



**MOHOKARE**  
LOCAL MUNICIPALITY



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# 2013/2014

***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2014***

**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

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**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**GENERAL INFORMATION**

**SPEAKER**

M.A. Shasha

**MEMBERS OF COUNCIL**

Speaker	M.A. Shasha	
Chief Whip	R.J. Thuhlo	
Councillors:	O.T. Khasake	L. Lekhula
	S. Pokane	E.T. Backward
	M.J. Sehanka	B.S. Majenge
	M.A. Letele	I.S. Riddle
	I. Mehlomakhu	

**GRADING OF THE LOCAL AUTHORITY**

Grade 2

**AUDITORS**

External – Auditor General of South Africa  
Internal – Internal audit unit functioning from 1 October 2013.  
(Vacant from 1 July 2013 to 30 September 2013)  
Elmien Wilken (Chief Audit Executive)

**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](mailto: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 2014

**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 96, 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 2014.

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**TC PANYANI**  
**MUNICIPAL MANAGER**  
31 August 2014

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**P Dyonase**  
**CHIEF FINANCIAL OFFICER**  
31 August 2014

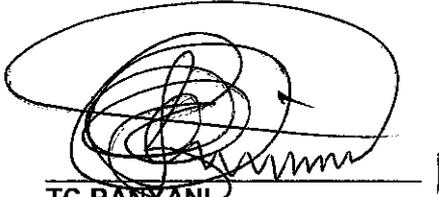
**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**GENERAL INFORMATION (continued)**

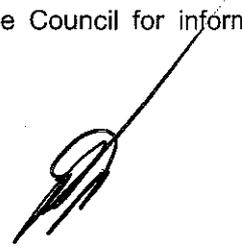
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These Annual Financial Statements will be presented to the Council for information during September 2014.



**TC PANYANI**  
**MUNICIPAL MANAGER**  
31 August 2014



**P Dyonase**  
**CHIEF FINANCIAL OFFICER**  
31 August 2014

**MOHOKARE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**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

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**Mohokare Local Municipality**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Note	Actual 2014	2013 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>37 419 667</b>	<b>38 328 417</b>
Inventories - Consumables	2	790 723	657 099
Inventories - Properties held for transfer	2	27 640 500	27 640 500
Receivables from Exchange Transactions	3	2 463 457	2 474 323
Receivables from Non-exchange Transactions	4	649 064	785 370
Sundry debtors	4	1 004 996	1 273 906
VAT Receivable	5	4 542 713	5 209 146
Cash and Cash Equivalents	6	328 214	288 073
<b>Non-Current Assets</b>		<b>473 526 135</b>	<b>464 401 682</b>
Property, Plant and Equipment	7	455 253 835	446 140 123
Investment Property	8	17 746 665	17 746 665
Biological Assets	9	240 031	326 970
Investments	10	285 604	187 924
<b>Total Assets</b>		<b>510 945 802</b>	<b>502 730 099</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>56 587 384</b>	<b>44 007 137</b>
Consumer Deposits	11	615 562	213 657
Payables	12	47 323 634	30 578 537
Deferred Grant Revenue	18	90 439	-
Unspent Conditional Grants and Receipts	13	6 072 722	12 855 049
Bank Overdraft	6	2 076 232	86 319
Current Portion of Long-term Liabilities	14	408 795	273 575
<b>Non-Current Liabilities</b>		<b>29 247 645</b>	<b>21 060 092</b>
Long-term Liabilities	14	12 756 991	8 062 386
Non-current Provisions	15	16 490 654	12 997 706
<b>Total Liabilities</b>		<b>85 835 028</b>	<b>65 067 229</b>
<b>Total Assets and Liabilities</b>		<b>425 110 774</b>	<b>437 662 870</b>
<b>NET ASSETS</b>		<b>425 110 774</b>	<b>437 662 870</b>
Accumulated Surplus / (Deficit)	16	425 110 774	437 662 870
<b>Total Net Assets</b>		<b>425 110 774</b>	<b>437 662 870</b>

Mohokare Local Municipality

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

		Actual	
	Note	2014	2013
		R	R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	17	6 055 112	6 115 712
Traffic Fines		874 540	59 316
Gains on Fair Value adjustments		211 931	40 089
Licences and Permits		132	-
Government Grants and Subsidies Received	18	94 606 442	92 259 798
Donations Received	19	970 424	3 087 751
<b>Revenue from Exchange Transactions</b>			
Service Charges	20	40 965 596	38 485 990
Rental of Facilities and Equipment	21	574 998	454 688
Interest Earned - External Investments	22	175 822	117 585
Interest Earned - Outstanding Debtors	22	8 084 890	3 693 698
Dividends Received		8 925	8 316
Other Income	23	964 837	1 527 251
Profit on Sale of Livestock:-		43 982	-
Sale of Livestock		252 482	-
Carrying value of Livestock		(208 500)	-
<b>Total Revenue</b>		<b>153 537 631</b>	<b>145 850 194</b>
<b>EXPENDITURE</b>			
Employee Related Costs	24	52 766 457	41 066 145
Remuneration of Councillors	25	3 065 340	2 844 699
Depreciation and Amortisation	26	25 782 147	27 073 686
De-commissioning cost	7	1 375 457	317 380
Impairment Losses	27	22 554 982	14 209 172
Repairs and Maintenance		1 698 199	3 044 792
Finance Costs	28	2 191 427	1 344 791
Bulk Purchases	29	19 755 688	18 119 395
Contracted Services	30	5 393 623	6 147 924
Grants and Subsidies Paid	31	3 014 720	6 951 827
General Expenses	32	28 193 557	21 852 661
Loss on Disposal of Property, Plant and Equipment		298 128	344 725
<b>Total Expenditure</b>		<b>166 089 727</b>	<b>143 317 197</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(12 552 096)</b>	<b>2 532 997</b>

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 2014**

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
<b>Balance at 30 June 2012</b>	<b>274 812 178</b>	<b>274 812 178</b>	<b>274 812 178</b>
<b>2013</b>			
Surplus/(Deficit) for the year	11 310 486	11 310 486	11 310 486
Correction of comparative figures in the Income Statement	(8 777 489)	(8 777 489)	(8 777 489)
<b>Balance at 30 June 2013</b>	<b>277 345 175</b>	<b>277 345 175</b>	<b>277 345 175</b>
<b>Correction of prior period errors</b>	<b>160 317 695</b>	<b>160 317 695</b>	<b>160 317 695</b>
<b>Re-Stated Balance at 30 June 2013</b>	<b>437 662 870</b>	<b>437 662 870</b>	<b>437 662 870</b>
<b>2014</b>			
Surplus/(Deficit) for the year	(12 552 096)	(12 552 096)	(12 552 096)
<b>Balance at 30 June 2014</b>	<b>425 110 774</b>	<b>425 110 774</b>	<b>425 110 774</b>

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 2014**

		Actual	
		2014	2013
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note		
<b>Receipts</b>			
Cash receipts from Ratepayers, Government and Other		111 634 981	122 623 097
Dividends Received		8 925	8 311
Interest Received	22	8 260 712	3 811 283
<b>Payments</b>			
Cash paid to suppliers and Employees		(90 631 776)	(83 943 056)
Interest Paid	28	(2 191 427)	(1 344 791)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	36	<u><u>27 081 415</u></u>	<u><u>41 154 844</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	7	(34 113 494)	(35 449 360)
Proceeds on Disposal of Biological Assets		252 482	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u><u>(33 861 012)</u></u>	<u><u>(35 449 360)</u></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings			
Borrowings		4 829 825	(2 708 678)
Increase / (Decrease) in Short-term Loans			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u><u>4 829 825</u></u>	<u><u>(2 708 678)</u></u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u><u>(1 949 772)</u></u>	<u><u>2 996 806</u></u>
Cash and Cash Equivalents at Beginning of Period		201 754	(2 795 051)
Cash and Cash Equivalents at End of Period		(1 748 018)	201 754

**Mohokare Local Municipality**  
**BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

30 June 2014

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
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	4 851 000	-	-	4 851 000	790 723	-	(4 060 277)	16%	16%
Inventories Held-for-Sale	-	-	-	-	27 640 500	-	27 640 500	0%	0%
Receivables from Exchange Transactions	18 208 000	-	-	18 208 000	2 463 457	-	(15 744 543)	14%	14%
Receivables from Non-exchange Transactions	-	-	-	-	649 064	-	649 064	0%	0%
VAT Receivable	-	-	-	-	4 542 713	-	4 542 713	0%	0%
Cash and Cash Equivalents	289 000	-	-	289 000	328 214	-	39 214	114%	114%
Sundry Debtors	1 158 000	-	-	1 158 000	1 004 996	-	(153 004)	87%	87%
<b>Non-Current Assets</b>									
Property, Plant and Equipment	343 256 000	-	-	343 256 000	455 253 835	-	111 997 835	133%	133%
Investment Property	20 519 000	-	-	20 519 000	17 746 665	-	(2 772 335)	86%	86%
Biological Assets	431 000	-	-	431 000	240 031	-	(190 969)	56%	56%
Intangible Assets	534 000	-	-	534 000	-	-	-	0%	0%
Non-current Investments	-	-	-	-	285 604	-	285 604	0%	0%
Other Non-Current Assets	113 000	-	-	113 000	-	-	(113 000)	0%	0%
<b>Total Assets</b>	<b>389 359 000</b>	-	-	<b>389 359 000</b>	<b>510 945 804</b>	-	<b>122 120 804</b>	<b>131%</b>	<b>131%</b>
<b>Current Liabilities</b>									
Consumer Deposits	164 000	-	-	164 000	615 562	-	451 562	375%	375%
Payables	1 983 000	-	-	1 983 000	47 323 634	-	45 340 634	2386%	2386%
Deferred Grant Revenue	-	-	-	-	90 439	-	90 439	0%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	6 072 722	-	6 072 722	0%	0%
Short-term Loans	470 000	-	-	470 000	-	-	(470 000)	0%	0%
Bank Overdraft	4 915 000	-	-	4 915 000	2 076 232	-	(2 838 768)	42%	42%
Current Portion of Long-term Liabilities	-	-	-	-	408 795	-	408 795	0%	0%
<b>Non-Current Liabilities</b>									
Long-term Liabilities	1 262 000	-	-	1 262 000	12 756 991	-	11 494 991	1011%	1011%
Non-current Provisions	18 977 000	-	-	18 977 000	16 490 654	-	(2 486 346)	87%	87%
<b>Total Liabilities</b>	<b>27 771 000</b>	-	-	<b>27 771 000</b>	<b>85 835 028</b>	-	<b>57 973 589</b>	<b>309.08</b>	<b>309.08</b>
<b>Total Assets and Liabilities</b>	<b>361 588 000</b>	-	-	<b>361 588 000</b>	<b>425 110 776</b>	-	<b>64 147 214</b>	<b>118%</b>	<b>118%</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	361 588 000	-	-	361 588 000	425 110 774	-	63 522 774	118%	118%
<b>Total Net Assets</b>	<b>361 588 000</b>	-	-	<b>361 588 000</b>	<b>425 110 774</b>	-	<b>63 522 774</b>	<b>118%</b>	<b>118%</b>

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
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	9 271 000	4 633 000	-	13 904 000	6 055 112	-	(7 848 888)	44%	65%
Fair value gains	-	-	-	-	211 931	-	211 931	0%	0%
Fines	3 000 000	(2 500 000)	-	500 000	874 540	-	374 540	175%	29%
Licences and Permits	-	-	-	-	132	-	132	0%	0%
Government Grants and Subsidies Received	59 125 000	(7 000 000)	-	52 125 000	94 606 442	-	42 481 442	181%	160%
Public Contributions and Donations	-	-	-	-	970 424	-	970 424	0%	0%
<b>Revenue from Exchange Transactions</b>									
Service Charges	39 566 000	3 888 000	-	43 454 000	40 965 596	-	(2 488 404)	94%	104%
Rental of Facilities and Equipment	2 469 000	(1 898 000)	-	571 000	574 998	-	3 998	101%	23%
Interest Earned - External Investments	2 000	4 000	-	6 000	175 822	-	169 822	2930%	8791%
Interest Earned - Outstanding Debtors	-	-	-	-	8 084 890	-	8 084 890	0%	0%
Dividends Received	9 000	-	-	9 000	8 925	-	(75)	99%	99%
Other Income	6 515 000	(1 929 000)	-	4 586 000	964 837	-	(3 621 163)	21%	15%
Profit on Sale of Livestock	-	-	-	-	43 982	-	43 982	0%	0%
<b>Total Revenue</b>	<b>119 957 000</b>	<b>(4 802 000)</b>	<b>-</b>	<b>115 155 000</b>	<b>153 537 630</b>	<b>-</b>	<b>38 382 630</b>	<b>133%</b>	<b>128%</b>
<b>Expenditure</b>									
Employee Related Costs	49 016 000	(480 000)	-	48 536 000	52 766 457	-	4 230 457	109%	108%
Remuneration of Councillors	2 963 000	23 000	-	2 986 000	3 065 340	-	79 340	103%	103%
Depreciation and Amortisation	21 952 000	6 000 000	-	27 952 000	25 782 147	-	(2 169 853)	92%	117%
De-commissioning cost	-	-	-	-	1 375 457	-	1 375 457	0%	0%
Impairment Losses	4 748 000	862 000	-	5 610 000	22 554 982	-	16 944 982	402%	475%
Repairs and Maintenance	-	-	-	-	1 698 199	-	1 698 199	0%	0%
Finance Costs	537 000	(225 000)	-	312 000	2 191 427	-	1 879 427	702%	408%
Bulk Purchases	16 000 000	-	-	16 000 000	19 755 688	-	3 755 688	123%	123%
Contracted Services	312 000	(153 000)	-	159 000	5 393 623	-	5 234 623	3392%	1729%
Grants and Subsidies Paid	5 850 000	-	-	5 850 000	3 014 720	-	(2 835 280)	52%	52%
General Expenses	33 461 000	1 174 000	-	34 635 000	28 193 557	-	(6 441 443)	81%	84%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	298 128	-	298 128	0%	0%
<b>Total Expenditure</b>	<b>134 839 000</b>	<b>7 201 000</b>	<b>-</b>	<b>142 040 000</b>	<b>166 089 726</b>	<b>25 619 190</b>	<b>24 049 726</b>	<b>117%</b>	<b>123%</b>
<b>Surplus/(Deficit)</b>									
Transfers Recognised - Capital	41 887 000	(2 100 000)	-	39 787 000	-	-	-	0%	0%
Contributions Recognised - Capital and Contributed Assets	(49 371 000)	8 004 000	-	(41 367 000)	12 552 096	-	-	-30%	-25%
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>(22 366 000)</b>	<b>(6 099 000)</b>	<b>-</b>	<b>(28 465 000)</b>	<b>-</b>	<b>(25 619 190)</b>	<b>14 332 904</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit for the Year)</b>	<b>(22 366 000)</b>	<b>(6 099 000)</b>	<b>-</b>	<b>(28 465 000)</b>	<b>-</b>	<b>(25 619 190)</b>	<b>14 332 904</b>	<b>-</b>	<b>-</b>

