Cash Balances | 201 754 | (2 795 053) |
| Credit quality of Financial Assets: | | |
| The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates: | | |
| Receivables from Exchange Transactions | | |
| Counterparties without external credit rating:- | | |
| Group 1 | 126 438 | 216 447 |
| Group 2 | 18 261 | 31 261 |
| Group 3 | | |
| | 144 699 | 247 708 |
| Total Receivables from Exchange Transactions | 144 699 | 247 708 |
| Receivables from Non-exchange Transactions | | |
| Group 1 | 9 365 | |
| Group 2 | | |
| Group 3 | | |
| Total Receivables from Non-exchange Transactions | 9 365 | |

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

43. FINANCIAL INSTRUMENTS (Continued)

43.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The Municipality is experiencing cash flow difficulties due to weak debtor collections and is highly dependent on Grants received from Treasury. The cashflow difficulty is managed by performing monthly cashflow projections.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|------------------------------------|-----------------------|---------------------------------------|-------------------|---------------------|------------------|------------------|----------------|----------------------|
| | # | % | R | R | R | R | | R |
| 30 June 2013 | | | | | | | | |
| Non-interest Bearing | | | 27 843 756 | 27 843 756 | - | - | - | - |
| - Creditors | | 0% | 27 843 756 | 27 843 756 | - | - | - | - |
| Variable Interest Rate Instruments | | | 86 319 | 86 319 | - | - | - | - |
| - Bank Overdraft | | 10% | 86 319 | 86 319 | - | - | - | - |
| Fixed Interest Rate Instruments | | | 2 557 872 | 204 757 | 140 545 | 141 629 | 340 633 | 1 730 308 |
| - Centlec Capital Loans | | | 1 105 150 | - | - | - | - | 1 105 150 |
| - Finance lease liability | | 10% | 151 878 | 75 939 | 75 939 | - | - | - |
| - DBSA | | 12% | 1 300 844 | 128 818 | 64 606 | 141 629 | 340 633 | 625 158 |
| | | | 30 487 948 | 28 134 832 | 140 545 | 141 629 | 340 633 | 1 730 308 |
| 30 June 2012 | | | | | | | | |
| Non-interest Bearing | | | 19 043 263 | 19 043 263 | - | - | - | - |
| - Creditors | | 0% | 19 043 263 | 19 043 263 | - | - | - | - |
| Variable Interest Rate Instruments | | | 3 085 214 | 3 085 214 | - | - | - | - |
| - Bank Overdraft | | 10% | 3 085 214 | 3 085 214 | - | - | - | - |
| Fixed Interest Rate Instruments | | | 3 627 236 | 260 327 | 249 615 | 1 044 356 | 542 322 | 1 530 616 |
| - Centlec Capital Loans | | | 1 214 262 | - | - | - | - | 1 214 262 |
| - Finance lease liability | | 10% | 1 001 264 | 159 228 | 159 228 | 682 808 | - | - |
| - DBSA | | 12% | 1 411 710 | 101 099 | 90 387 | 361 548 | 542 322 | 316 354 |
| | | | 25 755 712 | 22 388 804 | 249 615 | 1 044 356 | 542 322 | 1 530 616 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|--|-----------------|---------------------------------|------------------|------------------|---------------|-------------|-------------|-------------------|
| | # | % | R | R | R | R | | R |
| 30 June 2013 | | | | | | | | |
| Non-interest Bearing | | | 4 873 331 | 4 873 331 | - | - | - | - |
| - OVK Shares | | | 187 924 | 187 924 | - | - | - | - |
| - Trade Receivables from Exchange Transactions | | | 2 474 323 | 2 474 323 | - | - | - | - |
| - Trade Receivables from Non-exchange Transactions | | | 785 370 | 785 370 | - | - | - | - |
| - Cash and Cash Equivalents | | | 1 180 | 1 180 | - | - | - | - |
| - Sundry Debtors | | | 1 424 534 | 1 424 534 | - | - | - | - |
| Variable Interest Rate Instruments | | | 286 893 | 286 893 | - | - | - | - |
| - Call Deposits | | 10% | 276 607 | 276 607 | - | - | - | - |
| - Bank Account | | 10% | 10 287 | 10 287 | - | - | - | - |
| | | | - | - | | | | |
| | | | 5 160 224 | 5 160 224 | - | - | - | - |
| 30 June 2012 | | | | | | | | |
| Non-interest Bearing | | | 1 914 851 | 1 914 851 | - | - | - | - |
| - OVK Shares | | | 147 835 | 147 835 | - | - | - | - |
| - Trade Receivables from Exchange Transactions | | | 671 345 | 671 345 | - | - | - | - |
| - Trade Receivables from Non-exchange Transactions | | | 360 | 360 | - | - | - | - |
| - Cash and Cash Equivalents | | | 1 180 | 1 180 | - | - | - | - |
| - Payments made in advance | | | 404 000 | 404 000 | - | - | - | - |
| - Sundry Debtors | | | 690 130 | 690 130 | - | - | - | - |
| Variable Interest Rate Instruments | | | 288 981 | 288 981 | - | - | - | - |
| - Call Deposits | | 10% | 272 772 | 272 772 | - | - | - | - |
| - Bank Account | | 10% | 16 209 | 16 209 | - | - | - | - |
| | | | 2 203 832 | 2 203 832 | - | - | - | - |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

