



MOHOKARE
LOCAL MUNICIPALITY



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2014/2015

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2015

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

SPEAKER

M.A. Shasha

MEMBERS OF COUNCIL

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

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External – Auditor General of South Africa
Internal – Thato Ntakatsane (Internal Audit Clerck)

PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center
Hoofd Street
Zastron
9950

PO Box 20
Zastron
9950

Telephone: (051) 673-9600

Facsimile: (051) 673-1550
E-Mail: info@mohokare.gov.za
Website: <http://www.mohokare.gov.za>

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi (Until July 2013)
P. Dyonase (Acting from July 2013 & appointed December 2013)

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 95, 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 2015.

TC PANYANI
MUNICIPAL MANAGER
8 December 2015

P Dyonase
CHIEF FINANCIAL OFFICER
8 December 2015

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL

COUNCILLORS

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

Mohokare Local Municipality
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

| | Note | Actual | |
|--|------|--------------------|--------------------|
| | | 2015 | 2014 |
| | | R | Restated R |
| ASSETS | | | |
| Current Assets | | 23 819 214 | 9 877 738 |
| Inventories - Consumables | 2 | 765 008 | 790 723 |
| Receivables from Exchange Transactions | 3 | 5 383 247 | 2 472 749 |
| Receivables from Non-exchange Transactions | 4 | 1 556 767 | 738 347 |
| Sundry debtors | 4 | 1 957 252 | 1 004 993 |
| VAT Receivable | 5 | 13 211 818 | 4 542 713 |
| Cash and Cash Equivalents | 6 | 945 122 | 328 214 |
| Non-Current Assets | | 492 920 091 | 473 809 105 |
| Property, Plant and Equipment | 7 | 470 141 771 | 451 106 805 |
| Investment Property | 8 | 22 176 665 | 22 176 665 |
| Biological Assets | 9 | 256 500 | 240 031 |
| Investments | 10 | 345 155 | 285 604 |
| Total Assets | | 516 739 305 | 483 686 844 |
| LIABILITIES | | | |
| Current Liabilities | | 79 546 515 | 57 121 549 |
| Consumer Deposits | 11 | 521 730 | 615 562 |
| Payables | 12 | 70 230 764 | 47 857 798 |
| Deferred Grant Revenue | 18 | - | 90 439 |
| Unspent Conditional Grants and Receipts | 13 | 8 376 281 | 6 072 722 |
| Bank Overdraft | 6 | - | 2 076 232 |
| Current Portion of Long-term Liabilities | 14 | 417 739 | 408 795 |
| Non-Current Liabilities | | 31 793 238 | 23 471 859 |
| Long-term Liabilities | 14 | 20 408 617 | 12 963 859 |
| Non-current Provisions | 15 | 11 384 620 | 10 508 000 |
| Total Liabilities | | 111 339 752 | 80 593 407 |
| Total Assets and Liabilities | | 405 399 553 | 403 093 436 |
| NET ASSETS | | 405 399 553 | 403 093 436 |
| Accumulated Surplus / (Deficit) | 16 | 405 399 553 | 403 093 436 |
| Total Net Assets | | 405 399 553 | 403 093 436 |

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| | Note | Actual | |
|---|------|--------------------|---------------------|
| | | 2015 | 2014 |
| | | R | Restated R |
| REVENUE | | | |
| Revenue from Non-exchange Transactions | | | |
| Property Rates | 17 | 6 515 489 | 5 848 955 |
| Traffic Fines | | 1 638 850 | 874 540 |
| Gains on Fair Value adjustments | | 65 770 | 211 931 |
| Licences and Permits | | 3 545 | 132 |
| Government Grants and Subsidies Received | 18 | 105 784 004 | 94 606 442 |
| Donations Received | 19 | 1 357 959 | 970 424 |
| Revenue from Exchange Transactions | | | |
| Service Charges | 20 | 47 996 203 | 38 157 033 |
| Rental of Facilities and Equipment | 21 | 1 064 164 | 574 998 |
| Interest Earned - External Investments | 22 | 129 246 | 175 822 |
| Interest Earned - Outstanding Debtors | 22 | 805 766 | 8 084 890 |
| Dividends Received | | 7 067 | 8 925 |
| Other Income | 23 | 1 340 274 | 964 837 |
| Profit on Sale of Livestock:- | | 55 263 | 43 982 |
| Sale of Livestock | | 55 263 | 252 482 |
| Carrying value of Livestock | | - | (208 500) |
| Total Revenue | | 166 763 602 | 150 522 911 |
| EXPENDITURE | | | |
| Employee Related Costs | 24 | 55 991 776 | 52 766 457 |
| Remuneration of Councillors | 25 | 3 236 314 | 3 065 340 |
| Depreciation and Amortisation | 26 | 25 616 415 | 25 776 667 |
| De-commissioning cost | 7 | 536 155 | 536 155 |
| Impairment Losses | 27 | 21 104 381 | 22 456 408 |
| Repairs and Maintenance | | 2 161 467 | 1 698 199 |
| Finance Costs | 28 | 4 600 053 | 2 209 096 |
| Bulk Purchases | 29 | 23 607 805 | 19 755 688 |
| Contracted Services | 30 | 3 659 924 | 5 393 623 |
| Grants and Subsidies Paid | 31 | 11 636 | - |
| General Expenses | 32 | 23 576 143 | 28 193 557 |
| Loss on Disposal of Property, Plant and Equipment | | 355 416 | 298 128 |
| Total Expenditure | | 164 457 485 | 162 149 320 |
| SURPLUS / (DEFICIT) FOR THE YEAR | | 2 306 116 | (11 626 409) |

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 2015

| Description | Accumulated Surplus / (Deficit) | Total for Accumulated Surplus/(Deficit) Account | Total |
|--|---------------------------------------|--|--------------------|
| | R | R | R |
| Balance at 30 June 2013 | 277 345 175 | 277 345 175 | 277 345 175 |
| Correction of prior period errors | 160 317 695 | 160 317 695 | 160 317 695 |
| Re-Stated Balance at 30 June 2013 | 437 662 870 | 437 662 870 | 437 662 870 |
| 2014 | | | |
| Surplus/(Deficit) for the year | (11 626 409) | (11 626 409) | (11 626 409) |
| Balance at 30 June 2014 | 426 036 461 | 426 036 461 | 426 036 461 |
| Correction of prior period errors | (22 943 024) | (22 943 024) | (22 943 024) |
| Re-Stated Balance at 30 June 2014 | 403 093 437 | 403 093 437 | 403 093 437 |
| 2015 | | | |
| Surplus/(Deficit) for the year | 2 306 116 | 2 306 116 | 2 306 116 |
| Balance at 30 June 2015 | 405 399 553 | 405 399 553 | 405 399 553 |

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 2015

| | | Actual | |
|---|---------|----------------------------|----------------------------|
| | | 2015 | 2014 |
| | | R | R |
| CASH FLOWS FROM OPERATING ACTIVITIES | Note | | |
| Receipts | | | |
| Cash receipts from Ratepayers, Government and Other | | 113 081 489 | 97 465 791 |
| Dividends Received | | 7 067 | 8 925 |
| Interest Received | 22 | 129 246 | 175 822 |
| Payments | | | |
| Cash paid to suppliers and Employees | | (67 763 562) | (66 014 325) |
| Interest Paid | 28 | (188 949) | (181 906) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 35 | <u><u>45 265 296</u></u> | <u><u>31 454 307</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 7, 18.8 | (42 287 203) | (34 113 495) |
| Proceeds on Disposal of Biological Assets | | 55 258 | 252 482 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u><u>(42 231 945)</u></u> | <u><u>(33 861 013)</u></u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Borrowings raised | | | 581 436 |
| Borrowings repaid | | (340 210) | -124 502 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | <u><u>(340 210)</u></u> | <u><u>456 934</u></u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u><u>2 693 140</u></u> | <u><u>(1 949 772)</u></u> |
| Cash and Cash Equivalents at Beginning of Period | | (1 748 018) | 201 754 |
| Cash and Cash Equivalents at End of Period | | 945 122 | (1 748 018) |