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
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
Executive and Council	-	-	-	-	78 480	-	78 480	0%	0%
Finance and Administration	331 000	463 000	-	794 000	2 704 590	-	1 910 590	341%	817%
Planning and Development	-	-	-	-	9 000	-	9 000	0%	0%
Community and Social Services	27 000	(27 000)	-	-	2 556 246	-	2 556 246	0%	9468%
Housing	-	-	-	-	312	-	312	0%	0%
Sport and Recreation	3 022 000	(219 000)	-	2 803 000	-	-	(2 803 000)	0%	0%
Waste Management	11 864 000	-	-	11 864 000	22 768 924	-	10 904 924	192%	192%
Roads and Transport	7 230 000	(6 230 000)	-	1 000 000	-	-	(1 000 000)	0%	0%
Water	25 116 000	(1 992 000)	-	23 124 000	11 021 396	-	(12 102 604)	48%	44%
Electricity	1 781 000	-	-	1 781 000	3 684 211	-	1 903 211	207%	207%
<b>Total Sources of Capital Funds</b>	<b>49 371 000</b>	<b>(8 005 000)</b>	<b>-</b>	<b>41 366 000</b>	<b>42 823 158</b>	<b>1 998 070</b>	<b>1 457 158</b>	<b>104%</b>	<b>87%</b>
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Cash Receipts from Ratepayers, Government and Other	157 083 000	(8 263 000)	-	148 820 000	111 634 981	-	(37 185 019)	75%	71%
Cash Paid to Suppliers and Employees	(105 969 000)	(1 078 000)	-	(107 047 000)	(90 631 776)	-	16 415 224	85%	86%
Dividends received	9 000	-	-	9 000	8 925	-	(75)	99%	99%
Interest received	5 000	500 000	-	505 000	8 260 712	-	7 755 712	1636%	165214%
Interest paid	(605 000)	366 000	-	(239 000)	(2 191 427)	-	(1 952 427)	917%	362%
Transfers and Grants	(5 850 000)	-	-	(5 850 000)	-	-	5 850 000	0%	0%
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(49 371 000)	8 004 000	-	(41 367 000)	(34 113 494)	-	7 253 506	82%	69%
Proceeds on Disposal of Biological Assets	-	-	-	-	252 482	-	252 482	0%	0%
<b>Cash Flows from/(used in) Financing Activities</b>									
New Loans raised	5 800 000	(5 800 000)	-	-	4 829 825	-	4 829 825	0%	83%
Loans repaid	60 000	(60 000)	-	-	-	-	-	0%	0%
<b>Net Increase / (Decrease) in Cash held</b>	<b>1 162 000</b>	<b>(6 331 000)</b>	<b>-</b>	<b>(5 169 000)</b>	<b>(1 949 772)</b>	<b>-</b>	<b>3 219 228</b>	<b>38%</b>	<b>-168%</b>

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

**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)".

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
<b>FINANCIAL POSITION</b>									
<b>Current Assets</b>									
Inventories	794 000	-	-	794 000	657 099	-	(136 901)	83%	83%
Inventories Held-for-Sale	-	-	-	-	27 640 500	-	27 640 500	0%	0%
Receivables from Exchange Transactions	41 553 000	-	-	41 553 000	2 474 323	-	(39 078 677)	6%	6%
Receivables from Non-exchange Transactions	-	-	-	-	785 370	-	785 370	0%	0%
VAT Receivable	-	-	-	-	5 209 146	-	5 209 146	0%	0%
Cash and Cash Equivalents	26 240 000	-	-	26 240 000	288 073	-	(25 951 927)	1%	1%
Sundry Debtors	6 180 000	-	-	6 180 000	1 273 906	-	(4 906 094)	21%	21%
Current Portion of Long-term Receivables	1 264 000	-	-	1 264 000	-	-	(1 264 000)	0%	0%
<b>Non-Current Assets</b>									
Property, Plant and Equipment	39 244 000	-	-	39 244 000	446 140 123	-	406 896 123	1137%	1137%
Investment Property	-	-	-	-	17 746 665	-	17 746 665	0%	0%
Biological Assets	585 000	-	-	585 000	326 970	-	(258 030)	56%	56%
Non-current Investments	-	-	-	-	187 924	-	187 924	0%	0%
<b>Total Assets</b>	<b>115 860 000</b>	<b>-</b>	<b>-</b>	<b>115 860 000</b>	<b>502 730 099</b>	<b>-</b>	<b>386 870 099</b>	<b>434%</b>	<b>434%</b>
<b>Current Liabilities</b>									
Consumer Deposits	80 000	-	-	80 000	213 657	-	133 657	267%	267%
Payables	57 725 000	-	-	57 725 000	30 578 537	-	(27 146 463)	53%	53%
Unspent Conditional Grants and Receipts	-	-	-	-	12 855 049	-	12 855 049	0%	0%
Provisions	864 000	-	-	864 000	-	-	(864 000)	0%	0%
Bank Overdraft	-	-	-	-	86 319	-	86 319	0%	0%
Current Portion of Long-term Liabilities	576 000	-	-	576 000	273 575	-	(302 425)	47%	47%
<b>Non-Current Liabilities</b>									
Long-term Liabilities	1 260 000	-	-	1 260 000	8 062 386	-	6 802 386	640%	640%
Non-current Provisions	3 713 000	-	-	3 713 000	12 997 706	-	9 284 706	350%	350%
<b>Total Liabilities</b>	<b>64 218 000</b>	<b>-</b>	<b>-</b>	<b>64 218 000</b>	<b>65 067 230</b>	<b>-</b>	<b>849 230</b>	<b>101%</b>	<b>101%</b>
<b>Total Assets and Liabilities</b>	<b>51 642 000</b>	<b>-</b>	<b>-</b>	<b>51 642 000</b>	<b>437 662 868</b>	<b>-</b>	<b>386 020 868</b>	<b>847%</b>	<b>847%</b>
<b>Net Assets (Equity)</b>									
Accumulated Surplus / (Deficit)	51 642 000	-	-	51 642 000	437 662 870	-	386 020 870	847%	847%
<b>Total Net Assets</b>	<b>51 642 000</b>	<b>-</b>	<b>-</b>	<b>51 642 000</b>	<b>437 662 870</b>	<b>-</b>	<b>386 020 870</b>	<b>847%</b>	<b>847%</b>

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
<b>FINANCIAL PERFORMANCE</b>									
<b>Revenue from Non-exchange Transactions</b>									
Property Rates	6 547 000	(1 421 000)	-	5 126 000	6 115 712	-	989 712	119%	93%
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%
<b>Revenue from Exchange Transactions</b>									
Service Charges	14 085 000	18 215 000	-	32 300 000	38 485 990	-	6 185 990	119%	273%
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	-	-	-	-	3 693 698	-	3 693 698	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	-	-	-	-	-	-	-	0.00	0.00
<b>Total Revenue</b>	<b>86 937 000</b>	<b>23 689 000</b>	<b>-</b>	<b>110 626 000</b>	<b>145 850 196</b>	<b>-</b>	<b>35 224 196</b>		
<b>Expenditure</b>									
Employee Related Costs	43 148 000	1 271 000	-	44 419 000	41 066 145	-	(3 352 855)	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	27 073 686	-	6 073 686	129%	0%
De-commissioning cost	-	-	-	-	317 380	-	317 380	0%	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	6 147 924	-	4 788 924	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	21 852 661	-	(34 580 339)	39%	71%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	344 725	-	344 725	0%	0%
<b>Total Expenditure</b>	<b>85 551 000</b>	<b>43 648 000</b>	<b>-</b>	<b>129 199 000</b>	<b>143 317 198</b>	<b>41 481 969</b>	<b>14 118 198</b>		
<b>Surplus/(Deficit)</b>	<b>1 386 000</b>	<b>(19 959 000)</b>	<b>-</b>	<b>(18 573 000)</b>	<b>2 532 998</b>	<b>(41 481 969)</b>	<b>21 105 998</b>	<b>-14%</b>	<b>183%</b>
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
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>100 000</b>	<b>(23 812 000)</b>	<b>-</b>	<b>(23 712 000)</b>	<b>2 532 998</b>	<b>(41 481 969)</b>	<b>21 105 998</b>	<b>-11%</b>	<b>2533%</b>
<b>Surplus/(Deficit for the Year)</b>	<b>100 000</b>	<b>(23 812 000)</b>	<b>-</b>	<b>(23 712 000)</b>	<b>2 532 998</b>	<b>(41 481 969)</b>	<b>21 105 998</b>		

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
<b>CAPITAL EXPENDITURE PER FUNCTION</b>									
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	-	-	-	-	5 690 893	-	5 690 893	0%	0%
<b>Total Sources of Capital Funds</b>	<b>33 126 000</b>	<b>604 000</b>	<b>-</b>	<b>33 730 000</b>	<b>35 449 360</b>	<b>-</b>	<b>1 719 360</b>		
<b>CASH FLOW</b>									
<b>Cash Flows from/(used in) Operating Activities</b>									
Cash Receipts from Ratepayers, Government and Other	124 370 000	20 522 000	-	144 892 000	122 623 097	-	(22 268 903)	85%	99%
Cash Paid to Suppliers and Employees	(78 564 000)	(15 939 000)	-	(94 503 000)	(83 943 056)	-	10 559 944	89%	107%
Dividends received	8 000	2 000	-	10 000	8 311	-	(1 689)	83%	104%
Interest received	270 000	(13 000)	-	257 000	3 811 283	-	3 554 283	1483%	1412%
Interest paid	(77 000)	(171 000)	-	(248 000)	(1 344 791)	-	(1 096 791)	542%	1746%
Transfers and Grants	(5 300 000)	62 000	-	(5 238 000)	-	-	5 238 000	0%	0%
<b>Cash Flows from/(used in) Investing Activities</b>									
Purchase of Property, Plant and Equipment	(32 736 000)	(484 000)	-	(33 220 000)	(35 449 360)	-	(2 229 360)	107%	108%
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%
<b>Cash Flows from/(used in) Financing Activities</b>									
New Loans raised	(550 000)	385 000	-	(165 000)	(2 708 678)	-	(2 543 678)	1642%	492%
Increase / (Decrease) in Consumer deposits	120 000	-	-	120 000	-	-	(120 000)	0%	0%
<b>Net Increase / (Decrease) in Cash held</b>	<b>6 821 000</b>	<b>4 364 000</b>	<b>-</b>	<b>11 185 000</b>	<b>2 996 806</b>	<b>-</b>	<b>(8 188 194)</b>		

**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	2013/14	2012/13
	R	R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>(12 552 096)</b>	<b>2 532 997</b>
<b>Revenue from Non-exchange Transactions</b>		
Property Rates	7 848 888	(989 712)
Fines	(374 540)	52 684
Licences and Permits	(132)	-
Government Grants and Subsidies Received	(42 481 442)	(32 188 798)
Public Contributions and Donations	(970 424)	(3 087 751)
<b>Revenue from Exchange Transactions</b>		
Service Charges	2 488 404	(6 185 990)
Rental of Facilities and Equipment	(3 998)	(109 688)
Interest Earned - External Investments	(169 822)	(114 585)
Interest Earned - Outstanding Debtors	(8 084 890)	(3 693 698)
Interest Income - Provisions	-	-
Dividends Received	75	1 684
Fair Value Gains	(211 931)	(40 089)
Other Revenue	3 621 163	11 131 749
Profit on sale of Livestock	(43 982)	-
<b>Expenditure</b>		
Employee Related Costs	4 230 457	(3 352 855)
Remuneration of Councillors	79 340	175 699
Depreciation and Amortisation	(2 169 853)	6 073 686
De-commissioning cost	1 375 457	317 380
Impairment Losses	16 944 982	12 279 172
Repairs and Maintenance	1 698 199	3 044 792
Finance Costs	1 879 427	1 011 791
Bulk Purchases	3 755 688	18 119 395
Contracted Services	5 234 623	4 788 924
Grants and Subsidies Paid	(2 835 280)	5 895 827
General Expenses	(6 441 443)	(34 580 339)
Loss on Disposal of Property, Plant and Equipment	298 128	344 725
<b>Net surplus/deficit per approved budget</b>	<b>(26 885 000)</b>	<b>(18 573 000)</b>

**MOHOKARE LOCAL MUNICIPALITY**

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**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 2014 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 2014**

**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 and Intangible assets**

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, 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 2014**

**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% (2013: 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% (2013: 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% (2013: 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 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 2014**

**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.

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**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.

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**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.

<b>Infrastructure</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Roads and Paving	100		20 - 100
<b><u>Significant components:</u></b>			
Road surface - Gravel	5	<b>Other</b>	
Road structural layer (access)	80	Specialist Vehicles	10
Road surface - Bituminous - Thin	7	Other Vehicles	7
Road structural layer - Collector	50	Office Equipment	4 - 7
Road structural layer - Distributor	30	Furniture and Fittings	4 - 7
Road surface - Bituminous - Med	9	Bins and Containers	4
Road surface - Bituminous - Thick	12	Specialised Plant and Equipment	10
Road surface - Concrete block	15		
Electricity	45 - 50	<b>Community</b>	
<b><u>Significant components:</u></b>			
Mini-Sub	45	Recreational Facilities	15 - 80
MV Power Transformer	45	Security	5
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.

**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

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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:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
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:

<b>Type of Financial Liabilities</b>	<b>Classification in terms of GRAP 104</b>
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

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**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.

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**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.

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**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.

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**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.

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**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.

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**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 2014**

**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 2014**

**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 purchased 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 2014**

**1. GENERAL INFORMATION**

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).

**2. INVENTORIES**

	<b>2014</b>	<b>2013</b>
	R	R
Maintenance Materials - at cost	223 527	219 398
Spare Parts - at cost	544 051	418 925
Water - at cost	23 145	18 776
Inventories	<b>790 723</b>	<b>657 099</b>
Properties held for transfer	27 640 500	27 640 500
<b>Total Inventories</b>	<b>29 221 947</b>	<b>28 954 697</b>
Consumable Inventory Expensed during the financial period	990 013	973 782

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

Erven held for transfer are properties owned by the Municipality wherefore the ownership will be transferred to new owners. These erven relate mainly to the RDP housing project implemented by the Government.