43.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2013

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|-------------------------------------|-----------------|---------------------------------|----------------|------------------|---------------|-------------|-------------|-------------------|
| | # | % | R | R | R | R | | R |
| VARIABLE RATE INSTRUMENTS | | | | | | | | |
| Short-term Investment Deposits | 5 | | 276 607 | 276 607 | - | - | - | - |
| Bank Balances and Cash | 5 | | (74 853) | (74 853) | - | - | - | - |
| Total Fixed Rate Instruments | | | 201 754 | 201 754 | - | - | - | - |

30 June 2012

| Description | Note ref in AFS | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|-------------------------------------|-----------------|---------------------------------|--------------------|--------------------|---------------|-------------|-------------|-------------------|
| | # | % | R | R | R | R | | R |
| VARIABLE RATE INSTRUMENTS | | | | | | | | |
| Short-term Investment Deposits | 5 | | 272 772 | 272 772 | - | - | - | - |
| Bank Balances and Cash | 5 | | (3 067 825) | (3 067 825) | - | - | - | - |
| Total Fixed Rate Instruments | | | (2 795 053) | (2 795 053) | - | - | - | - |

43.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

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

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4,6 million (2012: R3,7 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

45. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

46.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

| Name of Related Person | Designation | Description of Related Party Relationship |
|------------------------|----------------|--|
| Lekula L | Councillor | Lekhula Constructions |
| Backward ET | Councillor | Matlakeng Charcoal Project |
| Riddle IS | Councillor | EBRI Properties |
| Tsoamotse MN | Director (TS) | Moedi Trading & Reahlomela Construction |
| Nqoko LV | Director (CS) | Info Com Biz Center & Sabbath Business Consultancy |
| Nkosi JV | Official (CFO) | Cebisa Stationary and Supplies & Sbusiso Printing and Stationary |
| Panyani TC | Official (MM) | Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus |

No transactions incurred between related parties and the Municipality.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

45.2 Services rendered to Related Parties

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

45.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and Public.

45.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 26 and 27 respectively, to the Annual Financial Statements.

45.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

2013
R

2012
R

46. CONTINGENT LIABILITIES

46.2 Court Proceedings:

| | 18 578 395 | 3 423 455 |
|---|-------------------|------------------|
| (i) Unfair Dismissal Claim: Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys and Malherbe Saayman, Smith Attorneys. The possible losses regarding these cases amount to R362 000. | 170 000 | 100 000 |
| ii) Dispute with SARS. A dispute with SARS existed at the financial year end. This relates to payroll taxes payable for the 2006 and 2007 financial year ends. SARS has since then offset the payable to VAT receivable. | - | 2 250 477 |
| (iii) Keoratile traffic solutions Dispute between Mohokare Municipality and Keoratile traffic solutions. | 10 908 395 | 727 978 |
| (iii) Professional services rendered Judgement taken against client for professional services rendered | - | 270 000 |
| (iv) Legal Services Legal claims against the Municipality for services rendered | - | 75 000 |
| (v) Graves outside designated boundary lines of a Cemetery: During August 2012 it came to the attention of the Municipality that graves were used outside the boundary lines of a Municipal Cemetery in Zastron. The area where the graves were used are inside an area where a possibility exists that water could be contaminated by the decaying bodies. The usage of this area as a Cemetery has since been stopped and studies were performed to determine the extent of contamination done to water. The Municipality are awaiting results of these studies to determine the procedures to be implemented going forward. | - | - |
| (vi) Nutraffic: Dispute between Mohokare Municipality and Keoratile traffic solutions. | 7 500 000 | - |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

47 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

48 IN-KIND DONATIONS AND ASSISTANCE

Refer to note 21 Relating to Donations and assistance received.

49 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

50 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

51 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 35) and Prior Period Errors (Note 34).