Mohokare Local Municipality
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|--------------------|--------------------|-----------------------------|--------------------|---|--|
| | R | R | R | R | R | R | R | R | R |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventories | 657 000 | - | - | 657 000 | 765 008 | - | 108 008 | 116% | 116% |
| Inventories Held-for-Sale | - | - | - | - | - | - | - | 0% | 0% |
| Receivables from Exchange Transactions | 13 620 000 | - | - | 13 620 000 | 5 383 247 | - | (8 236 753) | 40% | 40% |
| Receivables from Non-exchange Transactions | - | - | - | - | 1 556 767 | - | 1 556 767 | 0% | 0% |
| VAT Receivable | - | - | - | - | 13 211 818 | - | 13 211 818 | 0% | 0% |
| Cash and Cash Equivalents | 729 000 | - | - | 729 000 | 945 122 | - | 216 122 | 130% | 130% |
| Sundry Debtors | 5 557 000 | - | - | 5 557 000 | 1 957 252 | - | (3 599 748) | 35% | 35% |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 324 830 000 | - | - | 324 830 000 | 470 141 771 | - | 145 311 771 | 145% | 145% |
| Investment Property | 19 267 000 | - | - | 19 267 000 | 22 176 665 | - | 2 909 665 | 115% | 115% |
| Biological Assets | 327 000 | - | - | 327 000 | 256 500 | - | (70 500) | 78% | 78% |
| Intangible Assets | - | - | - | - | - | - | - | 0% | 0% |
| Non-current Investments | 197 000 | - | - | 197 000 | 345 155 | - | 148 155 | 0% | 0% |
| Other Non-Current Assets | - | - | - | - | - | - | - | 0% | 0% |
| Total Assets | 365 184 000 | - | - | 365 184 000 | 516 739 305 | - | 151 555 305 | 142% | 142% |
| Current Liabilities | | | | | | | | | |
| Consumer Deposits | 214 000 | - | - | 214 000 | 521 730 | - | 307 730 | 244% | 244% |
| Payables | 15 891 000 | - | - | 15 891 000 | 70 230 764 | - | 54 339 764 | 442% | 442% |
| Deferred Grant Revenue | - | - | - | - | - | - | - | 0% | 0% |
| Unspent Conditional Grants and Receipts | - | - | - | - | 8 376 281 | - | 8 376 281 | 0% | 0% |
| Short-term Loans | 274 000 | - | - | 274 000 | - | - | (274 000) | 0% | 0% |
| Bank Overdraft | 5 000 000 | - | - | 5 000 000 | - | - | (5 000 000) | 0% | 0% |
| Current Portion of Long-term Liabilities | - | - | - | - | 417 739 | - | 417 739 | 0% | 0% |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | 6 209 000 | - | - | 6 209 000 | 20 408 617 | - | 14 199 617 | 329% | 329% |
| Non-current Provisions | 12 317 000 | - | - | 12 317 000 | 11 384 620 | - | (932 380) | 92% | 92% |
| Total Liabilities | 39 905 000 | - | - | 39 905 000 | 111 339 752 | - | 71 434 752 | 279,01 | 279,01 |
| Total Assets and Liabilities | 325 279 000 | - | - | 325 279 000 | 405 399 553 | - | 80 120 553 | 125% | 125% |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 325 279 000 | - | - | 325 279 000 | 405 399 553 | - | 80 120 553 | 125% | 125% |
| Total Net Assets | 325 279 000 | - | - | 325 279 000 | 405 399 553 | - | 80 120 553 | 125% | 125% |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|---------------------|--------------------|-----------------------------|-------------------|---|--|
| FINANCIAL PERFORMANCE | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Property Rates | 14 587 000 | - | - | 14 587 000 | 6 515 489 | - | (8 071 511) | 45% | 45% |
| Fair value gains | - | - | - | - | 65 770 | - | 65 770 | 0% | 0% |
| Fines | 3 000 000 | - | - | 3 000 000 | 1 638 850 | - | (1 361 150) | 55% | 55% |
| Licences and Permits | - | 3 000 | - | 3 000 | 3 545 | - | 545 | 118% | 0% |
| Government Grants and Subsidies Received | 59 508 000 | (5 000 000) | - | 54 508 000 | 105 784 004 | - | 51 276 004 | 194% | 178% |
| Public Contributions and Donations | - | - | - | - | 1 357 959 | - | 1 357 959 | 0% | 0% |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | 47 940 000 | 4 879 000 | - | 52 819 000 | 47 996 203 | - | (4 822 797) | 91% | 100% |
| Rental of Facilities and Equipment | 602 000 | 2 000 | - | 604 000 | 1 064 164 | - | 460 164 | 176% | 177% |
| Interest Earned - External Investments | 7 000 | - | - | 7 000 | 129 246 | - | 122 246 | 1846% | 1846% |
| Interest Earned - Outstanding Debtors | - | - | - | - | 805 766 | - | 805 766 | 0% | 0% |
| Dividends Received | 10 000 | 9 000 | - | 19 000 | 7 067 | - | (11 933) | 37% | 71% |
| Other Income | 6 678 000 | 503 000 | - | 7 181 000 | 1 340 274 | - | (5 840 726) | 19% | 20% |
| Profit on Sale of Livestock | - | - | - | - | 55 263 | - | 55 263 | 0% | 0% |
| Total Revenue | 132 332 000 | 396 000 | - | 132 728 000 | 166 763 601 | - | 34 035 601 | 126% | 126% |
| Expenditure | | | | | | | | | |
| Employee Related Costs | 52 491 000 | 2 185 000 | - | 54 676 000 | 55 991 776 | - | 1 315 776 | 102% | 107% |
| Remuneration of Councillors | 3 183 000 | (117 000) | - | 3 066 000 | 3 236 314 | - | 170 314 | 106% | 102% |
| Depreciation and Amortisation | 28 427 000 | 181 000 | - | 28 608 000 | 25 616 415 | - | (2 991 585) | 90% | 90% |
| De-commissioning cost | - | - | - | - | 536 155 | - | 536 155 | 0% | 0% |
| Impairment Losses | 9 563 000 | 4 389 000 | - | 13 952 000 | 21 104 381 | - | 7 152 381 | 151% | 221% |
| Repairs and Maintenance | - | - | - | - | 2 161 467 | - | 2 161 467 | 0% | 0% |
| Finance Costs | 2 504 000 | 225 000 | - | 2 729 000 | 4 600 053 | - | 1 871 053 | 169% | 184% |
| Bulk Purchases | 18 000 000 | 1 570 000 | - | 19 570 000 | 23 607 805 | - | 4 037 805 | 121% | 131% |
| Contracted Services | 89 000 | 495 000 | - | 584 000 | 3 659 924 | - | 3 075 924 | 627% | 4112% |
| Grants and Subsidies Paid | 5 763 000 | (800 000) | - | 4 963 000 | 11 636 | - | (4 951 364) | 0% | 0% |
| General Expenses | 38 376 000 | (5 652 000) | - | 32 724 000 | 23 576 143 | - | (9 147 857) | 72% | 61% |
| Loss on Disposal of Property, Plant and Equipment | - | - | - | - | 355 416 | - | 355 416 | 0% | 0% |
| Total Expenditure | 158 396 000 | 2 476 000 | - | 160 872 000 | 164 457 484 | 3 585 484 | 3 585 484 | 102% | 104% |
| Surplus/(Deficit) | | | | | | | | | |
| Transfers Recognised - Capital | (26 064 000) | (2 080 000) | - | (28 144 000) | 2 306 116 | (3 585 484) | 30 450 116 | -8% | -9% |
| Contributions Recognised - Capital and Contributed Assets | 65 192 000 | (5 000 000) | - | 60 192 000 | - | - | - | 0% | 0% |
| | (72 436 000) | 10 012 000 | - | (62 424 000) | (2 306 116) | - | - | 4% | 3% |
| Surplus/(Deficit) after Capital Transfers and Contributions | (33 308 000) | 2 932 000 | - | (30 376 000) | - | (3 585 484) | 30 450 116 | - | - |
| Surplus/(Deficit for the Year) | (33 308 000) | 2 932 000 | - | (30 376 000) | - | (3 585 484) | 30 450 116 | - | - |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|----------|---------------------|--------------------|-----------------------------|---------------------|---|--|
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | |
| Executive and Council | 7 000 | (4 000) | - | 3 000 | 1 558 298 | - | 1 555 298 | 51943% | 22261% |
| Finance and Administration | 795 000 | 119 000 | - | 914 000 | 159 312 | - | (754 688) | 17% | 20% |
| Planning and Development | - | - | - | - | - | - | - | 0% | 0% |
| Community and Social Services | 1 857 000 | (1 511 000) | - | 346 000 | 52 395 | - | (293 605) | 15% | 3% |
| Housing | - | - | - | - | - | - | - | 0% | 0% |
| Sport and Recreation | 3 565 000 | (909 000) | - | 2 656 000 | 942 518 | - | (1 713 482) | 35% | 26% |
| Waste Management | 1 346 000 | (864 000) | - | 482 000 | - | - | (482 000) | 0% | 0% |
| Roads and Transport | 12 630 000 | (2 295 000) | - | 10 335 000 | 8 689 842 | - | (1 645 158) | 84% | 69% |
| Water | 48 405 000 | (4 523 000) | - | 43 882 000 | 29 667 945 | - | (14 214 055) | 68% | 61% |
| Electricity | 3 666 000 | - | - | 3 666 000 | 4 087 227 | - | 421 227 | 111% | 111% |
| Total Sources of Capital Funds | 72 438 000 | (9 987 000) | - | 62 284 000 | 45 157 538 | | (17 126 462) | 73% | 62% |
| CASH FLOW | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | |
| Cash Receipts from Ratepayers, Government and Other | 187 328 000 | (4 614 000) | - | 182 714 000 | 113 081 489 | - | (69 632 511) | 62% | 60% |
| Cash Paid to Suppliers and Employees | (120 822 000) | (2 541 000) | - | (123 363 000) | (67 763 562) | - | 55 599 438 | 55% | 56% |
| Dividends received | 10 000 | 9 000 | - | 19 000 | 7 067 | - | (11 933) | 37% | 71% |
| Interest received | - | - | - | - | 129 246 | - | 129 246 | 0% | 0% |
| Interest paid | (2 382 000) | (321 000) | - | (2 703 000) | (188 949) | 2 514 051 | 2 514 051 | 7% | 8% |
| Transfers and Grants | (5 763 000) | 800 000 | - | (4 963 000) | - | - | 4 963 000 | 0% | 0% |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (72 436 000) | 10 012 000 | - | (62 424 000) | (42 287 203) | - | 20 136 797 | 68% | 58% |
| Proceeds on Disposal of Biological Assets | - | - | - | - | 55 258 | - | 55 258 | 0% | 0% |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | |
| New Loans raised | - | - | - | - | - | - | - | 0% | 0% |
| Loans repaid | 272 000 | - | - | 272 000 | (340 210) | - | (612 210) | -125% | -125% |
| Net Increase / (Decrease) in Cash held | (13 793 000) | 3 345 000 | - | (10 448 000) | 2 693 136 | 2 514 051 | 13 141 136 | -26% | -20% |
| Cash and Cash Equivalents at Beginning of the Year | (1 384 000) | | | (1 384 000) | (1 748 018) | | | | |
| Cash and Cash Equivalents at End of the Year | (15 177 000) | | | (11 832 000) | 945 122 | | | | |