The cost of water production for the year amounted to R2,53 per kilolitre (2013: R2.53 per kilolitre) in Zastron, R3,02 per kilolitre (2013: R3.02 per kilolitre) in Rouxville and R7,13 per kilolitre (2013: R7.13 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
<b>As at 30 June 2014</b>			
Service Debtors:	63 833 233	61 535 003	2 298 229
Electricity	771 770	220 415	551 355
Refuse	14 296 840	14 109 863	186 977
Sewerage	18 965 204	18 295 841	669 363
Water	29 799 419	28 908 884	890 535
Other Receivables	17 797 303	17 632 076	165 227
Housing	1 090 630	974 540	116 090
Other Debtors	16 706 673	16 657 536	49 137
<b>Total Receivables from Exchange Transactions</b>	<b>81 630 536</b>	<b>79 167 080</b>	<b>2 463 457</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
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	345 993
Housing	871 237	632 614	238 624
Other Debtors	17 437 347	17 329 979	107 368
<b>Total Receivables from Exchange Transactions</b>	<b>73 320 075</b>	<b>70 845 752</b>	<b>2 474 324</b>

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 2014, the municipality is owed R25 156 896 (30 June 2013: R1 080 875) 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 2014**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	27	27	27	771 688	771 770
Less: Provision for Impairment	27	27	27	220 333	220 415
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>551 355</b>	<b>551 355</b>
<b>Refuse:</b>					
Gross Balances	338 276	328 350	321 150	13 309 065	14 296 840
Less: Provision for Impairment	307 134	313 656	308 174	13 180 899	14 109 863
<b>Net Balances</b>	<b>31 142</b>	<b>14 694</b>	<b>12 976</b>	<b>128 166</b>	<b>186 977</b>
<b>Sewerage:</b>					
Gross Balances	504 232	491 653	462 532	17 506 788	18 965 204
Less: Provision for Impairment	410 767	425 253	415 857	17 043 965	18 295 841
<b>Net Balances</b>	<b>93 465</b>	<b>66 400</b>	<b>46 675</b>	<b>462 823</b>	<b>669 363</b>
<b>Water:</b>					
Gross Balances	1 115 937	966 562	805 369	26 911 551	29 799 419
Less: Provision for Impairment	903 270	906 942	767 558	26 331 114	28 908 884
<b>Net Balances</b>	<b>212 667</b>	<b>59 620</b>	<b>37 811</b>	<b>580 437</b>	<b>890 535</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Other Receivables:**

Gross Balances	154 791	121 538	119 498	17 401 475	17 797 303
Less: Provision for Impairment	139 642	111 222	110 804	17 270 408	17 632 076
<b>Net Balances</b>	<b>15 149</b>	<b>10 316</b>	<b>8 694</b>	<b>131 067</b>	<b>165 227</b>

As at 30 June 2014 Receivables of R2 111 034 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	1 908 130	1 708 577	75 900 567	79 517 274
Less: Provision for Impairment	1 757 100	1 602 421	74 046 719	77 406 240
<b>Net Balances</b>	<b>151 030</b>	<b>106 156</b>	<b>1 853 848</b>	<b>2 111 034</b>

**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
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 035 742</b>	<b>1 035 742</b>

**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
<b>Net Balances</b>	<b>2 034</b>	<b>1 567</b>	<b>1 641</b>	<b>21 270</b>	<b>26 512</b>

**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
<b>Net Balances</b>	<b>145 267</b>	<b>86 351</b>	<b>57 995</b>	<b>384 268</b>	<b>673 881</b>

**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
<b>Net Balances</b>	<b>86 019</b>	<b>46 144</b>	<b>41 210</b>	<b>218 822</b>	<b>392 196</b>

**Other Receivables:**

Gross Balances	103 586	149 088	142 928	17 912 983	18 308 585
Less: Provision for Impairment	92 193	138 451	137 568	17 594 380	17 962 592
<b>Net Balances</b>	<b>11 393</b>	<b>10 637</b>	<b>5 360</b>	<b>318 603</b>	<b>345 993</b>

As at 30 June 2013 Receivables of R2 229 610 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	66 728 865	69 886 109
Less: Provision for Impairment	1 472 755	1 433 583	64 750 160	67 656 498
<b>Net Balances</b>	<b>144 699</b>	<b>106 207</b>	<b>1 978 705</b>	<b>2 229 610</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2014</b>				
<i>Current:</i>				
0 - 30 days	1 030 653	102 699	681 868	298 042
<i>Past Due:</i>				
31 - 60 Days	974 580	71 383	634 505	227 663
61 - 90 Days	887 656	71 948	551 983	196 990
+ 90 Days	37 347 069	5 852 847	23 288 541	9 412 109
Sub-total	40 239 958	6 098 878	25 156 896	10 134 804
Less: Provision for Impairment	39 525 541	5 791 234	23 843 638	10 006 666
<b>Total Trade Receivables by Customer Classification</b>	<b>714 417</b>	<b>307 644</b>	<b>1 313 258</b>	<b>128 138</b>
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>As at 30 June 2013</b>				
<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	67 936 896	4 276 231	1 080 875	26 074
Less: Provision for Impairment	66 765 749	4 055 619	-	24 385
<b>Total Trade Receivables by Customer Classification</b>	<b>1 171 147</b>	<b>220 612</b>	<b>1 080 875</b>	<b>1 689</b>
			<b>2014</b>	<b>2013</b>
			R	R

**3.3 Reconciliation of the Provision for Impairment**

Balance at beginning of year	70 845 752	66 679 115
<i>All Consumer Debtors</i>	70 845 752	66 679 115
Impairment Losses recognised - Including VAT	23 739 502	16 179 823
<i>All Consumer Debtors</i>	23 739 502	16 179 823
Amounts written off as uncollectable	(15 418 174)	(12 013 186)
<i>All Consumer Debtors</i>	(15 418 174)	(12 013 186)
<b>Balance at end of year</b>	<b>79 167 080</b>	<b>70 845 752</b>

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 2014**

**3.4 Ageing of impaired Receivables from Exchange Transactions**

	2014 R	2013 R
<i>Current:</i>		
0 - 30 Days	1 760 840	3 189 253
<i>Past Due:</i>		
31 - 60 Days	1 757 100	1 472 755
61 - 90 Days	1 602 421	1 433 583
+ 90 Days	74 046 719	64 750 160
<b>Total</b>	<b>79 167 080</b>	<b>70 845 752</b>

**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
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	7 629 180	6 980 116	649 064
<b>Total Receivables from Non-exchange Transactions</b>	<b>7 629 180</b>	<b>6 980 116</b>	<b>649 064</b>
<b>As at 30 June 2013</b>			
Assessment Rates Debtors	7 061 149	6 275 779	785 370
<b>Total Receivables from Non-exchange Transactions</b>	<b>7 061 149</b>	<b>6 275 779</b>	<b>785 370</b>

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 2014**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	48 562	51 484	47 548	7 481 586	7 629 180
Less: Provision for Impairment	42 292	46 503	42 669	6 848 652	6 980 116
<b>Net Balances</b>	<b>6 270</b>	<b>4 981</b>	<b>4 879</b>	<b>632 934</b>	<b>649 064</b>

As at 30 June 2014 Receivables of R642 794 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	
<b>All Receivables:</b>				
Gross Balances	51 484	47 548	7 481 586	7 580 618
Less: Provision for Impairment	46 503	42 669	6 848 652	6 937 824
<b>Net Balances</b>	<b>4 981</b>	<b>4 879</b>	<b>632 934</b>	<b>642 794</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
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
<b>Net Balances</b>	<b>9 365</b>	<b>9 658</b>	<b>9 919</b>	<b>756 427</b>	<b>785 370</b>

As at 30 June 2013 Receivables of R776 004 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	
<b>All Receivables:</b>				
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
<b>Net Balances</b>	<b>9 658</b>	<b>9 919</b>	<b>756 427</b>	<b>776 004</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household
	R
<b>As at 30 June 2014</b>	
<u>Current:</u>	
0 - 30 days	48 562
<u>Past Due:</u>	
31 - 60 Days	51 484
61 - 90 Days	47 548
+ 90 Days	7 481 586
Sub-total	7 629 180
Less: Provision for Impairment	6 980 116
<b>Total Rates Debtors by Customer Classification</b>	<b>649 064</b>

	Household
	R
<b>As at 30 June 2013</b>	
<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
<b>Total Rates Debtors by Customer Classification</b>	<b>785 370</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>4.3 Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	6 275 779	6 597 107
<i>Assessment Rates Debtors</i>	6 275 779	6 597 107
Impairment Losses recognised	977 540	(782)
<i>Assessment Rates Debtors</i>	977 540	(782)
Amounts written off as uncollectable	(273 203)	(320 546)
<i>Assessment Rates Debtors</i>	(273 203)	(320 546)
<b>Balance at end of year</b>	<b>6 980 116</b>	<b>6 275 779</b>
<b>4.4 Sundry Debtors</b>		
Traffic fines	1 004 996	1 273 906
Payments made in advance	617 850	-
Other Sundry Debtors	10	939 067
	387 136	334 839
<b>5. VAT RECEIVABLE / (PAYABLE)</b>		
Vat Payable.	(1 885 946)	(3 192 755)
Vat Receivable.	6 428 659	8 401 901
Vat Receivable / (Payable)	<b>4 542 713</b>	<b>5 209 146</b>
<p>The Municipality is registered on the payment basis, therefore input and output VAT is declared based on the cashflow of the Municipality.</p> <p>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.</p>		
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	163 083	276 607
Bank Accounts	163 951	10 287
Bank Overdraft	(2 076 232)	(86 319)
Cash and Cash Equivalents	1 180	1 180
<b>Total Bank, Cash and Cash Equivalents</b>	<b>(1 748 018)</b>	<b>201 754</b>
<p>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.</p>		
<b>6.1 Current Investment Deposits</b>		
Call Deposits	163 083	276 607
Deposits available for Operations	163 083	276 607
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>163 083</b>	<b>276 607</b>
<b>6.2 Bank Accounts</b>		
Cash in Bank	163 951	10 287
Bank Overdraft	(2 076 232)	(86 319)
<b>Total Bank Accounts</b>	<b>(1 912 281)</b>	<b>(76 032)</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

The Municipality has the following bank accounts:

	2014 R	2013 R
<b>Primary Bank Account</b>		
<i>ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:</i>		
Cash book balance at beginning of year	(86 319)	(3 085 214)
Cash book balance at end of year	<u>(2 076 232)</u>	<u>(86 319)</u>
Bank statement balance at beginning of year	55 885	610 138
Bank statement balance at end of year	<u>(2 174 706)</u>	<u>55 885</u>
<b>Other Bank Accounts</b>		
<i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i>		
Cash book balance at beginning of year	526	730
Cash book balance at end of year	<u>(137)</u>	<u>526</u>
Bank statement balance at beginning of year	526	730
Bank statement balance at end of year	<u>(137)</u>	<u>526</u>
<i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i>		
Cash book balance at beginning of year	5 549	8 711
Cash book balance at end of year	<u>81 007</u>	<u>5 549</u>
Bank statement balance at beginning of year	5 549	8 711
Bank statement balance at end of year	<u>81 007</u>	<u>5 549</u>
<i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i>		
Cash book balance at beginning of year	4 212	6 768
Cash book balance at end of year	<u>83 081</u>	<u>4 212</u>
Bank statement balance at beginning of year	4 212	6 768
Bank statement balance at end of year	<u>83 202</u>	<u>4 212</u>

An amount of R6 072 722 (2013: R12 885 049) is attributable to Unspent Conditional Grants.

At year end the municipality had an unpaid overdraft facility to an amount of R2 174 706 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
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>1 180</b></u>	<u><b>1 180</b></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 2014**

**7 PROPERTY, PLANT AND EQUIPMENT**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Assets under Finance-Leases	Total
	R	R	R	R	R	R
<b>Carrying values at 1 July 2013</b>	<b>17 246 913</b>	<b>368 006 027</b>	<b>52 700 663</b>	<b>8 031 881</b>	<b>154 639</b>	<b>446 140 123</b>
Cost	38 506 302	647 006 328	124 468 940	12 436 359	1 291 611	823 709 541
- Completed Assets	38 506 302	582 393 041	122 020 566	12 436 359	1 291 611	756 647 879
- Under Construction	-	64 613 288	2 448 374	-	-	67 061 662
Accumulated Impairment Losses	(137 214)	-	-	(17 127)	-	(154 341)
Accumulated De-commissioning	-	-	(2 393 873)	-	-	(2 393 873)
Accumulated Depreciation:	(21 122 176)	(279 000 302)	(69 374 404)	(4 387 351)	(1 136 972)	(375 021 204)
- Cost	(21 122 176)	(279 000 302)	(69 374 404)	(4 387 351)	(1 136 972)	(375 021 204)
Acquisitions	-	7 556	-	2 703 108	844 509	3 555 173
Re-assessment of Landfill Provision	-	-	2 701 698	-	-	2 701 698
Capital under Construction - Completed:	-	34 010 666	2 555 621	-	-	36 566 287
Capital under Construction - Additions:	2 672 317	27 778 757	107 247	-	-	30 558 322
- Cost	2 672 317	27 778 757	107 247	-	-	30 558 322
Depreciation:	(306 324)	(21 842 223)	(1 472 389)	(1 925 116)	(236 095)	(25 782 147)
- Based on Cost	(306 324)	(21 842 223)	(1 472 389)	(1 925 116)	(236 095)	(25 782 147)
De-Commissioning costs	-	-	(1 375 457)	-	-	(1 375 457)
Carrying value of Disposals:	-	-	-	(298 128)	-	(298 128)
- Cost	-	-	-	(1 248 566)	-	(1 248 566)
- Accumulated Depreciation	-	-	-	949 910	-	949 910
- Accumulated Impairments	-	-	-	529	-	529
Other Movements	-	-	-	(245 747)	-	(245 747)
- Impairment Losses	-	-	-	(245 747)	-	(245 747)
<b>Carrying values at 30 June 2014</b>	<b>19 612 906</b>	<b>373 950 116</b>	<b>52 661 762</b>	<b>8 265 998</b>	<b>763 053</b>	<b>455 253 835</b>
Cost	41 178 619	674 792 641	127 277 885	13 890 901	2 136 120	859 276 166
- Completed Assets	38 506 302	570 360 704	127 277 885	13 890 901	2 136 120	798 222 470
- Under Construction	2 672 317	58 381 379	-	-	-	61 053 696
Accumulated Impairment Losses	(137 214)	-	-	(262 346)	-	(399 559)
Accumulated De-commissioning	-	-	(3 769 330)	-	-	(3 769 330)
Accumulated Depreciation:	(21 428 499)	(300 842 525)	(70 846 793)	(5 362 557)	(1 373 067)	(399 853 441)
- Cost	(21 428 499)	(300 842 525)	(70 846 793)	(5 362 557)	(1 373 067)	(399 853 441)