52 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2012 the Council adopted the 2012/13 to 2015/16 Budget. This four-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. The bank overdraft position of the Municipality at year end is due to the cashbook reconciliation being in overdraft while the actual bank account has a positive balance.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

Mohokare Local Municipality

UN-AUDITED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance at 30 June 2012 | Received during the Period | Redeemed/ Written Off during Period | Balance at 30 June 2013 |
|--|----------------------|---------------|-------------------------|------------|-------------------------|----------------------------|-------------------------------------|-------------------------|
| | R | | | | R | R | R | R |
| CAPITAL LEASE LIABILITIES | | | | | | | | |
| Gestetner & Sharp | - | Prime | | 2014 | 1 001 264 | - | 849 386 | 151 878 |
| Total Capital Lease Liabilities | - | | | | 1 001 264 | - | 849 386 | 151 878 |
| GOVERNMENT LOANS | | | | | | | | |
| DBSA Loan | 2 730 000 | | 1 | 2015 | 1 411 710 | - | 110 866 | 1 300 844 |
| Total Government Loans | 2 730 000 | | | | 1 411 710 | - | 110 866 | 1 300 844 |
| OTHER LOANS | | | | | | | | |
| Centlec Capital Loan | 1 214 262 | 0.00% | 40021201 to 40027483 | 2024 | 1 214 262 | - | 109 112 | 1 105 150 |
| Total Other Loans | 1 214 262 | | | | 1 214 262 | - | 109 112 | 1 105 150 |
| TOTAL EXTERNAL LOANS | 3 944 262 | | | | 3 627 236 | - | 1 069 364 | 2 557 872 |

APPENDIX B
Mohokare Local Municipality

UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying |
|--------------------------------------|--------------------|------------------|--------------------|-------------------|-----------|--------------------|---------------------------------------|-------------------|-----------|-------------|-----------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Impairments | Disposals | Closing Balance | Value |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and Buildings | | | | | | | | | | | | | |
| Housing | 18 344 676 | - | - | - | - | 18 344 676 | 7 307 586 | 290 527 | - | - | - | 7 598 113 | 10 746 563 |
| Operational buildings Total | 24 899 015 | - | - | - | - | 24 899 015 | 17 941 889 | 729 642 | - | - | - | 18 671 530 | 6 227 484 |
| | 43 243 690 | - | - | - | - | 43 243 690 | 25 249 474 | 1 020 169 | - | - | - | 26 269 643 | 16 974 047 |
| Infrastructure | | | | | | | | | | | | | |
| <i>Electricity:</i> | | | | | | | | | | | | | |
| Network | 64 760 799 | - | 8 034 249 | - | - | 72 795 048 | 27 954 707 | 1 737 923 | - | - | - | 29 692 630 | 43 102 418 |
| <i>Roads and Transport:</i> | | | | | | | | | | | | | |
| Roads & Stormwater | 122 731 757 | - | - | 12 032 337 | - | 134 764 094 | 81 350 034 | 5 995 513 | - | - | - | 87 345 547 | 47 418 547 |
| <i>Sanitation:</i> | | | | | | | | | | | | | |
| Sanitation network | 133 076 576 | - | 9 462 991 | - | - | 142 539 566 | 83 380 959 | 3 276 211 | - | - | - | 86 657 170 | 55 882 397 |
| <i>Water:</i> | | | | | | | | | | | | | |
| Supply network | 138 208 212 | - | 44 736 195 | - | - | 182 944 407 | 83 988 430 | 4 506 709 | - | - | - | 88 495 139 | 94 449 268 |
| | 458 777 343 | - | 62 233 434 | 12 032 337 | - | 533 043 114 | 276 674 129 | 15 516 355 | - | - | - | 292 190 485 | 240 852 629 |
| Community Assets | | | | | | | | | | | | | |
| Community facilities | 55 436 091 | 1 000 000 | - | - | - | 56 436 091 | 32 979 499 | 2 087 910 | - | - | - | 35 067 409 | 21 368 681 |
| Sport and Recreational Facilities | 71 414 217 | - | 2 366 966 | - | - | 73 781 183 | 37 204 637 | 1 925 330 | - | - | - | 39 129 967 | 34 651 216 |
| | 126 850 308 | 1 000 000 | 2 366 966 | - | - | 130 217 274 | 70 184 136 | 4 013 240 | - | - | - | 74 197 377 | 56 019 897 |
| Leased Assets | | | | | | | | | | | | | |
| Office furniture | 1 291 611 | - | - | - | - | 1 291 611 | 953 534 | 183 439 | - | - | - | 1 136 973 | 154 638 |
| | 1 291 611 | - | - | - | - | 1 291 611 | 953 534 | 183 439 | - | - | - | 1 136 973 | 154 638 |
| Other Assets | | | | | | | | | | | | | |
| <i>Emergency Equipment:</i> | | | | | | | | | | | | | |
| Emergency / rescue equipment | 113 764 | - | - | - | (8 126) | 105 638 | 41 686 | 20 478 | - | - | (5 485) | 56 679 | 48 959 |
| Fire fighting equipment / fire hoses | 22 827 | 800 | - | - | (1 424) | 22 203 | 8 610 | 4 132 | - | - | (702) | 12 040 | 10 163 |
| <i>Furniture and Fittings:</i> | | | | | | | | | | | | | |
| Tables & desks | 470 474 | 345 999 | - | - | (115 278) | 701 194 | 220 519 | 99 461 | - | 11 824 | (43 554) | 288 251 | 412 944 |
| Chairs and couches | 951 549 | 285 845 | - | - | (204 118) | 1 033 276 | 592 518 | 139 961 | - | 1 180 | (141 801) | 591 859 | 441 417 |
| Cabinets & cupboards | 412 755 | 159 145 | - | - | (34 948) | 536 951 | 181 032 | 66 654 | - | 1 107 | (19 967) | 228 826 | 308 126 |
| Other furniture and fittings | 139 737 | 41 529 | - | - | (10 549) | 170 717 | 70 003 | 25 210 | - | - | (6 899) | 88 314 | 82 402 |
| Shelving and bookcases | 37 375 | 4 779 | - | - | - | 42 154 | 18 002 | 5 331 | - | - | - | 23 332 | 18 822 |
| Headboards | 656 | - | - | - | - | 656 | 443 | 118 | - | - | - | 561 | 95 |
| <i>Motor Vehicles:</i> | | | | | | | | | | | | | |
| Trailers and accessories | 360 700 | 120 000 | - | - | (3 500) | 477 200 | 95 171 | 15 551 | - | - | (1 680) | 109 041 | 368 159 |
| Trucks, buses and ldv's | 367 800 | - | - | - | - | 367 800 | 54 139 | 12 969 | - | - | - | 67 108 | 300 692 |
| Tractors | 622 250 | 865 000 | - | - | - | 1 487 250 | 90 846 | 22 870 | - | - | - | 113 716 | 1 373 534 |
| Passenger vehicles | 859 600 | - | - | - | - | 859 600 | 226 450 | 54 009 | - | - | - | 280 459 | 579 141 |
| Farm Vehicles | 85 500 | - | - | - | - | 85 500 | 12 312 | 2 736 | - | - | - | 15 048 | 70 452 |