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 |
| FINANCIAL POSITION | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Inventories | 4 851 000 | - | - | 4 851 000 | 790 723 | - | (4 060 277) | 16% | 16% |
| Inventories Held-for-Sale | - | - | - | - | - | - | - | 0% | 0% |
| Receivables from Exchange Transactions | 18 208 000 | - | - | 18 208 000 | 2 472 749 | - | (15 735 251) | 14% | 14% |
| Receivables from Non-exchange Transactions | - | - | - | - | 738 347 | - | 738 347 | 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 | 1 004 993 | - | (153 007) | 87% | 87% |
| Non-Current Assets | | | | | | | | | |
| Property, Plant and Equipment | 343 256 000 | - | - | 343 256 000 | 451 106 805 | - | 107 850 805 | 131% | 131% |
| Investment Property | 20 519 000 | - | - | 20 519 000 | 22 176 665 | - | 1 657 665 | 108% | 108% |
| Biological Assets | 431 000 | - | - | 431 000 | 240 031 | - | (190 969) | 56% | 56% |
| Intangible Assets | 534 000 | - | - | 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% |
| Total Assets | 389 359 000 | - | - | 389 359 000 | 483 686 845 | - | 94 327 845 | 124% | 124% |
| Current Liabilities | | | | | | | | | |
| Consumer Deposits | 164 000 | - | - | 164 000 | 615 562 | - | 451 562 | 375% | 375% |
| Payables | 1 983 000 | - | - | 1 983 000 | 47 857 798 | - | 45 874 798 | 2413% | 2413% |
| Deferred grant revenue | - | - | - | - | 90 439 | - | 90 439 | 0% | 0% |
| Unspent Conditional Grants and Receipts | - | - | - | - | 6 072 722 | - | 6 072 722 | 0% | 0% |
| Provisions | 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% |
| Non-Current Liabilities | | | | | | | | | |
| Long-term Liabilities | 1 262 000 | - | - | 1 262 000 | 12 963 859 | - | 11 701 859 | 1027% | 1027% |
| Non-current Provisions | 18 977 000 | - | - | 18 977 000 | 10 508 000 | - | (8 469 000) | 55% | 55% |
| Total Liabilities | 27 771 000 | - | - | 27 771 000 | 80 593 407 | - | 52 822 407 | 290% | 290% |
| Total Assets and Liabilities | 361 588 000 | - | - | 361 588 000 | 403 093 437 | - | 41 505 437 | 111% | 111% |
| Net Assets (Equity) | | | | | | | | | |
| Accumulated Surplus / (Deficit) | 361 588 000 | - | - | 361 588 000 | 403 093 436 | - | 41 505 436 | 111% | 111% |
| Total Net Assets | 51 642 000 | - | - | 361 588 000 | 403 093 436 | - | 41 505 436 | 111% | 781% |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|--|-----------------------------|-----------------------|----------|---------------------|---------------------|-----------------------------|-------------------|---|--|
| FINANCIAL PERFORMANCE | | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | | |
| Property Rates | 9 271 000 | 4 633 000 | - | 13 904 000 | 5 848 955 | - | (8 055 045) | 42% | 63% |
| 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% |
| Revenue from Exchange Transactions | | | | | | | | | |
| Service Charges | 39 566 000 | 3 888 000 | - | 43 454 000 | 38 157 033 | - | (5 296 967) | 88% | 96% |
| 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 | 0.00 | 0.00 |
| Total Revenue | 119 957 000 | (4 802 000) | - | 115 155 000 | 150 522 911 | - | 35 367 911 | 131% | 125% |
| Expenditure | | | | | | | | | |
| 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 | 25 776 667 | - | (2 175 333) | 92% | 117% |
| De-commissioning cost | - | - | - | - | 536 155 | - | 536 155 | 0% | 0% |
| Impairment Losses | 4 748 000 | 862 000 | - | 5 610 000 | 22 456 408 | - | 16 846 408 | 400% | 473% |
| Repairs and Maintenance | - | - | - | - | 1 698 199 | - | 1 698 199 | 0% | 0% |
| Finance Costs | 537 000 | (225 000) | - | 312 000 | 2 209 096 | - | 1 897 096 | 708% | 411% |
| 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 | - | - | (5 850 000) | 0% | 0% |
| 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% |
| Total Expenditure | 134 839 000 | 7 201 000 | - | 142 040 000 | 162 149 319 | 20 109 319 | 20 109 319 | 114% | 120% |
| Surplus/(Deficit) | | | | | | | | | |
| | (14 882 000) | (12 003 000) | - | (26 885 000) | (11 626 408) | (20 109 319) | 15 258 592 | 43% | 78% |
| Transfers Recognised - Capital | 41 887 000 | (2 100 000) | - | 39 787 000 | - | - | - | 0.00 | 0.00 |
| Contributions Recognised - Capital and Contributed Assets | (49 371 000) | 8 004 000 | - | (41 367 000) | - | - | - | 0.00 | 0.00 |
| Surplus/(Deficit) after Capital Transfers and Contributions | (22 366 000) | (6 099 000) | - | (28 465 000) | (11 626 408) | (20 109 319) | 15 258 592 | 41% | 52% |
| Surplus/(Deficit for the Year) | (22 366 000) | (6 099 000) | - | (28 465 000) | (11 626 408) | (20 109 319) | 15 258 592 | | |