**30 June 2013**

Description	Land and Buildings	Infra-structure	Community	Other	Assets under Finance-Leases	Total
	R	R	R	R	R	R
<b>Carrying values at 1 July 2012</b>	<b>18 070 247</b>	<b>359 205 827</b>	<b>55 175 721</b>	<b>6 612 194</b>	<b>338 078</b>	<b>439 402 067</b>
Cost	38 506 302	617 241 753	122 978 952	10 006 458	1 291 611	790 025 076
- Completed Assets	38 506 302	570 360 704	122 978 952	10 006 458	1 291 611	743 144 027
- Under Construction	-	46 881 049	-	-	-	46 881 049
Accumulated Impairment Losses	(137 214)	-	-	-	-	(137 214)
Accumulated De-commissioning	-	-	(2 076 493)	-	-	(2 076 493)
Accumulated Depreciation:	(20 298 841)	(258 035 926)	(65 726 738)	(3 394 265)	(953 533)	(348 409 303)
- Cost	(20 298 841)	(258 035 926)	(65 726 738)	(3 394 265)	(953 533)	(348 409 303)
Acquisitions	-	-	390 337	3 236 411	-	3 626 748
Capital donations received	-	-	1 000 000	-	-	1 000 000
Capital under Construction - Completed:	-	12 032 337	-	-	-	12 032 337
Capital under Construction - Additions:	-	29 764 576	2 448 374	-	-	32 212 950
- Cost	-	29 764 576	2 448 374	-	-	32 212 950
Depreciation:	(823 334)	(20 964 376)	(3 647 666)	(1 454 871)	(183 439)	(27 073 686)
- Based on Cost	(823 334)	(20 964 376)	(3 647 666)	(1 454 871)	(183 439)	(27 073 686)
De-Commissioning costs	-	-	(317 380)	-	-	(317 380)
Carrying value of Disposals:	-	-	(2 348 723)	(344 725)	-	(2 693 448)
- Cost	-	-	-	(806 510)	-	(806 510)
- Re-assessment of Landfill Provision	-	-	(2 348 723)	-	-	(2 348 723)
- Accumulated Depreciation	-	-	-	461 785	-	461 785
- Based on Cost	-	-	-	461 785	-	461 785
Other Movements	-	-	-	(17 127)	-	(17 127)
- Accumulated Impairment Losses	-	-	-	(17 127)	-	(17 127)
<b>Carrying values at 30 June 2013</b>	<b>17 246 913</b>	<b>368 006 027</b>	<b>52 700 663</b>	<b>8 031 881</b>	<b>154 639</b>	<b>446 140 123</b>
Cost	38 506 302	647 006 328	124 468 940	12 436 359	1 291 611	823 709 541
- Completed Assets	38 506 302	582 393 041	122 020 566	12 436 359	1 291 611	756 647 879
- Under Construction	-	64 613 288	2 448 374	-	-	67 061 662
Accumulated Impairment Losses	(137 214)	-	-	(17 127)	-	(154 341)
Accumulated De-commissioning	-	-	(2 393 873)	-	-	(2 393 873)
Accumulated Depreciation:	(21 122 176)	(279 000 302)	(69 374 404)	(4 387 351)	(1 136 972)	(375 021 204)
- Cost	(21 122 176)	(279 000 302)	(69 374 404)	(4 387 351)	(1 136 972)	(375 021 204)

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

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 2014**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)	2014 R	2013 R
<b>7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
At Original Cost:		
Land and Buildings	8 179 736	8 179 736
Moveable assets	2 859 093	554 627
<b>Gross Carrying Amount of PPE fully depreciated and still in use</b>	<b>11 038 829</b>	<b>8 734 363</b>

**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 R245 747 (2013: R17 127) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2013/14 financial period..

Other Assets: Office Equipment	(245 747)	(17 127)
<b>Total Impairment of Property, Plant and Equipment</b>	<b>(245 747)</b>	<b>(17 127)</b>

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:

<b>Carrying values at 1 July</b>	<b>17 746 665</b>	<b>17 746 665</b>
Fair Value	17 746 665	17 746 665
Net Gains / (Losses) from Fair Value Adjustments	-	-
<b>Carrying values at 30 June</b>	<b>17 746 665</b>	<b>17 746 665</b>
Fair Value	17 746 665	17 746 665
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>17 746 665</b>	<b>17 746 665</b>

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

Rental Revenue earned from Investment Property	422 734	300 613
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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%
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**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 2014**

**9. BIOLOGICAL ASSETS**

	2014 R	2013 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>240 031</b>	<b>326 970</b>

The movement in Biological Assets is reconciled as follows:

	Cattle	Horses	Total
<b>Carrying values at 1 July 2013</b>	<b>312 310</b>	<b>14 660</b>	<b>326 970</b>
Fair Value	312 310	14 660	326 970
Acquisitions during the Year (Calves born)	63 428	1 500	64 928
Gains from Changes in Fair Value	113 911	340	114 251
Losses during the Year	(46 441)	(3 000)	(49 441)
Disposals during the Year:	(208 500)	-	(208 500)
Decreases due to consumption	(8 177)	-	(8 177)
Losses from Changes in Fair Value	-	-	-
	226 531	13 500	240 031
<b>Carrying values at 30 June 2014</b>	<b>226 531</b>	<b>13 500</b>	<b>240 031</b>
Fair Value	226 531	13 500	240 031
	Cattle	Horses	Total
<b>Carrying values at 1 July 2012</b>	<b>539 850</b>	<b>14 630</b>	<b>554 480</b>
Fair Value	539 850	14 630	554 480
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)
	312 310	14 660	326 970
<b>Carrying values at 30 June 2013</b>	<b>312 310</b>	<b>14 660</b>	<b>326 970</b>
Fair Value	312 310	14 660	326 970

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. 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:**

Open market prices

**9.2 Non-financial Information**

	2014	2013
Quantities of each Biological Asset:		
Cattle	46	101
Horses	9	10

**10. INVESTMENTS**

**Unlisted**

Local Authority Stock	285 604	187 924
	<b>285 604</b>	<b>187 924</b>

**Total Investments**

All Investments	285 604	187 924
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**Total Investments**

	<b>285 604</b>	<b>187 924</b>
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**Council's valuation of Unlisted Investments**

Local Authority Stock	285 604	187 924
	<b>285 604</b>	<b>187 924</b>

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 Ordinary Shares valued at R10.72 (2013: R7.50) per share and 13 731 Holding Shares valued at R10.50 (2013: R6.48) 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 2014**

11. CONSUMER DEPOSITS	2014 R	2013 R
Electricity, Water and other	615 562	213 657
<b>Total Consumer Deposits</b>	<b>615 562</b>	<b>213 657</b>

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	24 594 775	13 263 427
Payments received in Advance	3 787 340	3 319 389
Staff Bonuses	1 200 503	941 238
Staff Leave Accrued	2 983 757	2 250 510
Staff Salaries & Third Parties	12 045 360	7 972 303
Water treatment grant paid to Mohokare in error	2 711 899	2 711 899
Other Creditors	-	119 770
<b>Total Creditors</b>	<b>47 323 634</b>	<b>30 578 537</b>

**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 should be 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. The Municipality have negotiated terms of payment with certain of its long outstanding trade creditors.

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	6 072 722	12 855 049
	6 072 722	12 855 049
<b>Total Conditional Grants and Receipts</b>	<b>6 072 722</b>	<b>12 855 049</b>

See Note 18 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 2014**

14. LONG-TERM LIABILITIES	2014 R	2013 R
Finance Lease Liabilities	733 315	151 879
Government Loans	1 176 342	1 300 844
Other Loans (Centlec Capital Loans)	988 848	1 105 150
Centlec Payable	10 267 281	5 778 087
Sub-total	13 165 786	8 335 960
Less: Current Portion transferred to Current Liabilities:-	408 795	273 575
Finance Lease Liabilities	271 411	151 878
Government Loans	137 384	121 697
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>12 756 991</b>	<b>8 062 385</b>

**14.1 Summary of Arrangements**

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years, vehicles purchased with a term of 5 years and Cellphone devices with a lease term of 2 years. The effective interest rate on Finance Leases is between 8% and 11% (2013: 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 a zero interest rate. 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 and Cellphone devices with lease terms not more than 1 year (2013: 3 years) and the purchase of vehicles with a lease term not more than 5 years. The effective interest rate on Finance Leases is between 8% and 11% (2013: 8% and 11%).

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	
	2014 R	2013 R	2014 R	2013 R
<b>Amounts payable under finance leases:</b>				
Within one year	320 540	160 632	320 540	160 632
In the second to fifth years, inclusive	495 960	-	495 960	-
Over five years	-	-	-	-
	816 499	160 632	816 499	160 632
Less: Future Finance Obligations	(83 184)	(8 754)	(83 184)	(8 754)
<b>Present Value of Minimum Lease Obligations</b>	<b>733 315</b>	<b>151 878</b>	<b>733 315</b>	<b>151 878</b>
Less: Amounts due for settlement within 12 months (Current Portion)			(271 411)	(151 878)
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<b>461 904</b>	<b>-</b>

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

- Office Equipment
- Vehicles

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Included in these classes are the following significant leases:

	2014 R	2013 R
(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) ABSA Vehicle Financing (5 vehicles)		
- Installments are payable monthly in advance		
- Average period outstanding	36 months	
- Average effective interest rate, based on prime	9.00%	
- Average monthly installment	R 23 175.00	

**14.3 Operating Leases**

The municipality has an operating lease agreement for the rental of the Mayor's vehicle with the Free State Provincial Garage.

- Monthly charges are based on km's travelled and a fixed daily tariff of R1 024.
- No confirmation was received from FSPG in 2013.

	<b>Minimum Operating Lease Payments</b>	
	2014 R	2013 R
Within one year	67 808	-
In the second to fifth years, inclusive	-	-
Over five years	-	-
	<b>67 808</b>	<b>-</b>

**15. PROVISIONS**

**Non-Current Provisions**

Provision for Rehabilitation of Land-fill Sites

16 490 654	12 997 706
<b>16 490 654</b>	<b>12 997 706</b>

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

	<b>Land-fill Sites</b> R	<b>Total</b> R
<b>30 June 2014</b>		
Balance at beginning of year	12 997 706	12 997 706
Contributions to provision	791 250	791 250
Increase due to re-measurement	2 701 698	2 701 698
	<b>16 490 654</b>	<b>16 490 654</b>
<b>Balance at end of year</b>	<b>16 490 654</b>	<b>16 490 654</b>
	<b>Land-fill Sites</b> R	<b>Total</b>
<b>30 June 2013</b>		
Balance at beginning of year	14 956 091.95	14 956 092
Decrease due to re-measurement	(1 958 386)	(1 958 386)
	<b>12 997 706</b>	<b>12 997 706</b>
<b>Balance at end of year</b>	<b>12 997 706</b>	<b>12 997 706</b>

**15.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R18.8 million to restore the sites at the end of its useful life, estimated to be in 2021 for the Matlakeng site, 2031 for the Rouxville and Smithfield sites and 2015 for the Zastron site. 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 2014**

**16. ACCUMULATED SURPLUS**

	2014 R	2013 R
<b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b>		
Accumulated Surplus / (Deficit) due to the results of Operations	425 110 774	437 662 870
<b>Total Accumulated Surplus</b>	<b>425 110 774</b>	<b>437 662 870</b>

*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 PPE - Note 34.4
- Restatement of Centlec Payable - Note 34.5
- Restatement of Payables - Note 34.6
- Restatement of VAT receivable- Note 34.7
- Restatement of Properties held for Transfer- Note 34.8
- Restatement of Provision for rehabilitation of Landfill sites- Note 34.9

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 2014	July 2013	July 2014	July 2013
	R000's	R000's		
Residential	299 182	299 182	3 687 679	3 423 927
Commercial	58 595	58 595	540 759	442 913
Agricultural	2 307 525	2 307 525	3 471 329	3 171 478
State	204 314	204 314	81 950	99 688
Rates Rebates			(1 726 605)	(1 022 294)
<b>Total Property Rates</b>	<b>2 869 615</b>	<b>2 869 615</b>	<b>6 055 112</b>	<b>6 115 712</b>

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.

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

- Residential Properties: 0,6709 c/R (2012/13: 0,6099 c/R)
- Commercial Properties: 0,9089 c/R (2012/13: 0,8263 c/R)
- State Properties: 0,3172 c/R (2012/13: 0,2884 c/R)
- Agricultural Properties: 0,1449 c/R (2012/13: 0,1317 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 2014**

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED	2014 R	2013 R
National Equitable Share	51 873 000	51 002 000
<b>Operational Grants</b>	<b>51 873 000</b>	<b>51 002 000</b>
<b>Conditional / Unconditional Grants</b>	<b>42 455 403</b>	<b>42 032 188</b>
National: FMG	1 650 000	1 500 000
National: MIG	17 887 000	18 840 000
National: MSIG	890 000	800 000
National: RBIG	16 933 222	12 882 988
National: INEPG	-	2 000 000
GOGTA Grant	2 775 000	5 009 200
LG SETA	320 181	-
Expanded Public Works Programme	1 000 000	1 000 000
National: MWIG	1 000 000	-
<b>Total Government Grants and Subsidies</b>	<b>94 328 403</b>	<b>93 034 188</b>
<b>Government Grants and Subsidies:</b>		
Conditional Grants - Capital	35 820 222	35 956 988
Conditional Grants - Operational	6 635 181	6 075 200
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	51 873 000	51 002 000
<b>Total Government Grants and Subsidies</b>	<b>94 328 403</b>	<b>93 034 188</b>
<b>Summary of Transfers:</b>		
Conditions met - transferred to Revenue: Operating Expenses	59 274 442	57 346 742
Conditions met - transferred to Revenue: Capital Expenses	34 746 049	34 913 057
Centlec Electrification Grant	585 951	-
<b>Total Transfers</b>	<b>94 606 442</b>	<b>92 259 798</b>
 <b>18.1 National: Equitable Share (Unconditional)</b>	 <b>51 873 000</b>	 <b>51 002 000</b>

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. R7 million was withheld in the financial period ended 30 June 2014. An amount of R44,873 million was paid to Mohokare during the financial period ended 30 June 2014.

**18.2 National: FMG Grant (Conditional)**

Balance unspent at beginning of year	-	-
Current year receipts	1 650 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 650 000)	(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	12 039 610
Current year receipts	17 887 000	18 840 000
Roll-over withheld on Equitable share	(7 000 000)	-
Conditions met - transferred to Revenue: Operating Expenses	(327 675)	(110 597)
Conditions met - transferred to Revenue: Capital Expenses	(17 559 325)	(18 729 403)
Conditions met - transferred to Deferred Revenue	(90 439)	-
Conditions still to be met - transferred to Liabilities	4 949 172	12 039 610

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. Expenditures were also incurred that met the conditions of the MIG conditional grant which were transferred to deferred grant revenue.

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**18.4 National: MSIG Funds (Conditional)**

	2014 R	2013 R
Balance unspent at beginning of year	-	-
Current year receipts	890 000	800 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(890 000)	(800 000)
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	16 933 222	12 882 988
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(17 186 725)	(12 882 988)
Conditions met - Receivable in the 2014-15 financial period	<u>(253 503)</u>	<u>-</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of water infrastructure. Balance of the allocated funds claimable in the 2014-15 financial period - R3 966 778

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

Balance unspent at beginning of year	-	41 049
Current year receipts	-	2 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(2 041 049)
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</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	1 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(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 creation of job opportunities. No funds have been withheld.

**18.8 Municipal Water Infrastructure Grant (MWIG)**

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

This grant was received to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

**18.8 COGTA Grant (Unconditional)(Management salaries)**

Balance unspent at beginning of year	2 081 400	2 081 400
Current year receipts	2 775 000	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>2 081 200</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 2014**

**18.9 COGTA Grant (Conditional) (Vehicles & Equipment)**

	2014 R	2013 R
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	815 439	-
Current year receipts	-	1 111 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(438 386)	(158 945)
Conditions met - transferred to Revenue: Capital Expenses	-	(136 616)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>377 053</u>	<u>815 439</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 LG SETA training grant (Unconditional)**

Balance unspent at beginning of year	-	-
Current year receipts	320 181	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-320 181	-
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 utilised for the training and schooling of staff. No funds have been withheld.