APPENDIX B
Mohokare Local Municipality

UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying Value |
|----------------------------------|----------------------|------------------|--------------------|-------------------|------------------|----------------------|---------------------------------------|-------------------|-----------|---------------|------------------|----------------------|----------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Impairments | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| <i>Office Equipment:</i> | | | | | | | | | | | | | |
| Domestic equipment | 71 782 | 46 872 | - | - | (23 945) | 94 709 | 42 607 | 16 087 | - | 93 | (12 005) | 46 782 | 47 927 |
| Computer hardware | 1 357 336 | 367 444 | - | - | (65 631) | 1 659 149 | 544 322 | 337 153 | - | 2 923 | (35 380) | 849 018 | 810 131 |
| Office machines | 156 810 | 30 236 | - | - | (23 520) | 163 525 | 60 603 | 29 840 | - | - | (12 288) | 78 154 | 85 371 |
| Office equipment - other | 37 635 | 6 605 | - | - | (12 189) | 32 052 | 18 925 | 7 156 | - | - | (8 192) | 17 890 | 14 162 |
| Audiovisual equipment | 46 564 | 158 415 | - | - | (11 180) | 193 798 | 23 593 | 33 715 | - | - | (8 484) | 48 824 | 144 974 |
| Air conditioners | 77 824 | 1 158 | - | - | - | 78 982 | 37 120 | 14 842 | - | - | - | 51 962 | 27 019 |
| Musical instruments | 34 500 | - | - | - | - | 34 500 | 17 457 | 2 116 | - | - | - | 19 573 | 14 927 |
| <i>Plant and Equipment:</i> | | | | | | | | | | | | | |
| Lawnmowers / gardening equipment | 255 164 | 142 755 | - | - | (37 600) | 360 319 | 106 737 | 75 246 | - | - | (18 612) | 163 372 | 196 948 |
| Plant and equipment - other | 939 063 | 304 439 | - | - | (335 003) | 908 499 | 444 394 | 133 472 | - | - | (183 053) | 394 813 | 513 687 |
| Workshop equipment and tools | 38 416 | 159 666 | - | - | (13 955) | 184 127 | 18 940 | 31 281 | - | - | (8 227) | 41 994 | 142 133 |
| Compressors | 24 990 | - | - | - | - | 24 990 | 16 824 | 1 157 | - | - | - | 17 981 | 7 009 |
| Radio equipment | 9 682 | - | - | - | - | 9 682 | 6 535 | 1 743 | - | - | - | 8 278 | 1 404 |
| Lab equipment | 237 233 | 12 513 | - | - | (11 740) | 238 006 | 108 306 | 43 461 | - | - | (5 283) | 146 484 | 91 522 |
| Generators | - | 159 000 | - | - | - | 159 000 | - | 28 150 | - | - | - | 28 150 | 130 850 |
| Law enforcement equipment | - | 14 614 | - | - | - | 14 614 | - | 1 961 | - | - | - | 1 961 | 12 653 |
| | 7 731 985 | 3 226 814 | - | - | (912 707) | 10 046 092 | 3 058 093 | 1 226 860 | - | 17 127 | (511 611) | 3 790 469 | 6 255 622 |
| Total | 6 377 894 937 | 4 226 814 | 64 600 400 | 12 032 337 | (912 707) | 7 177 841 781 | 3 766 119 367 | 21 960 063 | - | 17 127 | (511 611) | 3 977 584 947 | 3 200 256 834 |