| Description | Original Total Budget | Budget Adjustments | Virement | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget |
|---|-----------------------------|-----------------------|----------|--------------------|--------------------|-----------------------------|------------------|---|--|
| CAPITAL EXPENDITURE PER FUNCTION | | | | | | | | | |
| Executive and Council | - | - | - | - | 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% | 0% |
| Housing | - | - | - | - | 312 | - | 312 | 0% | 0% |
| Sport and Recreation | 3 022 000 | (219 000) | - | 2 803 000 | 22 768 924 | - | 19 965 924 | 812% | 753% |
| Waste Management | 11 864 000 | - | - | 11 864 000 | - | - | (11 864 000) | 0% | 0% |
| 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% |
| Total Sources of Capital Funds | 49 371 000 | (8 005 000) | - | 41 366 000 | 42 823 159 | - | 1 457 159 | 104% | 87% |
| CASH FLOW | | | | | | | | | |
| Cash Flows from/(used in) Operating Activities | | | | | | | | | |
| Cash Receipts from Ratepayers, Government and Other | 157 083 000 | (8 263 000) | - | 148 820 000 | 97 465 791 | - | (51 354 209) | 65% | 62% |
| Cash Paid to Suppliers and Employees | (105 969 000) | (1 078 000) | - | (107 047 000) | (66 014 325) | - | 41 032 675 | 62% | 62% |
| Dividends received | 9 000 | - | - | 9 000 | 8 925 | - | (75) | 99% | 99% |
| Interest received | 5 000 | 500 000 | - | 505 000 | 175 822 | - | (329 178) | 35% | 3516% |
| Interest paid | (605 000) | 366 000 | - | (239 000) | (181 906) | 57 094 | 57 094 | 76% | 30% |
| Transfers and Grants | (5 850 000) | - | - | (5 850 000) | - | - | 5 850 000 | 0% | 0% |
| Cash Flows from/(used in) Investing Activities | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (49 371 000) | 8 004 000 | - | (41 367 000) | (34 113 495) | - | 7 253 505 | 82% | 69% |
| Decrease / (Increase) in Non-current Investments | - | - | - | - | 252 482 | - | 252 482 | 0% | 0% |
| Decrease / (Increase) in Long-term Receivables | - | - | - | - | - | - | - | 0% | 0% |
| Cash Flows from/(used in) Financing Activities | | | | | | | | | |
| New Loans raised | 5 800 000 | (5 800 000) | - | - | 456 934 | - | 456 934 | 0% | 8% |
| Increase / (Decrease) in Consumer deposits | 60 000 | (60 000) | - | - | - | - | - | 0% | 0% |
| Net Increase / (Decrease) in Cash held | 1 162 000 | (6 331 000) | - | (5 169 000) | (1 949 772) | 57 094 | 3 219 228 | 38% | -168% |

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 | 2014/15 | 2013/14 |
|---|---------------------|---------------------|
| | R | R |
| Net surplus/(deficit) per the statement of financial performance | 2 306 116 | (11 626 409) |
| Revenue from Non-exchange Transactions | | |
| Property Rates | 8 071 511 | 8 055 045 |
| Fines | 1 361 150 | (374 540) |
| Licences and Permits | (545) | (132) |
| Government Grants and Subsidies Received | (51 276 004) | (42 481 442) |
| Public Contributions and Donations | (1 357 959) | (970 424) |
| Revenue from Exchange Transactions | | |
| Service Charges | 4 822 797 | 5 296 967 |
| Rental of Facilities and Equipment | (460 164) | (3 998) |
| Interest Earned - External Investments | (122 246) | (169 822) |
| Interest Earned - Outstanding Debtors | (805 766) | (8 084 890) |
| Dividends Received | 11 933 | 75 |
| Fair Value Gains | (65 770) | (211 931) |
| Other Revenue | 5 840 726 | 3 621 163 |
| Profit on sale of Livestock | (55 263) | (43 982) |
| Expenditure | | |
| Employee Related Costs | 1 315 776 | 4 230 457 |
| Remuneration of Councillors | 170 314 | 79 340 |
| Depreciation and Amortisation | (2 991 585) | (2 175 333) |
| De-commissioning cost | 536 155 | 536 156 |
| Impairment Losses | 7 152 381 | 16 846 408 |
| Repairs and Maintenance | 2 161 467 | 1 698 199 |
| Finance Costs | 1 871 053 | 1 897 096 |
| Bulk Purchases | 4 037 805 | 3 755 688 |
| Contracted Services | 3 075 924 | 5 234 623 |
| Grants and Subsidies Paid | (4 951 364) | (5 850 000) |
| General Expenses | (9 147 857) | (6 441 443) |
| Loss on Disposal of Property, Plant and Equipment | 355 416 | 298 128 |
| Net surplus/deficit per approved budget | (28 144 000) | (26 885 000) |