**18.12 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	970 424	2 087 751
Daycare centre donated	-	1 000 000
<b>Total Public Contributions and Donations</b>	<u>970 424</u>	<u>3 087 751</u>

**20. SERVICE CHARGES**

Sale of Electricity	19 683 112	20 657 642
Sale of Water	9 877 534	7 496 769
Refuse Removal	4 329 181	4 001 820
Sewerage and Sanitation Charges	6 700 311	6 079 513
Connection Fees	375 457	250 246
<b>Total Service Charges</b>	<u>40 965 596</u>	<u>38 485 990</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. Connection Fees are in respect of once off connection charges.

**21. RENTAL OF FACILITIES AND EQUIPMENT**

Operating Lease Rental Revenue:		
- Investment Property	422 734	300 613
Rental Revenue from Buildings	133 970	20 484
Rental Revenue from Halls	18 112	13 579
Rental Revenue from Other Facilities	182	120 013
<b>Total Rental of Facilities and Equipment</b>	<u>574 998</u>	<u>454 688</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 2014**

22. INTEREST EARNED	2014	2013
	R	R
<b>External Investments:</b>		
Bank Account	66 720	4 673
Investments	109 101	82 835
Centlec Interest received	-	30 077
	<u>175 822</u>	<u>117 585</u>
 <b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	8 084 890	3 693 698
	<u>8 084 890</u>	<u>3 693 698</u>
 <b>Total Interest Earned</b>	<u>8 260 711</u>	<u>3 811 283</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Non-Current Investments	175 822	117 585
Loans and Receivables	8 084 890	3 693 698
	<u>8 260 711</u>	<u>3 811 283</u>

**23. OTHER REVENUE**

Building Plan Fees	1 673	1 269
Cemetery Fees	48 614	43 969
Pound Fees	-	80
Commission on collections	57 828	75 694
Rates Certificates	27 041	26 715
Cattle additions	64 928	-
Cancellation of Lease contract	-	540 955
Sundry Income	764 752	838 569
<b>Total Other Revenue</b>	<u>964 837</u>	<u>1 527 251</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 2014**

24. EMPLOYEE RELATED COSTS	2014 R	2013 R
Employee Related Costs - Salaries and Wages	33 465 699	27 557 734
Basic Salaries and Wages	32 561 655	27 492 304
Contribution to Leave Fund	904 044	65 430
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund	8 933 417	6 980 546
Medical	2 257 050	1 664 532
Pension	5 894 074	4 664 275
Bonus fund	-	19 000
Industrial Council Levy	31 903	18 296
Skills Development Levy	394 572	323 903
UIF	355 817	290 539
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 780 836	1 942 995
Allowances	2 780 836	1 942 995
Housing Benefits and Allowances	48 573	31 588
Overtime Payments	2 674 151	2 257 327
Annual Bonuses	2 598 819	2 170 637
Temporary Employees - Salaries and Wages	200 648	125 319
EPWP Employees	2 064 315	-
<b>Total Employee Related Costs</b>	<b>52 766 457</b>	<b>41 066 145</b>
No advances were made to employees.		
<b>Remuneration of Section 57 Employees:</b>		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	604 988	528 335
Travel Allowance	267 000	267 000
Company Contributions to UIF, Medical and Pension Funds	156 804	138 337
Other	-	6 997
<b>Total</b>	<b>1 028 792</b>	<b>940 669</b>
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	400 237	532 072
Annual Bonus	29 425	180 000
Company Contributions to UIF, Medical and Pension Funds	5 820	21 012
Acting Allowance	124 158	-
Other	-	4 888
<b>Total</b>	<b>559 641</b>	<b>737 972</b>
The post was vacant during July 2013 until December 2013. The Acting Allowance that was paid for the period is included in the above costs..		
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	293 506	257 072
Annual Bonus	25 522	21 476
Travel Allowances	67 000	60 000
Company Contributions to UIF, Medical and Pension Funds	89 670	75 183
Long service award	-	9 631
Other	-	3 447
<b>Total</b>	<b>475 698</b>	<b>426 809</b>
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	436 497	396 817
Travel Allowances	150 000	150 000
Company Contributions to UIF, Medical and Pension Funds	116 475	97 321
Other	-	5 203
<b>Total</b>	<b>702 972</b>	<b>649 341</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	R	R
<b>Remuneration of the Manager: Technical Services</b>		
Annual Remuneration	581 410	546 068
Re-Imbursive Travel Allowances	51 912	-
Company Contributions to UIF, Medical and Pension Funds	112 231	98 812
Acting allowance	27 768	-
Other	-	5 130
<b>Total</b>	<b>773 321</b>	<b>650 010</b>

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

**25. REMUNERATION OF COUNCILLORS**

Mayor - Ms AM Shasha	374 690	385 183
Chief Whip - Mr RJ Thuhlo	165 725	162 676
Councillors	1 403 021	1 411 970
Company Contributions to SDL, Medical and Pension Funds	337 864	225 129
Medical Aid	131 910	36 453
Pension Fund	178 636	162 544
Skills Development Levy	27 318	26 132
Other Allowances (Cellular Phones, Housing, Transport, etc)	784 040	659 741
Housing Subsidy	151 115	147 176
Telephone Allowance	229 550	140 076
Travelling Allowance	403 375	372 489
<b>Total Councillors' Remuneration</b>	<b>3 065 340</b>	<b>2 844 699</b>

**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	25 782 147	27 073 686
<b>Total Depreciation and Amortisation</b>	<b>25 782 147</b>	<b>27 073 686</b>

**27. IMPAIRMENT LOSSES**

**27.1 Impairment Losses on Fixed Assets**

<b>Impairment Losses Recognised:</b>	245 747	17 127
Property, Plant and Equipment	245 747	17 127
	<b>245 747</b>	<b>17 127</b>

**27.2 Impairment Losses on Financial Assets**

<b>Impairment Losses Recognised:</b>	22 309 235	14 192 045
Receivables from Exchange Transactions (Exclusive of VAT)	20 889 088	14 192 827
Write-off of Indigent debtors (Centlec)	312 156	-
Receivables from Non-exchange Transactions	977 540	(782)
Traffic fines	130 450	-
	<b>22 309 235</b>	<b>14 192 045</b>

<b>Total Impairment Losses</b>	<b>22 554 982</b>	<b>14 209 172</b>
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**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

28. FINANCE COSTS	2014	2013
	R	R
DBSA Loan	148 707	161 516
Creditors Overdue	1 107 756	898 880
Finance Leases	32 581	45 948
Landfill Provision	791 250	-
Bank overdraft	618	-
Finance costs incurred by Centlec	110 515	238 448
	<hr/>	<hr/>
Total Interest Expense	2 191 427	1 344 791
<b>Total Interest Paid on External Borrowings</b>	<b><u>2 191 427</u></b>	<b><u>1 344 791</u></b>
29. BULK PURCHASES		
Electricity (Centlec)	19 755 688	18 119 395
	<hr/>	<hr/>
<b>Total Bulk Purchases</b>	<b><u>19 755 688</u></b>	<b><u>18 119 395</u></b>
30. CONTRACTED SERVICES		
Professional Fees	5 226 430	5 384 062
Security Services	167 194	763 862
	<hr/>	<hr/>
<b>Total Contracted Services</b>	<b><u>5 393 623</u></b>	<b><u>6 147 924</u></b>
31. GRANTS AND SUBSIDIES PAID		
Free Basic Services	3 014 720	6 950 602
Sport Events	-	1 225
	<hr/>	<hr/>
<b>Total Grants and Subsidies</b>	<b><u>3 014 720</u></b>	<b><u>6 951 827</u></b>

**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 2014**

**32. GENERAL EXPENSES**

	2014 R	2013 R
Included in General Expenses are the following:		
Administration fees	320 941	334 231
Advertising	275 339	99 270
Audit Fees	4 038 198	1 935 005
Bank Charges	138 387	113 964
Cancellation Fees	-	35 000
Cattle Feed	18 909	2 251
Cattle Consumption	8 177	17 400
Biological Asset Losses	49 441	15 630
Cattle Fair Value adjustment Loss	-	194 480
Centlec Service Expenses	-	13 414
Chemicals and Poison	3 196 154	2 371 693
Cleaning Material	36 213	48 508
Computer Software & Licenses	627 764	54 165
Consumables	990 013	973 782
Disaster Expenditure	1 524	-
Electricity usage	4 243 611	1 866 584
Entertainment	92 416	47 959
Electricity Network charges	1 824 155	1 316 261
Fines & Penalties	464 252	1 254 506
Fuel & Oil	1 734 616	1 364 792
Insurance	787 892	502 740
Operating Leases	896 406	554 821
Legal Costs	799 000	718 538
Magazines, books and periodicals	75 962	154 883
Medical Expenses	12 969	75 935
Motor vehicle expenses	15 284	39 377
Pauper burials	19 300	21 367
Postage and Courier	422 010	342 001
Printing & Stationary	599 357	1 276 503
Royalties and license fees	-	175 494
Software expenses	-	91 370
Special Programmes	452 260	501 435
Subscription Fees	477 379	310 740
Telephone Cost	1 976 580	1 744 214
Training Costs	126 385	321 780
Traffic Operational	9 570	-
Transport Costs	-	54 423
Travelling and Subsistence	2 324 991	2 544 777
Uniforms and Protective Clothing	1 138 103	363 368
<b>Total General Expenses</b>	<b>28 193 557</b>	<b>21 852 661</b>

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**

	22 979 226	21 556 914
Debtors written off	15 691 377	12 333 732
Distribution Losses:		
Electricity Losses	4 284 685	4 701 865
Water losses	3 003 164	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 2014**

**33. CHANGE IN ACCOUNTING POLICY**

The municipality adopted no new Accounting Standards for the first time during the financial year 2013/2014 for the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

**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:

	<b>Accumulated Surplus</b>
<b>Balance as published as at 30 June 2013</b>	<b>286 122 663</b>
<b>Change in accounting policy:</b>	-
<b>Correction of error:</b>	
<i>Corrections through Accumulated surplus</i>	<b>160 317 695</b>
- Difference between Asset Register and AFS.	280
- WIP Additions not accounted for	74 748
- Centlec Prior period adjustment	(333 049)
- PPE Carrying values	122 448 711
- Re-valuation of properties held for transfer	27 640 500
- Investment Properties Carrying values	(1 519 860)
- Input VAT not claimed not accounted for	1 606 541
- Capitalisation of Landfill site provision	10 382 464
- VAT on Landfill site provision	1 819 679
- VAT on re-measurement of Landfill site	274 174
- Accumulated de-commissioning costs	(2 076 493)
<i>Corrections through comparative figures in the Income statement (Note 34.2)</i>	<b>(8 777 489)</b>
- Trade payables not accounted for	(143 694)
- VAT included in Service Revenue	(889 053)
- Depreciation on fixed assets	(5 113 623)
- PPE loss on disposals	56 453
- Staff leave provision	(137 631)
- Re-measurement of Landfill site provision	(2 232 560)
- De-commissioning costs	(317 380)
<b>Restated balance as at 30 June 2013</b>	<b>437 662 869</b>

**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:

	<b>Revenue for the Year</b>	<b>Expenditure for the Year</b>	<b>(Surplus) Deficit for the Year</b>
<b>Total as per AFS previously published for 2012/13</b>	<b>148 971 807</b>	<b>137 661 322</b>	<b>11 310 485</b>
Adjustment to Contracted Services (Note 30)	-	2 220	(2 220)
Adjustment to General expenditures (Note 34.3)	-	141 473	(141 473)
Adjustment to Depreciation	-	5 113 623	(5 113 623)
Adjustment to leave provision	-	137 631	(137 631)
Adjustment to Interest Income	(1 961 262)	-	(1 961 262)
Adjustment to Revenue - Water	1 704 865	-	1 704 865
Adjustment to Revenue - Rates	256 397	-	256 397
Adjustment to Loss on disposals	-	(56 453)	56 453
Adjustment to Landfill site provision income	(2 232 560)	-	(2 232 560)
Adjustment to De-commissioning costs	-	317 380	(317 380)
Adjustment to VAT included in Services Revenue	(889 053)	-	(889 053)
<b>Restated Total as per AFS currently disclosed for 2012/13</b>	<b>145 850 194</b>	<b>143 317 196</b>	<b>2 532 997</b>

**34.3 General Expenses and Accumulated Surplus**

The effect of the Change in General Expenses as follows:

	<b>General Expenses</b>
<b>Balances published as at 30 June 2013</b>	<b>21 711 188</b>
Administration fees correctly classified as Electricity Network charges from Centlec	(1 316 261)
Adevertising expenditure	(5 704)
Centlec "General Expenditures" correctly classified	(1 866 584)
Electricity usage expenditures correctly classified	1 866 584
Electricity network charges correctly classified	1 316 261
Lease charges corrected	142 664
Advertisement costs corrected	4 513
<b>Restated Balances as at 30 June 2013</b>	<b>21 852 661</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

The effect of the Correction of Error is as follows:

	Investment Properties	Property, Plant and Equipment
<b>Amount per AFS previously published for 2012/13</b>	<b>19 266 525</b>	<b>320 256 835</b>
Work-in-progress 2013 opening balance restated	-	2 461 262
Fixed Assets Opening balances differences	-	281
Adjustment to Costs Opening Balance	(1 519 860)	94 876 268
Adjustment to Accumulated Depreciation	-	27 572 443
Adjustment to the 2012-13 depreciation charges	-	(5 113 623)
Capitalisation of Landfill site provision	-	10 382 464
Re-assessment of Landfill site provision	-	(1 958 386)
Accumulated De-commissioning costs	-	(2 393 872)
Adjustment to Loss on disposals	-	56 452
<b>Restated Balances as at 30 June 2013</b>	<b>17 746 665</b>	<b>446 140 123</b>

**34.5 Correction on Centlec Payable**

The opening balances of the Centlec Payable amount has been restated.

The effect of the Correction of Error is as follows:

	Total
<b>Balance published as at 30 June 2013</b>	<b>5 595 666</b>
Adjustment	182 421
<b>Restated Balances as at 30 June 2012</b>	<b>5 778 087</b>

**34.6 Reclassification of Payables**

The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2013.