Mohokare Local Municipality
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying Value |
|------------------------------|--------------------|-----------|--------------------|-----------|-----------|-------------------|---------------------------------------|-----------|-----------|---|-----------|-----------------|-------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | | R | R | R |
| Investment Properties | | | | | | | | | | | | | |
| Improved Properties | 6 040 020 | - | - | - | - | 6 040 020 | - | - | - | - | - | - | 6 040 020 |
| Unimproved Properties | 13 226 505 | - | - | - | - | 13 226 505 | - | - | - | - | - | - | 13 226 505 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 19 266 525 | - | - | - | - | 19 266 525 | - | - | - | - | - | - | 19 266 525 |
| | | | | | | 0.00 | | | | | | | |

APPENDIX C
Mohokare Local Municipality
UN-AUDITED SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|-------------------------------|--------------------|------------------|--------------------|-------------------|------------------|--------------------|---------------------------------------|-------------------|-----------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | R | R |
| Executive and Council | 792 337 | 353 652 | - | - | (139 611) | 1 006 378 | 404 665 | 132 768 | - | (101 039) | 436 394 | 569 984 |
| Finance and Administration | 28 115 954 | 2 262 097 | - | - | (310 625) | 30 067 426 | 19 664 021 | 1 462 481 | - | (126 201) | 21 000 301 | 9 067 125 |
| Planning and Development | 42 428 | - | - | - | (6 779) | 35 649 | 15 131 | 7 509 | - | (3 352) | 19 288 | 16 361 |
| Health | 1 221 157 | - | - | - | - | 1 221 157 | 808 347 | 38 602 | - | - | 846 949 | 374 208 |
| Community and Social Services | 49 740 726 | 1 050 718 | - | - | (142 181) | 50 649 263 | 30 356 269 | 1 994 283 | - | (99 336) | 32 251 217 | 18 398 046 |
| Housing | 18 396 215 | 13 023 | - | - | (1 383) | 18 407 855 | 7 330 809 | 300 826 | - | (1 077) | 7 630 558 | 10 777 297 |
| Public Safety | 309 619 | 14 614 | - | - | (3 327) | 320 906 | 108 432 | 44 493 | - | (2 740) | 150 185 | 170 720 |
| Sport and Recreation | 75 206 856 | 450 | 2 366 966 | - | (7 295) | 77 566 977 | 38 724 748 | 2 052 187 | - | (4 924) | 40 772 011 | 36 794 966 |
| Environmental Protection | - | - | - | - | - | - | - | - | - | - | - | - |
| Waste Management | 136 447 438 | 529 664 | 9 462 991 | - | (282 821) | 146 157 271 | 84 623 851 | 3 600 877 | - | (160 911) | 88 063 817 | 58 093 454 |
| Roads and Transport | 107 034 926 | - | - | 12 032 337 | - | 119 067 262 | 71 585 032 | 5 391 989 | - | - | 76 977 020 | 42 090 242 |
| Water | 139 006 735 | 2 596 | 44 736 195 | - | (18 685) | 183 726 842 | 84 210 482 | 4 768 205 | - | (12 032) | 88 966 655 | 94 760 187 |
| Electricity | 81 580 545 | - | 8 034 249 | - | - | 89 614 794 | 38 287 580 | 2 182 970 | - | - | 40 470 550 | 49 144 244 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 637 894 937 | 4 226 814 | 64 600 400 | 12 032 337 | (912 707) | 717 841 780 | 376 119 367 | 21 977 190 | - | (511 611) | 397 584 946 | 320 256 834 |