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2015 and 30 June 2014 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*.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 5.2 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. 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 GRAP 25. 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- (a) changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- (b) the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- (c) if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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 6% (2014: 6%) and discounted to the present value at the long-term treasury bond rate adjusted for specific risk factors as stated below.

| | Matlakeng | Rouxville | Smithfield |
|---|------------------|------------------|-------------------|
| Long term treasury bond rate | 7,85% | 8,75% | 8,75% |
| <i>Adjusted for:</i> | | | |
| The landfill site was fenced off previously, but the fencing has been stolen. | 0,10% | 0,10% | 0,10% |
| There are no weight bridge and no records are kept of vehicles entering the site. | 0,35% | 0,35% | 0,35% |
| There are no control over waste types entering the site. This may lead to possible dangerous and hazardous material being dumped in the site. | 0,53% | 0,53% | 0,53% |
| No traces of medical waste were identified. | -0,45% | -0,45% | -0,45% |
| Net discounting factor | 8,38% | 9,28% | 9,28% |

Rehabilitation on the Zastron site are to commence in 2016 and as a result the time value of money will have no effect and the provision will thus not be discounted.

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 2015

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 indefinite 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.

| Infrastructure | Years | Buildings | Years |
|-------------------------------------|--------------|---------------------------------|--------------|
| Roads and Paving | 100 | | 20 - 100 |
| Significant components: | | | |
| Road surface - Gravel | 10 | Other | |
| Road structural layer (access) | 25 - 40 | Specialist Vehicles | 10 |
| Road surface - Bituminous | 30 - 40 | Other Vehicles | 7 |
| Road structural layer - Collector | 50 | Office Equipment | 4 - 7 |
| Road structural layer - Distributor | 30 | Furniture and Fittings | 4 - 7 |
| Road surface - Concrete block | 30 | Bins and Containers | 4 |
| | | Specialised Plant and Equipment | 10 |
| Electricity | 45 - 50 | Community | |
| Significant components: | | | |
| 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 | 45 | | |
| 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.

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3. 8 Derecognition of property, plant and equipment

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

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

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

3. 9 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 2014). 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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 municipality 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 9,5% |
| 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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

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

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

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

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

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

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

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

| Type of Financial Liabilities | Classification in terms of GRAP 104 |
|---|---------------------------------------|
| Long term Liabilities (excluding Centlec payable) | Financial liability at amortised cost |
| Long term Liabilities (Centlec payable) | Financial liability at 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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. When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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 2014 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2014.

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 purgased 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.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

| | 2015 | 2014 |
|---|----------------|----------------|
| | | R |
| Maintenance Materials - at cost | 336 137 | 223 527 |
| Spare Parts - at cost | 404 379 | 544 051 |
| Water - at cost | 24 492 | 23 145 |
| Total Inventories | 765 008 | 790 723 |
| Consumable Inventory Expensed during the financial period | 374 465 | 990 013 |

The cost of water production for the year amounted to R4,33 per kilolitre (2014: R2,53 per kilolitre) in Zastron, R5,45 per kilolitre (2014: R3,02 per kilolitre) in Rouxville and R4,10 per kilolitre (2014: 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 | Provision for Impairment | Net Balances |
|---|-----------------------|---------------------------------|---------------------|
| | R | R | R |
| As at 30 June 2015 | | | |
| Service Debtors: | 79 865 795 | 74 747 072 | 5 118 723 |
| Electricity | 1 799 670 | 364 010 | 1 435 660 |
| Refuse | 17 758 727 | 17 259 741 | 498 986 |
| Sewerage | 23 941 811 | 22 420 777 | 1 521 034 |
| Water | 36 365 587 | 34 702 544 | 1 663 044 |
| Other Receivables | 1 716 589 | 1 452 064 | 264 523 |
| Housing | 1 707 828 | 1 443 304 | 264 523 |
| Other Debtors | 8 761 | 8 761 | - |
| Total Receivables from Exchange Transactions | 81 582 384 | 76 199 136 | 5 383 247 |

| | Gross Balances | Provision for Impairment | Net Balances |
|---|-----------------------|---------------------------------|---------------------|
| | R | R | R |
| As at 30 June 2014 | | | |
| Service Debtors: | 63 833 233 | 61 500 655 | 2 332 577 |
| Electricity | 771 770 | 220 417 | 551 353 |
| Refuse | 14 296 840 | 14 103 546 | 193 293 |
| Sewerage | 18 965 204 | 18 218 025 | 747 179 |
| Water | 29 799 419 | 28 958 668 | 840 751 |
| Other Receivables | 10 936 599 | 10 796 430 | 140 171 |
| Housing | 1 090 630 | 975 177 | 115 453 |
| Other Debtors | 9 845 969 | 9 821 252 | 24 717 |
| Total Receivables from Exchange Transactions | 74 769 831 | 72 297 085 | 2 472 749 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015, the municipality is owed R2 290 957 (30 June 2014: R1 364 548) 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 2015

| | Current | Past Due | | | Total |
|--------------------------------|----------------|----------------|----------------|------------------|------------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Electricity: | | | | | |
| Gross Balances | 611 667 | 61 653 | 116 877 | 1 009 473 | 1 799 670 |
| Less: Provision for Impairment | - | - | - | 364 010 | 364 010 |
| Net Balances | 611 667 | 61 653 | 116 877 | 645 462 | 1 435 660 |
| Refuse: | | | | | |
| Gross Balances | 477 244 | 436 731 | 427 162 | 16 417 589 | 17 758 726 |
| Less: Provision for Impairment | 409 630 | 396 829 | 395 530 | 16 057 752 | 17 259 741 |
| Net Balances | 67 614 | 39 902 | 31 632 | 359 838 | 498 985 |
| Sewerage: | | | | | |
| Gross Balances | 742 807 | 652 032 | 630 589 | 21 916 383 | 23 941 811 |
| Less: Provision for Impairment | 549 110 | 532 237 | 532 653 | 20 806 779 | 22 420 778 |
| Net Balances | 193 698 | 119 795 | 97 936 | 1 109 604 | 1 521 033 |
| Water: | | | | | |
| Gross Balances | 2 193 891 | 1 122 297 | 1 132 889 | 31 916 510 | 36 365 587 |
| Less: Provision for Impairment | 2 039 006 | 1 014 117 | 1 024 200 | 30 625 221 | 34 702 544 |
| Net Balances | 154 885 | 108 179 | 108 689 | 1 291 290 | 1 663 044 |
| Other Receivables: | | | | | |
| Gross Balances | 76 412 | 65 249 | 65 356 | 1 509 572 | 1 716 590 |
| Less: Provision for Impairment | 46 341 | 41 683 | 42 493 | 1 321 549 | 1 452 065 |
| Net Balances | 30 071 | 23 566 | 22 863 | 188 023 | 264 524 |

As at 30 June 2015 Receivables of R4 325 311 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|----------------|----------------|------------------|------------------|
| | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| All Receivables: | | | | |
| Gross Balances | 2 337 961 | 2 372 874 | 72 769 527 | 77 480 362 |
| Less: Provision for Impairment | 1 984 866 | 1 994 875 | 69 175 310 | 73 155 051 |
| Net Balances | 353 096 | 377 998 | 3 594 217 | 4 325 311 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