The effect of the Correction of Error is as follows:

	Staff Salaries & Third Parties	Trade Payables
<b>Balances published as at 30 June 2013</b>	<b>7 834 672</b>	<b>10 398 164</b>
Transactions incurred for the Year 2012/13		
Adjustment of Payables relating to Work in Progress	-	2 498 327
Adjustment of Trade Payables through the income and expenditure statement	-	366 936
Adjustment of Staff leave accrued	137 631	-
<b>Restated Balances as at 30 June 2013</b>	<b>7 972 303</b>	<b>13 263 427</b>

**34.7 VAT**

<b>Balances published as at 30 June 2013</b>	<b>4 424 718</b>
Adjustment relating to Payables	335 055
VAT incorrectly included in the Services Revenue	(889 053)
VAT payable separately disclosed as dispute	(268 115)
Prior period input VAT not claimed not accounted for	1 606 541
<b>Restated Balances as at 30 June 2013</b>	<b>5 209 146</b>

**34.8 Inventories - Properties held for transfer**

<b>Balances published as at 30 June 2013</b>	<b>-</b>
Re-valuation of Properties held for transfer	27 640 500
<b>Restated Balances as at 30 June 2013</b>	<b>27 640 500</b>

**34.9 Provisions - Landfill site provision**

<b>Balances published as at 30 June 2013</b>	<b>14 817 386</b>
VAT incorrectly included in Provision Calculation	(1 819 679)
<b>Restated Balances as at 30 June 2013</b>	<b>12 997 707</b>

**35. CHANGE IN ACCOUNTING ESTIMATES**

During the current financial period it was estimated that the Landfill site rehabilitation for the Zastron site has significantly decreased and will have to be rehabilitated in 2016. The previous estimates indicated 2021. This change in estimate resulted in a large finance charge accounted for in the 2013-14 financial period. Refer to Note 15

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>36. CASH GENERATED BY OPERATIONS</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Surplus / (Deficit) for the Year	(12 552 096)	2 532 997
Depreciation and Amortisation	25 782 147	27 073 686
De-commissioning costs	1 375 457	317 379
Impairment losses on Property, Plant and Equipment	245 747	17 127
Other Movements on Property, Plant and Equipment (Capital donations)	-	(1 000 000)
Other Movements on Investment	(211 931)	(40 089)
Other Movements on Biological Assets	(43 982)	227 509
Loss on Disposal of PPE	298 128	344 723
Provision for bad debt	24 591 565	14 192 045
Donations made applied to payables	(970 424)	(2 087 752)
Contribution to Provisions - Non-current	791 249	-
Biological assets Fair Value gain	(9 113)	-
Revenue received in advance	(90 439)	-
Grant funds withheld	(7 000 000)	-
<b>Operating surplus before working capital changes</b>	<b>32 206 309</b>	<b>41 577 625</b>
Decrease/(Increase) in Inventories - Consumables	(133 624)	(30 269)
Decrease/(Increase) in Consumer Debtors	(23 472 708)	(15 995 022)
Decrease/(Increase) in Other Debtors	(841 234)	(785 009)
Decrease/(Increase) in Sundry Debtors	138 461	(330 403)
Decrease/(Increase) in VAT Receivable	666 432	2 444 466
Increase/(Decrease) in Consumer Deposits	401 904	48 821
Increase/(Decrease) in Payables	17 715 521	13 450 245
Increase/(Decrease) in Conditional Grants and Receipts	217 673	774 390
Increase/(Decrease) in Revenue received in advance	90 439	-
Increase/(Decrease) in Biological Assets	92 241	-
<b>Cash generated by / (utilised in) Operations</b>	<b>27 081 415</b>	<b>41 154 844</b>

**37. NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2013/14 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)	13 165 786	8 335 960
Used to finance Property, Plant and Equipment - at cost	(13 165 786)	(8 335 960)
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 2014**

**40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**40.1 Unauthorised Expenditure**

	2014 R	2013 R
Reconciliation of Unauthorised Expenditure:		
Opening balance	87 796 732	46 314 763
Unauthorised Expenditure current year	27 617 260	41 481 969
Approved by Council or condoned	-	-
Unauthorised Expenditure awaiting authorisation	115 413 992	87 796 732

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. The major contributor relates to the Impairment of debtors that was not fully budgeted for.</i>	N/A

**40.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	4 947 535	1 290 620
Fruitless and Wasteful Expenditure current year	1 881 707	3 656 915
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Fruitless and Wasteful Expenditure awaiting condonement	6 829 242	4 947 535

Incident	Disciplinary Steps / Criminal Proceedings
<i>Fines and Penalties</i> 657 128	
<i>No motivation for expenditures</i> 116 823	
<i>Interest on late accounts</i> 1 107 756	

**40.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:		
Opening balance	129 258 580	96 632 348
Irregular Expenditure current year	937 854	32 626 232
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	130 196 434	129 258 580

Incident	Disciplinary Steps / Criminal Proceedings
<i>No deviation letter (4 Incidents)</i> R 125 354	
<i>No Tax clearance certificate (2 Instances)</i> R 104 490	
<i>No deviation letter or Tax clearance certificate (1 Incidents)</i> R 28 000	
<i>Non-compliance to SCM processes</i> R 680 010	<i>These expenses relate to Irregular expenses identified under the audit process for the 2013-14 financial period. These expenses will be investigated by Management to determine whether it should in fact be included under the Irregular expenditures.</i>
<i>Under Managements Investigation</i> R 96 632 348	<i>These expenses relate to Irregular expenses identified under the audit processes in prior years. 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	450 000	406 000
Amount Paid - current year	(100 000)	(406 000)
<b>Balance Unpaid (included in Creditors)</b>	<b>350 000</b>	<b>-</b>

**41.2 Audit Fees**

Opening Balance	(802 434)	822 067
Current year Audit Fee	4 510 481	1 015 252
Interest charges	64 008	-
Amount Paid - current year	(1 859 068)	(998 165)
Credit notes received	(184)	-
Amount Paid - previous years	-	(839 154)
Donations received towards Audit Fees	(693 208)	(802 434)
<b>Balance Unpaid (included in Creditors)</b>	<b>1 219 595</b>	<b>(802 434)</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**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.

	2014 R	2013 R
<b>41.4 PAYE, Skills Development Levy and UIF</b>		
Opening Balance	2 256 429	1 595 432
Current year Payroll Deductions	5 273 959	4 241 074
Amount Paid - current year	(1 135 107)	(585 436)
Amount Paid - previous years	-	(610 632)
Penalties and interest	15 789	257 060
Offset to VAT receivable	(4 490 817)	(2 641 069)
<b>Balance Unpaid (included in Payables)</b>	<b>1 920 253</b>	<b>2 256 429</b>

The balance represents PAYE,SDL and UIF deducted from the payroll during the 2013/14 financial period.

**41.5 Pension and Medical Aid Deductions**

Opening Balance	4 209 712	2 109 105
Current year Payroll Deductions and Council Contributions	9 871 311	7 481 360
Amount Paid - current year	(3 723 728)	(5 043 441)
Amount Paid - previous years	(4 209 712)	(531 403)
Interest accrual	221 643	194 091
<b>Balance Unpaid (included in Payables)</b>	<b>6 369 226</b>	<b>4 209 712</b>

The balance represents Pension and Medical Aid contributions deducted from employees and councillors payroll in the 2012/13 and 2013/14 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
<b>30 June 2014</b>			
Councillor Lekhula L	7 111	745	6 366
Councillor Letele MA	2 933	479	2 453
Councillor Riddle IS	732	569	163
Councillor Thuhlo RJ	1 377	992	386
Councillor Majenge BS	649	482	167
Councillor Sehanka MJ	1 252	1 252	-
Councillor Shasha SD	16 971	838	16 133
<b>Total Councillor Arrear Consumer Accounts</b>	<b>31 024</b>	<b>5 357</b>	<b>25 668</b>
<b>30 June 2013</b>			
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
<b>Total Councillor Arrear Consumer Accounts</b>	<b>36 944</b>	<b>2 986</b>	<b>33 958</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

	Highest amount outstanding	Ageing
<b>30 June 2014</b>		
Councillor Lekhula L	6 366	> 90 Days
Councillor Letele MA	2 453	> 90 Days
Councillor Riddle IS	163	> 90 Days
Councillor Thuhlo RJ	386	> 90 Days
Councillor Majenge BS	167	> 90 Days
Councillor Shasha SD	16 133	> 90 Days

	Highest amount outstanding	Ageing
<b>30 June 2013</b>		
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

**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.

Non compliance matters to the MFMA is disclosed as follow:

Department	Date	Non-compliance matter	Reason	Amount
Finance department	Jun-14	During the financial period a burglary occurred resulting in laptops being stolen.	No security measures were implemented to safeguard Municipal assets.	+/- R68000
Finance department		Non-compliance to Section 70(2) regarding banking reporting to Treasury and Auditor-General	Bank account details were not reported to the offices of the Auditor General	N/A
Finance department		Non-compliance to section 65(2) ( e ) suppliers not paid within 30 days	The Municipality is experiencing cash flow constraints.	N/A
Finance department		PAYE/SITE/UIF no paid within the 7 days reporting requirement of Income Tax Act	The Municipality is experiencing cash flow constraints.	N/A
Finance department		Non-compliance to Section 32(4)(a) and Section 32(a) of the MFMA	Non reporting of irregular, unauthorised and fruitless and wasteful expenditure	N/A
Finance department		Non-compliance to section 9 (b) of the MFMA	No policy has been developed and/or implemented to govern the use and issue of cellphones and data devices	N/A

**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:**

		2014 R	2013 R
Purchased during the year	units (kWh)	21 498 603	20 993 230
Sold during the year	units (kWh)	(16 831 223)	(16 043 826)
Unaccounted Losses	units (kWh)	4 667 380	4 949 404
Loss %		21.71%	23.58%
Loss (R):		4 284 685	4 701 865

Calculated as follows :

	%	Lost Units	Tariff	Value
<b>30 June 2014</b>				
Total Electricity Losses	100.00%	4 667 380 R	0.92	4 284 685
- Residential	64.55%	3 159 314 R	0.92	2 900 271
- Business	35.45%	1 508 066 R	0.92	1 384 414

**30 June 2013**

Total Electricity Losses	100.00%	4 949 405 R	2.09	4 701 865
- Residential	97.43%	4 822 205 R	0.95	4 556 984
- Business	2.57%	127 200 R	1.14	144 881

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 2014**

**Water:**

		Lost Units	Tariff	Value
<b>30 June 2014</b>	Unaccounted Water Losses	773 507	3.8825	3 003 164
<b>30 June 2013</b>	Unaccounted Water Losses	1 151 380	3.9269	4 521 318

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.

**42. COMMITMENTS FOR EXPENDITURE**

**42.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**  
*Infrastructure*

	2014 R	2013 R
	<b>56 920 715</b>	<b>52 626 928</b>
	56 920 715	52 626 928

- **Approved but Not Yet Contracted for:-**  
*Infrastructure*

	<b>3 302 322</b>	-
	3 302 322	-

**Total Capital Commitments**

	<b>60 223 037</b>	<b>52 626 928</b>
--	-------------------	-------------------

This expenditure will be financed from:  
 Government Grants

	60 223 037	52 626 928
	<b>60 223 037</b>	<b>52 626 928</b>

**42.2 Lease Commitments**

Finance Lease Liabilities are disclosed in Note 14.

**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>		
<b>Non-current Investments</b>			
Investment in OVK Shares	Fair value	285 604	187 924
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	551 355	1 035 742
Refuse	Amortised cost	186 977	26 512
Sewerage	Amortised cost	669 363	673 881
Water	Amortised cost	890 535	392 196
Sundry Debtors	Amortised cost	1 004 996	1 273 906
Other Receivables	Amortised cost	165 227	345 993
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	649 064	785 370
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	163 083	276 607
Bank Balances	Amortised cost	163 951	10 287
Cash Floats and Advances	Amortised cost	1 180	1 180

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**SUMMARY OF FINANCIAL ASSETS**

		2014 R	2013 R
<b>Financial Assets at Amortised Cost:</b>			
Receivables from Exchange Transactions	Electricity	551 355	1 035 742
Receivables from Exchange Transactions	Refuse	186 977	26 512
Receivables from Exchange Transactions	Sewerage	669 363	673 881
Receivables from Exchange Transactions	Water	890 535	392 196
Sundry Debtors	Sundry Debtors	1 004 996	1 273 906
Receivables from Exchange Transactions	Other Debtors	165 227	345 992
Receivables from Non-exchange Transactions	Assessment Rates Debtors	649 064	785 370
Cash and Cash Equivalents	Bank Balances	163 951	10 287
Cash and Cash Equivalents	Call Deposits	163 083	276 607
Cash and Cash Equivalents	Cash Floats and Advances	1 180	1 180
		4 445 731	4 821 672
<b>Financial Assets at Fair Value:</b>			
Non-current Investments	Shares in OVK	285 604	187 924
		285 604	187 924
<b>Total Financial Assets</b>		<b>4 731 335</b>	<b>5 009 597</b>

**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>		
<b>Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	461 904	1
Government Loans	Amortised cost	1 038 958	1 179 147
Centlec Payable	Amortised cost	10 267 281	5 778 087
Other Loans	Amortised cost	988 848	1 105 150
<b>Payables</b>			
Trade Creditors	Amortised cost	24 594 775	13 263 427
Payments received in Advance	Amortised cost	3 787 340	3 319 389
Sundry Deposits	Amortised cost	2 711 899	2 711 899
Consumer Deposits	Amortised cost	615 562	213 657
Other Creditors	Amortised cost		119 770
<b>Bank Overdraft</b>			
Bank Overdraft	Amortised cost	2 076 232	86 319
<b>Current Portion of Long-term Liabilities</b>			
Finance Lease Liabilities	Amortised cost	271 411	151 878
Government Loans	Amortised cost	137 384	121 697

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>SUMMARY OF FINANCIAL LIABILITIES</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Financial Liabilities at Amortised Cost:</b>		
Long-term Liabilities	Finance Lease Liabilities	461 904
Long-term Liabilities	Government Loans	1 038 958
Long-term Liabilities	Centlec Liability	10 267 281
Long-term Liabilities	Other Loans	988 848
Payables	Trade Creditors	24 594 775
Payables	Payments received in Advance	3 787 340
Payables	Sundry Deposits	2 711 899
Payables	Other Creditors	119 770
Consumer Deposits	Consumer deposits	615 562
Current Portion of Long-term Liabilities	Finance Lease Liabilities	271 411
Current Portion of Long-term Liabilities	Government Loans	137 384
Bank Overdraft	Bank Overdraft	2 076 232
	<u>46 951 594</u>	<u>28 050 422</u>
<b>Total Financial Liabilities</b>	<u><b>46 951 594</b></u>	<u><b>28 050 422</b></u>

**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

**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 2014, 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:

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	30 June 2014		30 June 2013	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>				
	4 445 731	4 445 731	4 821 672	4 821 672
Call Deposits	163 083	163 083	276 607	276 607
Bank Balances and cash	165 131	165 131	11 467	11 467
Trade Receivables from Exchange Transactions	3 468 453	3 468 453	3 748 229	3 748 229
Trade Receivables from Non-exchange Transactions	649 064	649 064	785 370	785 370
<b>Measured at Fair Value</b>				
	285 604	285 604	187 924	187 924
OVK Shares	285 604	285 604	187 924	187 924
<b>Total Financial Assets</b>	<b>4 731 335</b>	<b>4 731 335</b>	<b>5 009 597</b>	<b>5 009 597</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>				
	46 951 594	46 951 594	28 050 422	28 050 422
Finance Lease Liabilities	461 904	461 904	1	1
Government Loans	1 038 958	1 038 958	1 179 147	1 179 147
Other Loans	988 848	988 848	1 105 150	1 105 150
Payments Received in Advance	3 787 340	3 787 340	3 319 389	3 319 389
Consumer Deposits	615 562	615 562	213 657	213 657
Bank Overdraft	2 076 232	2 076 232	86 319	86 319
Centlec Payable	10 267 281	10 267 281	5 778 087	5 778 087
Trade and Other Payables:	-	-	-	-
- Creditors	24 594 775	24 594 775	13 263 427	13 263 427
- Sundry Deposits	2 711 899	2 711 899	2 711 899	2 711 899
- Other payables	-	-	119 770	119 770
- Current Portion of Long-term Liabilities	408 795	408 795	273 575	273 575
<b>Total Financial Liabilities</b>	<b>46 951 594</b>	<b>46 951 594</b>	<b>28 050 422</b>	<b>28 050 422</b>
<b>Total Financial Instruments</b>	<b>(42 220 258)</b>	<b>(42 220 258)</b>	<b>(23 040 825)</b>	<b>(23 040 825)</b>
<b>Unrecognised Gain / (Loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**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 2014**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
OVK Shares	-	285 604	-	285 604
<b>Total Financial Assets</b>	<b>-</b>	<b>285 604</b>	<b>-</b>	<b>285 604</b>
<b>Total Financial Instruments</b>	<b>-</b>	<b>285 604</b>	<b>-</b>	<b>285 604</b>

**30 June 2013**

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

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**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 consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 14, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

**Gearing Ratio**

The debt-to-equity ratio, is reflected at 11.12%, increasing by 4.65%. 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.