APPENDIX D

Mohokare Local Municipality

UN-AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

| 2012 Actual Income | 2012 Actual Expenditure | 2012 Surplus/ (Deficit) | Description | 2013 Actual Income | 2013 Actual Expenditure | 2013 Surplus/ (Deficit) |
|--------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------|-------------------------------|-------------------------------|
| R | R | R | | R | R | R |
| - | 27 282 131 | (27 282 131) | Executive and Council | 62 695 569 | 49 643 726 | 13 051 843 |
| 932 529 | 8 297 111 | (7 364 581) | Finance and Administration | 880 029 | 11 371 258 | (10 491 230) |
| - | 884 119 | (884 119) | Planning and Development | - | 1 957 364 | (1 957 364) |
| 54 907 | 692 350 | (637 443) | Community and Social Services | 2 331 005 | 5 822 764 | (3 491 759) |
| 451 797 | 692 472 | (240 674) | Housing | 301 882 | 495 243 | (193 361) |
| 156 694 | 1 727 585 | (1 570 891) | Public Safety | 3 147 147 | 2 144 543 | 1 002 604 |
| 629 | 2 667 035 | (2 666 407) | Sport and Recreation | 203 | 1 333 508 | (1 333 305) |
| - | (113 614) | 113 614 | Environmental Protection | - | 108 632 | (108 632) |
| 9 521 845 | 13 432 988 | (3 911 143) | Waste Management | 11 739 143 | 15 112 904 | (3 373 760) |
| 2 564 | 8 398 166 | (8 395 602) | Roads and Transport | 4 100 838 | 3 551 049 | 549 789 |
| 19 826 475 | 18 714 962 | 1 111 513 | Water | 42 124 614 | 23 774 996 | 18 349 619 |
| 11 969 475 | 16 813 184 | (4 843 709) | Electricity | 22 698 691 | 24 049 752 | (1 351 061) |
| 75 755 765 | 36 597 007 | 39 158 758 | Other - Reversal of capital items | (1 047 311) | (1 704 416) | 657 105 |
| 118 672 681 | 136 085 495 | (17 412 813) | Sub-Total | 148 971 809 | 137 661 323 | 11 310 487 |
| | | | Revenue Foregone | | | |
| 118 672 681 | 136 085 495 | (17 412 813) | Total | 148 971 809 | 137 661 323 | 11 310 487 |
| | | | | | | |

APPENDIX E(1)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

| Description | 2012/13 Actual | 2012/13 Budget | 2012/13 Variance | 2012/13 Variance | Explanation of Significant Variances |
|---|--------------------|---------------------|---------------------|---------------------|--|
| | R | R | R | % | |
| REVENUE | | | | | |
| Property Rates | 6 372 109 | 5 126 000 | 1 246 109 | 24.31 | |
| Fines | 59 316 | 112 000 | (52 684) | (47.04) | Less fines issued than anticipated |
| Interest Income - Provisions | 2 232 560 | - | 2 232 560 | 100.00 | Reversal of landfill site provisions |
| Licences and Permits | - | - | - | 0.00 | Less licences/permits issued than anticipated |
| Government Grants and Subsidies | 92 259 798 | 60 071 000 | 32 188 798 | 53.58 | |
| Public Contributions and Donations | 3 087 751 | - | 3 087 751 | 100.00 | Public contributions and donations are not budgeted for |
| Service Charges | 41 079 909 | 32 300 000 | 8 779 909 | 27.18 | Some Electricity sales not budgeted for. |
| Rental of Facilities and Equipment | 454 688 | 345 000 | 109 688 | 31.79 | More rental of facilities than expected |
| Interest Earned - External investments | 117 585 | 3 000 | 114 585 | 3 819.50 | High interest earned on call accounts |
| Interest Earned - Outstanding debtors | 1 732 437 | - | 1 732 437 | 100.00 | Budgeted only for anticipated recoverable interest |
| Dividends Received | 8 316 | 10 000 | (1 684) | (16.84) | |
| Gain on Fair value adjustment | 40 089 | - | 40 089 | 100.00 | Fair value gains not budgeted for |
| Other Income | 1 527 251 | 12 659 000 | (11 131 749) | (87.94) | |
| Total Revenue | 148 971 807 | 110 626 000 | 38 345 809 | 34.66 | |
| EXPENDITURE | | | | | |
| Employee Related Costs | 40 928 513 | 44 419 000 | (3 490 487) | (7.86) | |
| Remuneration of Councillors | 2 844 699 | 2 669 000 | 175 699 | 6.58 | |
| Depreciation | 21 960 063 | 21 000 000 | 960 063 | 4.57 | |
| Impairment Losses | 14 209 172 | 1 930 000 | 12 279 172 | 636.23 | Impairment on receivables higher than expected |
| Repairs and Maintenance | 3 044 792 | - | 3 044 792 | 100.00 | Less repairs & Maintenance required than budgeted for |
| Interest Paid | 1 344 791 | 333 000 | 1 011 791 | 303.84 | Interest charge on Landfill sites provision not budgeted for |
| Bulk Purchases | 18 119 395 | - | 18 119 395 | 100.00 | Centlec purchases |
| Contracted Services | 6 145 704 | 1 359 000 | 4 786 704 | 352.22 | More consultants used than was budgeted for |
| Grants and Subsidies Paid | 6 951 827 | 1 056 000 | 5 895 827 | 558.32 | High increase in services provided to indigents |
| General Expenses | 21 711 188 | 56 433 000 | (34 721 812) | (61.53) | Centlec General expenses not budgeted for |
| Loss on disposal of Property, Plant and Equipment | 401 178 | - | 401 178 | 100.00 | Loss of building due to vandalism not expected |
| Total Expenditure | 137 661 322 | 129 199 000 | 8 462 324 | 6.55 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | 11 310 485 | (18 573 000) | 29 883 485 | (160.90) | |