As at 30 June 2014

| | Current | Past Due | | | Total |
|--------------------------------|----------------|---------------|---------------|----------------|----------------|
| | 0 - 30 days | 31 - 60 Days | 61 - 90 Days | + 90 Days | |
| Electricity: | | | | | |
| Gross Balances | 27 | 27 | 27 | 771 688 | 771 770 |
| Less: Provision for Impairment | 27 | 27 | 27 | 220 335 | 220 417 |
| Net Balances | - | - | - | 551 353 | 551 353 |
| Refuse: | | | | | |
| Gross Balances | 338 276 | 328 350 | 321 150 | 13 309 065 | 14 296 840 |
| Less: Provision for Impairment | 306 537 | 309 481 | 307 755 | 13 179 774 | 14 103 546 |
| Net Balances | 31 739 | 18 869 | 13 396 | 129 291 | 193 294 |
| Sewerage: | | | | | |
| Gross Balances | 504 232 | 491 653 | 462 532 | 17 506 788 | 18 965 204 |
| Less: Provision for Impairment | 407 128 | 413 430 | 410 991 | 16 986 476 | 18 218 025 |
| Net Balances | 97 104 | 78 222 | 51 541 | 520 312 | 747 179 |
| Water: | | | | | |
| Gross Balances | 1 115 937 | 966 562 | 805 369 | 26 911 551 | 29 799 419 |
| Less: Provision for Impairment | 896 684 | 889 422 | 755 427 | 26 417 134 | 28 958 668 |
| Net Balances | 219 253 | 77 140 | 49 941 | 494 417 | 840 751 |
| Other Receivables: | | | | | |
| Gross Balances | 51 896 | 19 635 | 18 680 | 10 846 388 | 10 936 599 |
| Less: Provision for Impairment | 40 477 | 10 620 | 11 226 | 10 734 106 | 10 796 429 |
| Net Balances | 11 418 | 9 015 | 7 454 | 112 283 | 140 171 |

As at 30 June 2014 Receivables of R2 113 235 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 | 1 806 227 | 1 607 758 | 69 345 480 | 72 759 466 |
| Less: Provision for Impairment | 1 622 982 | 1 485 426 | 67 537 824 | 70 646 231 |
| Net Balances | 183 246 | 122 333 | 1 807 656 | 2 113 235 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

| | Household | Industrial/ Commercial | National and Provincial Government | Other | Total |
|---|-------------------------|---------------------------|--|----------------------|-------------------------|
| | R | R | R | R | R |
| As at 30 June 2015 | | | | | |
| <u>Current:</u> | | | | | |
| 0 - 30 days | 2 999 976 | 1 418 966 | 531 345 | 24 074 | 4 974 361 |
| <u>Past Due:</u> | | | | | |
| 31 - 60 Days | 2 103 228 | 158 423 | 61 030 | 15 281 | 2 337 961 |
| 61 - 90 Days | 2 085 067 | 204 758 | 66 913 | 18 565 | 2 375 304 |
| + 90 Days | <u>67 727 746</u> | <u>2 560 464</u> | <u>1 047 052</u> | <u>559 495</u> | <u>71 894 758</u> |
| Sub-total | 74 916 017 | 4 342 612 | 1 706 340 | 617 415 | 81 582 384 |
| Less: Provision for Impairment | <u>72 523 087</u> | <u>3 133 646</u> | <u>-</u> | <u>542 404</u> | <u>76 199 137</u> |
| Total Trade Receivables by Customer Classification | <u>2 392 930</u> | <u>1 208 966</u> | <u>1 706 340</u> | <u>75 011</u> | <u>5 383 247</u> |
| | | | | | |
| | Household | Industrial/ Commercial | National and Provincial Government | Other | Total |
| | R | R | R | R | R |
| As at 30 June 2014 | | | | | |
| <u>Current:</u> | | | | | |
| 0 - 30 days | 1 987 221 | 347 140 | 162 284 | 14 659 | 2 511 305 |
| <u>Past Due:</u> | | | | | |
| 31 - 60 Days | 1 856 074 | 68 619 | 56 449 | 13 673 | 1 994 816 |
| 61 - 90 Days | 1 511 072 | 52 591 | 35 390 | 12 208 | 1 611 262 |
| + 90 Days | <u>64 834 732</u> | <u>2 703 963</u> | <u>666 533</u> | <u>596 794</u> | <u>68 802 021</u> |
| Sub-total | 70 189 100 | 3 172 313 | 920 656 | 637 334 | 74 919 404 |
| Less: Provision for Impairment | <u>69 049 748</u> | <u>2 786 137</u> | <u>24</u> | <u>610 745</u> | <u>72 446 655</u> |
| Total Trade Receivables by Customer Classification | <u>1 139 351</u> | <u>386 176</u> | <u>920 632</u> | <u>26 589</u> | <u>2 472 749</u> |
| | | | | 2015 | 2014 |
| | | | | | R |

3.3 Reconciliation of the Provision for Impairment

| | | |
|--|--------------------------|--------------------------|
| Balance at beginning of year | 72 297 085 | 64 400 423 |
| <i>All Consumer Debtors</i> | <u>72 297 085</u> | <u>64 400 423</u> |
| Impairment Losses recognised - Including VAT | 21 950 120 | 23 314 836 |
| <i>All Consumer Debtors</i> | <u>21 950 120</u> | <u>23 314 836</u> |
| Amounts written off as uncollectable | (18 048 068) | (15 418 174) |
| <i>All Consumer Debtors</i> | <u>(18 048 068)</u> | <u>(15 418 174)</u> |
| Balance at end of year | <u>76 199 136</u> | <u>72 297 085</u> |

In determining the recoverability of a Receivable, the municipality considers the past payment history 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. 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 2015

| 3.4 Ageing of impaired Receivables from Exchange Transactions | 2015 | 2014 |
|--|-------------------|-------------------|
| | | R |
| <i>Current:</i> | | |
| 0 - 30 Days | 3 044 087 | 1 650 853 |
| <i>Past Due:</i> | | |
| 31 - 60 Days | 1 984 866 | 1 622 982 |
| 61 - 90 Days | 1 994 875 | 1 485 426 |
| + 90 Days | 69 175 310 | 67 537 824 |
| Total | 76 199 138 | 72 297 084 |

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 | Provision for Impairment | Net Balances |
|---|-----------------------|---------------------------------|---------------------|
| | R | R | R |
| As at 30 June 2015 | | | |
| Assessment Rates Debtors | 9 974 783 | 8 495 968 | 1 478 815 |
| Levies | 6 942 153 | 6 864 200 | 77 952 |
| Total Receivables from Non-exchange Transactions | 16 916 936 | 15 360 169 | 1 556 767 |
| As at 30 June 2014 | | | |
| Assessment Rates Debtors | 7 629 180 | 6 916 794 | 712 387 |
| Levies | 6 860 704 | 6 834 744 | 25 960 |
| Total Receivables from Non-exchange Transactions | 14 489 884 | 13 751 538 | 738 347 |

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 2015

| | Current | Past Due | | | Total |
|--------------------------------|--------------------|---------------------|---------------------|------------------|------------------|
| | <i>0 - 30 days</i> | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| Assessment Rates: | | | | | |
| Gross Balances | 91 805 | 69 166 | 81 868 | 9 731 943 | 9 974 783 |
| Less: Provision for Impairment | 67 108 | 53 567 | 56 004 | 8 319 300 | 8 495 980 |
| Net Balances | 24 697 | 15 599 | 25 864 | 1 412 643 | 1 478 803 |
| Levies: | | | | | |
| Gross Balances | 25 019 | 23 775 | 23 587 | 6 869 771 | 6 942 153 |
| Less: Provision for Impairment | 23 813 | 22 858 | 22 793 | 6 794 737 | 6 864 200 |
| Net Balances | 1 206 | 917 | 794 | 75 035 | 77 952 |