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
The gearing ratio at the year-end was as follows:		
Debt	46 951 594	28 050 422
Cash and Cash Equivalents	328 214	288 073
Net Debt	47 279 808	28 338 495
Equity	425 110 774	437 662 870
<b>Net debt to equity ratio</b>	<b>11.12%</b>	<b>6.47%</b>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 14

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 risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

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 2014**

**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.

**43.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 43.6.2 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 2014**

**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, 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.

**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 2014**

**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.

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
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	285 604	187 924
Consumer Debtors	3 112 521	3 259 693
Other Debtors	1 004 996	1 273 906
Bank, Cash and Cash Equivalents	(1 748 018)	201 754
<b>Maximum Credit and Interest Risk Exposure</b>	<b>2 655 103</b>	<b>4 923 277</b>

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 2014**

	<b>%</b>	<b>%</b>
	<b>2014</b>	<b>2013</b>
Consumer Debtors:		
- Household	53.63%	93.34%
- Industrial / Commercial	6.83%	5.32%
- National and Provincial Government	28.18%	1.34%
- Other Classes	11.35%	
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	(1 976 754)	11 051
First National Bank	146 549	63 322
Old Mutual	(0)	120 653
Standard Bank	81 007	5 549
Cash Equivalents	1 180	1 180
<b>Total Bank and Cash Balances</b>	<b>(1 748 018)</b>	<b>201 754</b>

**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	131 970	126 438
Group 2	19 060	18 261
Group 3		
	<b>151 030</b>	<b>144 699</b>
<b>Total Receivables from Exchange Transactions</b>	<b>151 030</b>	<b>144 699</b>

**Receivables from Non-exchange Transactions**

Group 1	6 270	9 365
Group 2		
Group 3		
<b>Total Receivables from Non-exchange Transactions</b>	<b>6 270</b>	<b>9 365</b>

**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 2014**

**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 and strict budget managing.

**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
<b>30 June 2014</b>								
Non-interest Bearing			47 323 634	47 323 634	-	-	-	-
- Creditors		0%	47 323 634	47 323 634	-	-	-	-
Variable Interest Rate Instruments			2 076 232	2 076 232	-	-	-	-
- Bank Overdraft		10%	2 076 232	2 076 232	-	-	-	-
Fixed Interest Rate Instruments			2 898 505	267 881	195 281	402 285	543 554	1 489 504
- Centec Capital Loans		0%	988 848	-	-	-	-	988 848
- Finance lease liability		10%	733 315	139 062	130 675	260 656	202 922	-
- DBSA		12%	1 176 342	128 818	64 606	141 629	340 633	500 656
			<b>52 298 371</b>	<b>49 667 747</b>	<b>195 281</b>	<b>402 285</b>	<b>543 554</b>	<b>1 489 504</b>
<b>30 June 2013</b>								
Non-interest Bearing			30 578 537	30 578 537	-	-	-	-
- Creditors		0%	30 578 537	30 578 537	-	-	-	-
Variable Interest Rate Instruments			86 319	86 319	-	-	-	-
- Bank Overdraft		10%	86 319	86 319	-	-	-	-
Fixed Interest Rate Instruments			2 666 985	177 038	166 326	361 548	542 322	1 419 750
- Centec Capital Loans		0%	1 105 150	-	-	-	-	1 214 262
- Finance lease liability		10%	151 879	75 939.26	75 939.26	-	-	-
- DBSA		12%	1 300 844	101 099	90 387	361 548	542 322	205 488
			<b>33 331 841</b>	<b>30 841 895</b>	<b>166 326</b>	<b>361 548</b>	<b>542 322</b>	<b>1 419 750</b>

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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
<b>30 June 2014</b>								
Non-interest Bearing			4 404 301	4 404 301	-	-	-	-
- OVK Shares		0%	285 604	285 604	-	-	-	-
- Trade Receivables from Exchange Transactions		0%	2 463 457	2 463 457	-	-	-	-
- Trade Receivables from Non-exchange Transactions		0%	649 064	649 064	-	-	-	-
- Cash and Cash Equivalents		0%	1 180	1 180	-	-	-	-
- Sundry Debtors		0%	1 004 996	1 004 996	-	-	-	-
Variable Interest Rate Instruments			327 034	327 034	-	-	-	-
- Call Deposits		10%	163 083	163 083	-	-	-	-
- Bank Account		10%	163 951	163 951	-	-	-	-
			-	-				
			<b>4 731 335</b>	<b>4 731 335</b>	-	-	-	-
<b>30 June 2013</b>								
Non-interest Bearing			4 722 704	4 722 704	-	-	-	-
- OVK Shares		0%	187 924	187 924	-	-	-	-
- Trade Receivables from Exchange Transactions		0%	2 474 324	2 474 324	-	-	-	-
- Trade Receivables from Non-exchange Transactions		0%	785 370	785 370	-	-	-	-
- Cash and Cash Equivalents		0%	1 180	1 180	-	-	-	-
- Payments made in advance		0%	-	-	-	-	-	-
- Sundry Debtors		0%	1 273 906	1 273 906	-	-	-	-
Variable Interest Rate Instruments			286 893	286 893	-	-	-	-
- Call Deposits		10%	276 607	276 607	-	-	-	-
- Bank Account		10%	10 287	10 287	-	-	-	-
			<b>5 009 597</b>	<b>5 009 597</b>	-	-	-	-

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**43.9 Effective Interest Rates and Repricing Analysis**

In accordance with GRAP 104 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 2014

Description	Note ref in AFS
	#
<b>VARIABLE RATE INSTRUMENTS</b>	
Short-term Investment Deposits	6
Bank Balances and Cash	6
<b>Total Fixed Rate Instruments</b>	

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R		R
163 083	163 083	-	-	-	-
(1 911 101)	(1 911 101)	-	-	-	-
<b>(1 748 018)</b>	<b>(1 748 018)</b>	-	-	-	-

30 June 2013

Description	Note ref in AFS
	#
<b>VARIABLE RATE INSTRUMENTS</b>	
Short-term Investment Deposits	5
Bank Balances and Cash	5
<b>Total Fixed Rate Instruments</b>	

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R		R
276 607	276 607	-	-	-	-
(74 853)	(74 853)	-	-	-	-
<b>201 754</b>	<b>201 754</b>	-	-	-	-

**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 2014**

**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 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.

**Post retirement Fund Contributions**

The Municipality continued to contribute to the medical aid of two retired employees

- Total amount of medical aid contributions

	2014	2013
	R	R
- Total amount of medical aid contributions	70 095	86 910

**45. RELATED PARTY TRANSACTIONS**

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

**45.1 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

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**45.1 Interest of Related Parties (Continued)**

The following related party transactions relate to the provision for bad debt on councillors' accounts:

	R
Councillor Lekhula L	7 111
Councillor Letele MA	2 933
Councillor Riddle IS	732
Councillor Thuhlo RJ	1 377
Councillor Majenge BS	649
Councillor Shasha SD	15 964
Total provision for bad debt on councillors accounts	28 765

**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 24 and 25 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.

	2014 R	2013 R
<b>46. CONTINGENT LIABILITIES</b>		
<b>46.2 Court Proceedings:</b>	<b>10 983 395</b>	<b>18 653 395</b>
(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
(ii) Keoratile traffic solutions Dispute between Mohokare Municipality and Keoratile traffic solutions.	10 908 395	10 908 395
(iii) Legal Services Legal claims against the Municipality for services rendered	75 000	75 000
(iv) 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.	-	-
(v) Nutraffic: Dispute between Mohokare Municipality and Nutraffic. Resolved during the current financial year. An amount of R493 161 is payable by Mohokare and is included as part of payables.	-	7 500 000

**Mohokare Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**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 19 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 2014.

**51 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 34) and Prior Period Errors (Note 33).

**52 MANAGEMENT'S GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2014 the Council adopted the 2014/15 to 2016/17 Budget. This three-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.

(v) The municipality's cash management was under pressure during the 2013/14 financial period due to an amount of R7 million being withheld from the Equitable share receivable. R7 million was withheld due to Municipal Infrastructure Grants (Conditional) that were not utilised in the past. The municipality had an overdraft on 30 June 2014 to an amount of R2 million as a result hereof.

(vi) The municipality's cash management was also under pressure due to low collection rates on receivables. The collection rate for the financial period ended was only 35% (25% - 2013) which was an improvement from the previous period. The Municipality's receivables increased by R8,3 million before the provision of impairment which indicates uncollected debtors for the current period. The Municipality appointed attorneys to assist with debt collection.

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 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
	R				R	R	R	R
<b>CAPITAL LEASE LIABILITIES</b>								
Finance lease Liabilities	-	Prime		2014	151 878	781 244	(199 807)	733 315
<b>Total Capital Lease Liabilities</b>	<b>-</b>				<b>151 878</b>	<b>781 244</b>	<b>(199 807)</b>	<b>733 315</b>
<b>GOVERNMENT LOANS</b>								
DBSA Loan	2 730 000		1	2015	1 300 844	-	(124 502)	1 176 342
<b>Total Government Loans</b>	<b>2 730 000</b>				<b>1 300 844</b>	<b>-</b>	<b>(124 502)</b>	<b>1 176 342</b>
<b>OTHER LOANS</b>								
Centlec Capital Loan	1 214 262	0.00%	40021201 to 40027483	2024	1 105 150	-	(116 302)	988 848
<b>Total Other Loans</b>	<b>1 214 262</b>				<b>1 105 150</b>	<b>-</b>	<b>(116 302)</b>	<b>988 848</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>3 944 262</b>				<b>2 557 872</b>	<b>781 244</b>	<b>(440 611)</b>	<b>2 898 505</b>

**APPENDIX B**  
**LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014**

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	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	R
<b>Land and Buildings</b>													
Land	19 532 694	-	-	-	-	-	19 532 694	-	-	-	-	-	19 532 694
Buildings	132 570 097	2 555 621	-	2 672 317	-	-	137 798 035	90 633 794	1 778 713	-	-	92 412 507	45 385 528
Lanfill site Provision	8 424 078	2 701 698	-	-	-	-	11 125 775	2 393 872	1 375 459	-	-	3 769 331	7 356 444
<b>Total</b>	<b>160 526 869</b>	<b>5 257 319</b>	<b>-</b>	<b>2 672 317</b>	<b>-</b>	<b>-</b>	<b>168 456 504</b>	<b>93 027 666</b>	<b>3 154 172</b>	<b>-</b>	<b>-</b>	<b>96 181 838</b>	<b>72 274 667</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
Lv - Network	69 306 902	3 684 211	-	5 652 856	-	-	78 643 968	27 224 357	3 734 606	-	-	30 958 963	47 685 005
Mv - Network	11 459 154	-	-	-	-	-	11 459 154	4 956 441	343 923	-	-	5 300 364	6 158 790
Solar Panels	35 296	-	-	-	-	-	35 296	18 538	875	-	-	19 413	15 883
<i>Roads:</i>													
Road Structures	147 957 242	-	-	6 796 025	-	-	154 753 267	65 845 394	8 687 633	-	-	74 533 027	80 220 240
Storm Water	28 628 002	-	-	-	-	-	28 628 002	13 598 324	477 133	-	-	14 075 458	14 552 544
Traffic Management	258 470	-	-	-	-	-	258 470	98 277	25 847	-	-	124 124	134 346
<i>Sanitation:</i>													
Buildings and External Facilities	230 923	-	-	-	-	-	230 923	108 308	7 279	-	-	115 587	115 336
Collection / Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	58 638 952	2 349 628	-	-	60 988 580	56 485 244
Distribution / Reticulation Network	90 928	-	-	10 279 650	-	-	10 370 578	38 429	4 621	-	-	43 049	10 327 529
LV Network	6 236	-	-	-	-	-	6 236	2 915	125	-	-	3 040	3 196
Sewer Pump Station	6 620 649	-	-	-	-	-	6 620 649	2 181 267	305 313	-	-	2 486 580	4 134 069
Waste Water Treatment	23 254 966	19 559 443	-	-	-	-	42 814 410	12 932 317	939 951	-	-	13 872 268	28 942 141
<i>Water:</i>													
Boreholes	1 426 687	-	-	-	-	-	1 426 687	808 070	91 003	-	-	899 074	527 613
Bulk Distribution	7 658 995	-	-	-	-	-	7 658 995	4 084 797	127 650	-	-	4 212 447	3 446 548
Dams	1 093 476	-	-	-	-	-	1 093 476	577 448	23 964	-	-	601 412	492 064
Distribution / Reticulation Network	103 556 291	1 097 306	-	35 652 849	-	-	140 306 446	54 317 123	2 460 895	-	-	56 778 019	83 528 428
MV Network	84 693	-	-	-	-	-	84 693	46 822	2 501	-	-	49 323	35 369
Storage	21 883 628	-	-	-	-	-	21 883 628	11 775 301	605 849	-	-	12 381 150	9 502 477
Water Pumpstations	10 874 543	-	-	-	-	-	10 874 543	6 152 830	491 402	-	-	6 644 232	4 230 311
Water Treatment	30 492 135	9 677 262	-	-	-	-	40 169 397	15 594 390	1 162 025	-	-	16 756 415	23 412 983
<b>Total</b>	<b>582 393 041</b>	<b>34 018 222</b>	<b>-</b>	<b>58 381 380</b>	<b>-</b>	<b>-</b>	<b>674 792 642</b>	<b>279 000 302</b>	<b>21 842 223</b>	<b>-</b>	<b>-</b>	<b>300 842 525</b>	<b>373 950 117</b>
<b>Leased Assets</b>													
Office Equipment	1 291 611	844 509	-	-	-	-	2 136 119	1 136 973	236 095	-	-	1 373 068	763 052
<b>Total</b>	<b>1 291 611</b>	<b>844 509</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 136 119</b>	<b>1 136 973</b>	<b>236 095</b>	<b>-</b>	<b>-</b>	<b>1 373 068</b>	<b>763 052</b>