APPENDIX E(1)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2012

| Description | 2011/12 Actual | 2011/12 Budget | 2011/12 Variance | 2011/12 Variance | Explanation of Significant Variances greater than 10% versus Budget |
|---|---------------------|-------------------|---------------------|---------------------|--|
| | R | R | R | % | |
| REVENUE | | | | | |
| Property Rates | 5 412 839 | 6 846 144 | (1 433 305) | (20.94) | |
| Fines | 157 143 | 50 000 | 107 143 | 214.29 | |
| Licences and Permits | 439 | 1 000 | (561) | (56.14) | |
| Government Grants and Subsidies | 75 357 043 | 72 711 000 | 2 646 043 | 3.64 | |
| Public Contributions and Donations | - | (28 052) | 28 052 | (100.00) | |
| Service Charges | 35 847 242 | 7 067 104 | 28 780 138 | 407.24 | |
| Rental of Facilities and Equipment | 631 940 | 524 607 | 107 333 | 20.46 | |
| Interest Earned - External investments | 140 677 | - | 140 677 | 100.00 | |
| Interest Earned - Outstanding debtors | 273 209 | 253 192 | 20 017 | 7.91 | |
| Dividends Received | 2 962 | 7 626 | (4 664) | (61.16) | |
| Gain on Fair value adjustment | 76 404 | - | 76 404 | 100.00 | |
| Other Income | 772 783 | 663 971 | 108 812 | 16.39 | |
| Total Revenue | 118 672 681 | 88 096 593 | 30 576 088 | 34.71 | |
| EXPENDITURE | | | | | |
| Employee Related Costs | 35 362 981 | 36 972 010 | (1 609 029) | (4.35) | |
| Remuneration of Councillors | 2 599 729 | 2 601 389 | (1 659) | (0.06) | |
| Depreciation | 21 630 400 | - | 21 630 400 | 100.00 | |
| Impairment Losses | 31 110 414 | 1 595 310 | 29 515 104 | 1 850.12 | |
| Repairs and Maintenance | 1 702 805 | 2 614 348 | (911 543) | (34.87) | |
| Interest Paid | 2 080 323 | 77 497 | 2 002 826 | 2 584.39 | |
| Bulk Purchases | 14 212 147 | 1 425 809 | 12 786 338 | 896.78 | |
| Contracted Services | 5 419 859 | 5 121 890 | 297 969 | 5.82 | |
| Grants and Subsidies Paid | 1 091 381 | 1 417 410 | (326 029) | (23.00) | |
| General Expenses | 20 744 353 | 15 936 382 | 4 807 971 | 30.17 | |
| Loss on disposal of Property, Plant and Equipment | 131 102 | - | 131 102 | 100.00 | |
| Total Expenditure | 136 085 495 | 67 762 044 | 68 323 451 | 100.83 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | (17 412 813) | 20 334 549 | (37 747 363) | (185.63) | |