As at 30 June 2015 Receivables of R1 530 853 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|---------------------|---------------------|------------------|------------------|
| | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| All Receivables: | | | | |
| Gross Balances | 92 942 | 105 455 | 16 601 715 | 16 800 112 |
| Less: Provision for Impairment | 76 425 | 78 797 | 15 114 037 | 15 269 259 |
| Net Balances | 16 516 | 26 658 | 1 487 678 | 1 530 853 |

As at 30 June 2014

| | Current | Past Due | | | Total |
|--------------------------------|--------------------|---------------------|---------------------|------------------|----------------|
| | <i>0 - 30 days</i> | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| Assessment Rates: | | | | | |
| Gross Balances | 48 562 | 51 484 | 47 548 | 7 481 586 | 7 629 180 |
| Less: Provision for Impairment | 42 295 | 46 148 | 42 554 | 6 785 796 | 6 916 793 |
| Net Balances | 6 267 | 5 336 | 4 994 | 695 790 | 712 387 |
| Levies: | | | | | |
| Gross Balances | 102 895 | 101 903 | 100 818 | 6 555 087 | 6 860 704 |
| Less: Provision for Impairment | 99 066 | 99 526 | 99 476 | 6 536 676 | 6 834 744 |
| Net Balances | 3 829 | 2 377 | 1 342 | 18 411 | 25 960 |

As at 30 June 2014 Receivables of R728 251 were past due but not impaired. The age analysis of these Receivables are as follows:

| | Past Due | | | Total |
|--------------------------------|---------------------|---------------------|------------------|----------------|
| | <i>31 - 60 Days</i> | <i>61 - 90 Days</i> | <i>+ 90 Days</i> | |
| All Receivables: | | | | |
| Gross Balances | 153 387 | 148 366 | 14 036 673 | 14 338 427 |
| Less: Provision for Impairment | 145 674 | 142 030 | 13 322 472 | 13 610 176 |
| Net Balances | 7 713 | 6 337 | 714 201 | 728 251 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4.2 Summary of Assessment Rates Debtors by Customer Classification

| | Household | Industrial/ Commercial | National and Provincial Government | Other | Total |
|---|----------------|---------------------------|--|--------------|------------------|
| | R | R | R | R | R |
| As at 30 June 2015 | | | | | |
| <i>Current:</i> | | | | | |
| 0 - 30 days | 66 646 | 45 690 | 4 404 | 85 | 116 824 |
| <i>Past Due:</i> | | | | | |
| 31 - 60 Days | 43 801 | 44 696 | 4 404 | 41 | 92 942 |
| 61 - 90 Days | 44 872 | 44 050 | 16 493 | 41 | 105 455 |
| + 90 Days | 10 779 955 | 5 217 906 | 559 317 | 44 537 | 16 601 715 |
| Sub-total | 10 935 274 | 5 352 341 | 584 617 | 44 703 | 16 916 936 |
| Less: Provision for Impairment | 10 411 688 | 4 905 976 | - | 42 505 | 15 360 169 |
| Total Rates Debtors by Customer Classification | 523 586 | 446 365 | 584 617 | 2 199 | 1 556 767 |
| | R | R | R | R | R |
| As at 30 June 2014 | | | | | |
| <i>Current:</i> | | | | | |
| 0 - 30 days | 117 687 | 32 327 | 1 009 | 435 | 151 458 |
| <i>Past Due:</i> | | | | | |
| 31 - 60 Days | 120 223 | 31 729 | 1 008 | 428 | 153 388 |
| 61 - 90 Days | 115 576 | 31 358 | 1 008 | 425 | 148 367 |
| + 90 Days | 9 718 196 | 3 822 639 | 440 891 | 54 947 | 14 036 673 |
| Sub-total | 10 071 682 | 3 918 052 | 443 916 | 56 235 | 14 489 886 |
| Less: Provision for Impairment | 9 956 897 | 3738639,8 | - | 56 001 | 13 751 538 |
| Total Rates Debtors by Customer Classification | 114 785 | 179 412 | 443 916 | 234 | 738 348 |
| | | | 2015 | | 2014 |
| | | | | | R |

4.3 Reconciliation of Provision for Impairment

| | | |
|--------------------------------------|-------------------|-------------------|
| Balance at beginning of year | 13 751 538 | 12 721 108 |
| Assessment Rates Debtors | 13 751 538 | 12 721 108 |
| Impairment Losses recognised | 2 252 964 | 1 303 633 |
| Assessment Rates Debtors | 2 252 964 | 1 303 633 |
| Amounts written off as uncollectable | (644 333) | (273 203) |
| Assessment Rates Debtors | (644 333) | (273 203) |
| Balance at end of year | 15 360 168 | 13 751 538 |

4.4 Sundry Debtors

| | | |
|--------------------------|-----------|-----------|
| | 1 957 252 | 1 004 996 |
| Traffic fines | 1 631 642 | 617 850 |
| Payments made in advance | 10 | 10 |
| Other Sundry Debtors | 325 600 | 387 136 |

4.4.1 Reconciliation of Traffic fines

| | | |
|--------------------------------------|-----------|-----------|
| Balance at beginning of year | 617 850 | |
| Traffic fines issued during the year | 1 638 850 | 874 540 |
| Payments received | (265 750) | (126 240) |
| Written off as bad debt | (114 850) | |
| Provision for impairment | (244 458) | (130 450) |
| Closing balance | 1 631 642 | 617 850 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. VAT RECEIVABLE / (PAYABLE)

| | | |
|----------------------------|-------------------|------------------|
| Vat Payable. | (2 577 958) | (1 885 946) |
| Vat Receivable. | 15 789 776 | 6 428 659 |
| Vat Receivable / (Payable) | 13 211 818 | 4 542 713 |

The Municipality is registered on the payment basis, therefore input and output VAT is declared based on the cashflow of the Municipality.

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

6. CASH AND CASH EQUIVALENTS

| | | |
|--|----------------|--------------------|
| Current Investments | 168 952 | 163 083 |
| Bank Accounts | 774 991 | 163 951 |
| Bank Overdraft | - | (2 076 232) |
| Cash and Cash Equivalents | 1 180 | 1 180 |
| Total Bank, Cash and Cash Equivalents | 945 122 | (1 748 018) |

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

6.1 Current Investment Deposits

| | | |
|---|----------------|----------------|
| Call Deposits | 168 952 | 163 083 |
| Deposits available for Operations | 168 952 | 163 083 |
| Total Deposits attributable to Commitments of the Municipality | 168 952 | 163 083 |