<b>Other Assets</b>													
<i>Emergency equipment</i>													
Emergency / rescue equipment	178 146	-	-	-	(16 252)	161 894	66 158	31 054	-	(14 627)	82 585	79 309	
Fire fighting equipment / fire hose	32 755	-	-	-	(271)	32 484	13 551	4 914	-	(244)	18 221	14 263	
<i>Motor vehicles</i>													
Farm vehicles	85 500	-	-	-	-	85 500	15 048	2 736	-	-	17 784	67 716	
Passenger vehicles	859 600	-	-	-	-	859 600	280 459	42 494	-	-	322 952	536 648	
Specialised vehicles	180 000	-	-	-	-	180 000	17 280	8 640	-	-	25 920	154 080	
Trailers and accessories	647 500	-	-	-	(4 200)	643 300	161 791	84 066	-	(2 016)	243 841	399 459	
Trucks, buses and ldv's	413 800	739 369	-	-	-	1 153 169	71 958	62 795	-	-	134 753	1 018 416	
Tractors	1 988 050	-	-	-	-	1 988 050	229 901	372 283	-	-	602 185	1 385 865	
<i>Furniture and fittings</i>													
Other furniture and fittings	185 502	-	-	-	(11 551)	173 951	91 131	20 489	-	(10 396)	101 224	72 727	
Chairs and couches	1 373 625	-	-	-	(84 680)	1 288 945	725 772	161 452	-	(76 382)	810 842	478 103	
Headboards	656	-	-	-	-	656	561	13	-	-	574	82	
Tables & desks	771 787	-	-	-	(120 757)	651 030	314 512	127 658	-	(108 681)	333 489	317 541	
Cabinets & cupboards	567 225	-	-	-	(33 047)	534 179	237 613	85 778	-	(29 742)	293 648	240 530	
Shelving and bookcases	63 844	-	-	-	(3 840)	60 004	29 242	10 749	-	(3 456)	36 535	23 469	
<i>Plant and equipment</i>													
Compressors	56 980	6 959	-	-	-	63 939	22 505	7 186	-	-	29 691	34 248	
Generators	667 000	2 614	-	-	-	669 614	155 095	120 324	-	-	275 419	394 195	
Lab equipment	254 947	-	-	-	(29 251)	225 696	152 583	30 846	-	(26 326)	157 103	68 593	
Lawnmowers / gardening equipment	396 023	-	-	-	(62 840)	333 183	171 567	80 978	-	(56 556)	195 989	137 194	
Plant and equipment - other	942 683	2 629	-	-	(116 761)	828 551	402 511	159 544	-	(105 085)	456 970	371 581	
Workshop equipment and tools	233 952	93 024	-	-	(92 364)	234 611	54 446	46 754	-	(14 168)	87 032	147 579	
<i>Office equipment</i>													
Air conditioners	78 982	-	-	-	(358)	78 624	51 962	9 665	-	(329)	61 298	17 326	
Computer hardware	1 830 203	940 265	-	-	(629 951)	2 140 517	902 731	501 641	-	(463 382)	940 990	1 199 528	
Office machines	197 336	193 562	-	-	(16 747)	374 151	85 503	53 029	-	(15 407)	123 125	251 026	
Musical instruments	34 500	-	-	-	-	34 500	19 573	2 116	-	-	21 689	12 811	
Office equipment - other	74 540	699 302	-	-	(2 380)	771 462	31 330	80 616	-	(2 189)	109 757	661 705	
Audiovisual equipment	222 606	18 723	-	-	(10 698)	230 631	52 092	44 529	-	(9 842)	86 779	143 852	
Domestic Equipment	98 618	6 662	-	-	(12 619)	92 660	47 604	18 515	-	(11 610)	54 509	38 151	
<b>Total</b>	<b>12 436 359</b>	<b>2 703 108</b>	-	-	<b>(1 248 566)</b>	<b>13 890 901</b>	<b>4 404 479</b>	<b>2 170 863</b>	-	<b>(950 438)</b>	<b>5 624 903</b>	<b>8 265 998</b>	
<b>Total Asset Register</b>	<b>756 647 879</b>	<b>42 823 158</b>	-	<b>61 053 697</b>	-	<b>(1 248 566)</b>	<b>859 276 167</b>	<b>377 569 419</b>	<b>27 403 353</b>	-	<b>(950 438)</b>	<b>404 022 333</b>	<b>455 253 835</b>

**APPENDIX C**  
**LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014**

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	4 190 836	334 783	-	-	(275 903)	4 249 715	1 299 469	830 542	-	(250 084)	1 879 927	2 369 788
Finance and Administration	24 426 912	2 457 287	-	-	(651 119)	26 233 080	17 298 752	1 071 480	-	(411 979)	17 958 253	8 274 827
Public Works	389 878 030	6 240 769	15 121 198	-	(53 164)	411 186 832	187 395 259	14 998 984	-	(48 363)	202 345 880	208 840 951
Waste Management	160 253 605	22 768 923	10 279 650	-	(237 081)	193 065 097	77 937 701	5 443 178	-	(213 608)	83 167 271	109 897 825
Water	177 898 495	11 021 396	35 652 849	-	(31 299)	224 541 442	93 638 236	5 059 167	-	(26 405)	98 670 999	125 870 443
<b>Total</b>	<b>756 647 877</b>	<b>42 823 158</b>	<b>61 053 697</b>	<b>-</b>	<b>(1 248 566)</b>	<b>859 276 165</b>	<b>377 569 418</b>	<b>27 403 351</b>	<b>-</b>	<b>(950 438)</b>	<b>404 022 330</b>	<b>455 253 835</b>

## APPENDIX D

### Mohokare Local Municipality

#### UN-AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)	Description	2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
R	R	R		R	R	R
(60 463 009)	49 643 726	(10 819 283)	Executive and Council	(580 856)	11 831 494	11 250 638
(880 029)	11 836 802	10 956 773	Finance and Administration	(72 424 095)	51 761 752	(20 662 343)
-	1 957 364	1 957 364	Planning and Development	-	1 978 803	1 978 803
(2 331 005)	5 822 764	3 491 759	Community and Social Services	(621 874)	5 931 739	5 309 865
(301 882)	495 243	193 361	Housing	(424 539)	552 157	127 618
(3 147 147)	2 144 543	(1 002 604)	Public Safety	(1 358 675)	1 282 064	(76 611)
(203)	1 333 508	1 333 305	Sport and Recreation	(75)	1 216 553	1 216 478
-	108 632	108 632	Environmental Protection	(43 982)	248 780	204 799
(11 739 143)	17 866 624	6 127 481	Waste Management	(28 940 143)	14 945 404	(13 994 740)
(4 100 838)	3 551 049	(549 789)	Roads and Transport	(1 453 801)	6 084 739	4 630 938
(40 188 247)	26 211 336	(13 976 911)	Water	(27 064 536)	16 246 846	(10 817 690)
(22 698 691)	24 049 752	1 351 061	Electricity	(20 625 055)	54 009 397	33 384 341
	(1 704 146)	(1 704 146)	Other - Reversal of capital items	-	-	-
<b>(145 850 194)</b>	<b>143 317 197</b>	<b>(2 532 998)</b>	Sub-Total	<b>(153 537 631)</b>	<b>166 089 727</b>	<b>12 552 096</b>
			Revenue Foregone			
<b>(145 850 194)</b>	<b>143 317 197</b>	<b>(2 532 998)</b>	<b>Total</b>	<b>(153 537 631)</b>	<b>166 089 727</b>	<b>12 552 096</b>

## APPENDIX E(1)

### Mohokare Local Municipality

#### UN-AUDITED ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14 Actual	2013/14 Budget	2013/14 Variance	2013/14 Variance	Explanation of Significant Variances
	R	R	R	%	
<b>REVENUE</b>					
Property Rates	6 055 112	13 904 000	(7 848 888)	(56.45)	Inaccurate Budgeting
Fines	874 540	500 000	374 540	74.91	Less fines issued than anticipated
Licences and Permits	132	-	132	100.00	
Government Grants and Subsidies	94 606 442	52 125 000	42 481 442	81.50	Budget only displayed the operational grants.
Public Contributions and Donations	970 424	-	970 424	100.00	Public contributions and donations are not budgeted for
Service Charges	40 965 596	43 454 000	(2 488 404)	(5.73)	Budget was based on Service charges that included VAT
Rental of Facilities and Equipment	574 998	571 000	3 998	0.70	
Interest Earned - External investments	175 822	6 000	169 822	2 830.36	High interest earned on call accounts
Interest Earned - Outstanding debtors	8 084 890	-	8 084 890	100.00	Refer to Service charges
Dividends Received	8 925	9 000	(75)	(0.83)	
Gain on Fair value adjustment	211 931	-	211 931	100.00	Fair value gains not budgeted for
Other Income	964 837	4 586 000	(3 621 163)	(78.96)	Budget includes VAT pay-outs
Profit on Sale of Biological Assets	43 985	-	43 985	100.00	Biological Asset Sales exceeded expectations
<b>Total Revenue</b>	<b>153 537 631</b>	<b>115 155 000</b>	<b>38 382 633</b>	<b>33.33</b>	
<b>EXPENDITURE</b>					
Employee Related Costs	52 766 457	48 536 000	4 230 457	8.72	Inaccurate Budgeting
Remuneration of Councillors	3 065 340	2 986 000	79 340	2.66	
Depreciation	25 782 147	27 952 000	(2 169 853)	(7.76)	Inaccurate Budgeting
Impairment Losses	22 554 982	5 610 000	16 944 982	302.05	Impairment on receivables higher than expected
Repairs and Maintenance	1 698 199	-	1 698 199	100.00	Less repairs & Maintenance required than budgeted for
Interest Paid	2 191 427	312 000	1 879 427	602.38	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	19 755 688	16 000 000	3 755 688	23.47	Centlec purchases
Contracted Services	5 393 623	159 000	5 234 623	3 292.22	More consultants used than was budgeted for
Grants and Subsidies Paid	3 014 720	5 850 000	(2 835 280)	(48.47)	High increase in services provided to indigents
General Expenses	28 193 557	34 635 000	(6 441 443)	(18.60)	Centlec General expenses not budgeted for
Loss on disposal of Property, Plant and Equipment	298 128	-	298 128	100.00	Loss of building due to vandalism not expected
<b>Total Expenditure</b>	<b>164 714 267</b>	<b>142 040 000</b>	<b>22 674 269</b>	<b>15.96</b>	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(11 176 637)</b>	<b>(26 885 000)</b>	<b>15 708 363</b>	<b>(58.43)</b>	

## APPENDIX E(2)

### Mohokare Local Municipality

#### UN-AUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14	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	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Finance and Administration	844 509	-	844 509	794 000	50 509	100%	Budget is based on actual payments, additions are based on date of delivery
Planning and Development	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Health	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Community and Social Services	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Housing	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Public Safety	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Sport and Recreation	-	2 779 565	2 779 565	2 803 068	(23 504)	100%	Budget is based on actual payments, additions are based on date of delivery
Environmental Protection	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Waste Management	-	816 659	816 659	11 864 265	(11 047 606)	100%	Budget is based on actual payments, additions are based on date of delivery
Roads and Transport	-	6 601 025	6 601 025	1 000 000	5 601 025	100%	Budget is based on actual payments, additions are based on date of delivery
Water	2 710 664	20 361 073	23 071 737	23 124 450	(52 713)	100%	Budget is based on actual payments, additions are based on date of delivery
Electricity	-	-	-	1 780 867	(1 780 867)	100%	Budget is based on actual payments, additions are based on date of delivery
Other	-	-	-	-	-	0.00	
<b>Total</b>	<b>3 555 173</b>	<b>30 558 322</b>	<b>34 113 495</b>	<b>41 366 650</b>	<b>(7 253 155)</b>	<b>(17.53)</b>	

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

Description	0	0	0	0	0	0	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%	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	193%	Budget is based on actual payments, additions are based on date of delivery
Community and Social Services	1 060 315	-	1 060 315	258 670	801 645	310%	Budget is based on actual payments, additions are based on date of delivery
Housing	13 023	-	13 023	-	13 023	100%	Budget is based on actual payments, additions are based on date of delivery
Public Safety	14 614	-	14 614	-	14 614	100%	Budget is based on actual payments, additions are based on date of delivery
Sport and Recreation	450	2 448 374	2 448 824	-	2 448 824	100%	Budget is based on actual payments, additions are based on date of delivery
Waste Management	529 664	2 422 455	2 952 119	15 583 797	(12 631 678)	-81%	Budget is based on actual payments, additions are based on date of delivery
Roads and Transport	-	616 962	616 962	3 771 079	(3 154 117)	-84%	Budget is based on actual payments, additions are based on date of delivery
Water	2 596	21 202 307	21 204 903	13 341 833	7 863 070	59%	Budget is based on actual payments, additions are based on date of delivery
Electricity	-	5 522 852	5 522 852	-	5 522 852	100%	Budget is based on actual payments, additions are based on date of delivery
<b>Total</b>	<b>4 236 411</b>	<b>32 212 950</b>	<b>36 449 361</b>	<b>33 728 379</b>	<b>2 720 982</b>	<b>8.07</b>	

## 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	18 614 000	12 546 000	13 713 000	0	11 218 250	11 218 250	11 218 250	11 218 250	7 000 000	N/A	N/A	N/A	MIG Roll over expired	N/A
FMG	Nat Treasury	1 650 000	0	0	0	412 500	412 500	412 500	412 500	N/A	N/A	N/A	N/A	N/A	N/A
MWIG	Nat Treasury	500 000	0	500 000	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	Roll-over
MIG Projects	MIG	9 986 000	5 786 000	2 115 000	0	1 778 591	5 168 553	4 254 583	6 685 273	N/A	N/A	N/A	N/A	N/A	N/A
Bulk Infrastructure Grant	DWAF	3 355 250	4 300 686	9 277 287	0	5 644 995	3 464 127	193 901	7 883 702	N/A	N/A	N/A	N/A	N/A	N/A
MSIG	DPLG	890 000	0	0	0	222 500	222 500	222 500	222 500	N/A	N/A	N/A	N/A	N/A	N/A
EPW Incentive Grant	Province	400 000	300 000	300 000	0	250 000	250 000	250 000	250 000	N/A	N/A	N/A	N/A	N/A	N/A
COGTA Grants	COGTA	0	0	0	2 775 000	0	0	0	693 600	N/A	N/A	N/A	N/A	N/A	N/A
LG SETA Grant	LG SETA	0	0	0	320 181	0	0	0	320 181	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Grants and Subsidies Received</b>		<b>35 395 250</b>	<b>22 932 686</b>	<b>25 905 287</b>	<b>3 095 181</b>	<b>19 526 836</b>	<b>20 735 930</b>	<b>16 551 734</b>	<b>27 686 006</b>	<b>7 000 000</b>	<b>0</b>	<b>0</b>	<b>0</b>		