APPENDIX E(2)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2013

| Description | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | Explanation of Significant Variances greater than 5% versus Budget |
|-------------------------------|------------------|--------------------|-------------------|-------------------|----------------|-------------|---|
| | Actual | Under Construction | Total Additions | Budget | Variance | Variance | |
| | R | R | R | R | R | % | |
| Executive and Council | 353 652 | - | 353 652 | - | 353 652 | 100.00 | Budget is based on actual payments, additions are based on date of delivery |
| Finance and Administration | 2 262 097 | - | 2 262 097 | 773 000 | 1 489 097 | 192.64 | Budget is based on actual payments, additions are based on date of delivery |
| Community and Social Services | 1 050 718 | - | 1 050 718 | 258 670 | 792 048 | 306.20 | Budget is based on actual payments, additions are based on date of delivery |
| Housing | 13 023 | - | 13 023 | - | 13 023 | 100.00 | Budget is based on actual payments, additions are based on date of delivery |
| Public Safety | 14 614 | - | 14 614 | - | 14 614 | 100.00 | Budget is based on actual payments, additions are based on date of delivery |
| Sport and Recreation | 450 | 2 366 966 | 2 367 416 | - | 2 367 416 | 100.00 | Budget is based on actual payments, additions are based on date of delivery |
| Waste Management | 529 664 | 20 320 271 | 20 849 935 | 15 583 797 | 5 266 138 | 33.79 | Budget is based on actual payments, additions are based on date of delivery |
| Roads and Transport | - | 421 961 | 421 961 | 3 771 079 | (3 349 118) | (88.81) | Budget is based on actual payments, additions are based on date of delivery |
| Water | 2 596 | 2 422 455 | 2 425 051 | 13 341 833 | (10 916 782) | (81.82) | Budget is based on actual payments, additions are based on date of delivery |
| Electricity | - | 4 294 782 | 4 294 782 | - | 4 294 782 | 100.00 | Budget is based on actual payments, additions are based on date of delivery |
| Total | 4 226 814 | 29 826 435 | 34 053 249 | 33 728 379 | 324 870 | 0.96 | |

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

| Description | 2011/12 | 2011/12 | 2011/12 | 2011/12 | 2011/12 | 2011/12 | Explanation of Significant Variances greater than 5% versus Budget |
|-----------------------|----------------|--------------------|-------------------|-------------------|---------------|-------------|---|
| | Actual | Under Construction | Total Additions | Budget | Variance | Variance | |
| | R | R | R | R | R | % | |
| Executive and Council | 404 000 | - | 404 000 | 404 000 | - | 0.00 | |
| Waste Management | - | 8 124 886 | 8 124 886 | 9 616 947 | (1 492 061) | (15.51) | |
| Roads and Transport | - | 10 556 946 | 10 556 946 | 8 990 000 | 1 566 946 | 17.43 | |
| Water | - | 4 304 202 | 4 304 202 | 4 300 000 | 4 202 | 0.10 | |
| Electricity | - | 1 214 789 | 1 214 789 | 1 210 000 | 4 789 | 0.40 | |
| Other | - | - | - | - | - | 0.00 | |
| Total | 404 000 | 24 200 823 | 24 604 823 | 24 520 947 | 83 876 | 0.34 | |

APPENDIX F

Mohokare Local Municipality

UN-AUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

| Name of Grant | Name of Organ of State or Municipal Entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and Subsidies Delayed / Withheld | | | | Reason for Delay / Withholding of Funds | Reason for Non-compliance |
|--|--|--------------------|-------------------|-------------------|------------------|-----------------------|-------------------|-------------------|-------------------|---|----------|----------|----------|---|---------------------------|
| | | Sept | Dec | March | June | Sept | Dec | March | June | Sept | Dec | March | June | | |
| Equitable Share | Nat Treasury | 21 251 000 | 16 970 000 | 12 781 000 | 0 | 12 750 500 | 12 750 500 | 12 750 500 | 12 750 500 | N/A | N/A | N/A | N/A | N/A | N/A |
| FMG | Nat Treasury | 1 500 000 | 0 | 0 | 0 | 375 000 | 375 000 | 375 000 | 375 000 | N/A | N/A | N/A | N/A | N/A | N/A |
| INEPG | Nat Treasury | 1 000 000 | 1 000 000 | 0 | 0 | 800 000 | 96 051 | 1 103 949 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| MIG Projects | MIG | 8 539 000 | 315 000 | 9 986 000 | 0 | 0 | 4 125 870 | 6 112 341 | 8 601 789 | N/A | N/A | N/A | N/A | N/A | N/A |
| Bulk Infrastructure Grant | DWAF | 1 599 707 | 1 410 313 | 4 783 867 | 5 089 101 | 0 | 4 122 212 | 4 783 867 | 3 976 909 | N/A | N/A | N/A | N/A | N/A | N/A |
| MSIG | DPLG | 800 000 | 0 | 0 | 0 | 200 000 | 200 000 | 200 000 | 200 000 | N/A | N/A | N/A | N/A | N/A | N/A |
| EPW Incentive Grant | Province | 400 000 | 300 000 | 300 000 | 0 | 319 342 | 680 658 | 0 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| COGTA Grants | COGTA | 0 | 0 | 511 000 | 4 498 200 | 0 | 0 | 0 | 4 193 761 | N/A | N/A | N/A | N/A | N/A | N/A |
| Total Grants and Subsidies Received | | 35 089 707 | 19 995 313 | 28 361 867 | 9 587 301 | 14 444 842 | 22 350 291 | 25 325 657 | 30 097 959 | 0 | 0 | 0 | 0 | | |