6.2 Bank Accounts

| | | |
|----------------------------|----------------|--------------------|
| Cash in Bank | 774 991 | 163 951 |
| Bank Overdraft | - | (2 076 232) |
| Total Bank Accounts | 774 991 | (1 912 281) |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Municipality has the following bank accounts:

| | 2015 | 2014 |
|--|----------------|--------------------|
| | R | R |
| Primary Bank Account | | |
| <i>ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:</i> | | |
| Cash book balance at beginning of year | (2 076 232) | (86 319) |
| Cash book balance at end of year | <u>564 289</u> | <u>(2 076 232)</u> |
| Bank statement balance at beginning of year | (2 174 706) | 55 885 |
| Bank statement balance at end of year | <u>358 642</u> | <u>(2 174 706)</u> |
| Other Bank Accounts | | |
| <i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i> | | |
| Cash book balance at beginning of year | (137) | 526 |
| Cash book balance at end of year | <u>901</u> | <u>(137)</u> |
| Bank statement balance at beginning of year | (137) | 526 |
| Bank statement balance at end of year | <u>901</u> | <u>(137)</u> |
| <i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i> | | |
| Cash book balance at beginning of year | 81 007 | 5 549 |
| Cash book balance at end of year | <u>139 097</u> | <u>81 007</u> |
| Bank statement balance at beginning of year | 81 007 | 5 549 |
| Bank statement balance at end of year | <u>139 097</u> | <u>81 007</u> |
| <i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i> | | |
| Cash book balance at beginning of year | 83 081 | 4 212 |
| Cash book balance at end of year | <u>70 703</u> | <u>83 081</u> |
| Bank statement balance at beginning of year | 83 202 | 4 212 |
| Bank statement balance at end of year | <u>70 824</u> | <u>83 202</u> |

An amount of R7 503 181 (2014: R6 072 722) is attributable to Unspent Conditional Grants.

At year-end, the municipality had a positive bank balance of R358 642 on its current account. The municipality has an overdraft facility available on the current account with their banker and will incur interest on the overdrawn current account when applicable. The municipality also has a facility to an amount of R150 000 with its banker relating to fleet cards is also Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

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

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

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

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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 |
| Restated | | | | | | |
| Carrying values at 1 July 2014 | 16 940 589 | 373 950 116 | 51 214 807 | 8 238 239 | 763 053 | 451 106 805 |
| Cost | 38 506 302 | 674 792 641 | 124 891 426 | 13 849 675 | 2 136 120 | 854 176 164 |
| - Completed Assets | 38 506 302 | 616 411 262 | 122 219 109 | 13 849 675 | 2 136 120 | 793 122 468 |
| - Under Construction | - | 58 381 379 | 2 672 317 | - | - | 61 053 696 |
| Accumulated Impairment Losses | (137 214) | - | - | (262 346) | - | (399 559) |
| Accumulated De-commissioning | - | - | (2 829 826) | - | - | (2 829 826) |
| Accumulated Depreciation: | (21 428 499) | (300 842 525) | (70 846 793) | (5 349 090) | (1 373 067) | (399 839 974) |
| - Cost | (21 428 499) | (300 842 525) | (70 846 793) | (5 349 090) | (1 373 067) | (399 839 974) |
| Acquisitions | 159 312 | 5 652 856 | 2 790 037 | 1 558 298 | - | 10 160 503 |
| Capital under Construction - Completed: | - | 5 652 856 | 2 737 642 | - | - | 8 390 497 |
| At cost | 159 312 | - | 52 395 | 1 558 298 | - | 1 770 005 |
| Capital under Construction - Not completed: | - | 42 884 724 | 942 518 | - | - | 43 827 242 |
| Depreciation: | (341 002) | (22 218 695) | (1 447 716) | (1 316 416) | (292 586) | (25 616 415) |
| - Based on Cost | (341 002) | (22 218 695) | (1 447 716) | (1 316 416) | (292 586) | (25 616 415) |
| De-Commissioning costs | - | - | (536 155) | - | - | (536 155) |
| Carrying value of Disposals: | - | - | - | (355 416) | - | (355 416) |
| - Cost | - | - | - | (790 652) | - | (790 652) |
| - Accumulated Depreciation | - | - | - | 435 236 | - | 435 236 |
| - Accumulated Impairments | - | - | - | - | - | - |
| Other Movements | - | - | - | - | - | - |
| - Impairment Losses | - | - | - | (54 299) | - | (54 299) |
| Carrying values at 30 June 2015 | 16 758 899 | 394 616 145 | 50 225 849 | 8 070 407 | 470 467 | 470 141 771 |
| Cost | 38 665 614 | 717 677 365 | 125 886 340 | 14 617 321 | 2 136 120 | 898 982 760 |
| - Completed Assets | 38 665 614 | 622 064 117 | 125 009 146 | 14 617 321 | 2 136 120 | 802 492 319 |
| - Under Construction | - | 95 613 247 | 877 193 | - | - | 96 490 441 |
| Accumulated Impairment Losses | (137 214) | - | - | (316 645) | - | (453 858) |
| Accumulated De-commissioning | - | - | (3 365 981) | - | - | (3 365 981) |
| Accumulated Depreciation: | (21 769 501) | (323 061 220) | (72 294 509) | (6 230 270) | (1 665 653) | (425 021 153) |
| - Cost | (21 769 501) | (323 061 220) | (72 294 509) | (6 230 270) | (1 665 653) | (425 021 153) |

| Description | Land and Buildings | Infra-structure | Community | Other | Assets under Finance-Leases | Total |
|---|--------------------|--------------------|-------------------|------------------|-----------------------------|--------------------|
| Carrying values at 1 July 2013 | 17 246 913 | 368 006 027 | 50 295 901 | 7 998 642 | 154 639 | 443 702 121 |
| Cost | 38 506 302 | 647 006 328 | 121 963 976 | 12 395 133 | 1 291 611 | 821 163 350 |
| - Completed Assets | 38 506 302 | 582 393 041 | 119 515 602 | 12 395 133 | 1 291 611 | 754 101 688 |
| - Under Construction | - | 64 613 288 | 2 448 374 | - | - | 67 061 662 |
| Accumulated Impairment Losses | (137 214) | - | - | (17 127) | - | (154 341) |
| Accumulated De-commissioning | - | - | (2 293 670) | - | - | (2 293 670) |
| Accumulated Depreciation: | (21 122 176) | (279 000 302) | (69 374 404) | (4 379 364) | (1 136 972) | (375 013 217) |
| - Cost | (21 122 176) | (279 000 302) | (69 374 404) | (4 379 364) | (1 136 972) | (375 013 217) |
| | - | 61 796 979 | 5 483 072 | 2 703 108 | 844 509 | 70 827 667 |
| Acquisitions | - | 7 556 | - | 2 703 108 | 844 509 | 3 555 173 |
| Re-assessment of Landfill Provision | - | - | 147 886 | - | - | 147 886 |
| Capital under Construction - Completed: | - | 34 010 666 | 2 555 621 | - | - | 36 566 287 |
| Capital under Construction - Not completed: | - | 27 778 757 | 2 779 564 | - | - | 30 558 322 |
| Depreciation: | (306 324) | (21 842 223) | (1 472 389) | (1 919 636) | (236 095) | (25 776 667) |
| - Based on Cost | (306 324) | (21 842 223) | (1 472 389) | (1 919 636) | (236 095) | (25 776 667) |
| De-Commissioning costs | - | - | (536 155) | - | - | (536 155) |
| 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 | - | - | - | - | - | - |
| - Impairment Losses | - | - | - | (245 747) | - | (245 747) |
| Carrying values at 30 June 2014 | 16 940 589 | 373 950 116 | 51 214 807 | 8 238 239 | 763 053 | 451 106 805 |
| Cost | 38 506 302 | 674 792 641 | 124 891 426 | 13 849 675 | 2 136 120 | 854 176 164 |
| - Completed Assets | 38 506 302 | 616 411 262 | 122 219 109 | 13 849 675 | 2 136 120 | 793 122 468 |
| - Under Construction | - | 58 381 379 | 2 672 317 | - | - | 61 053 696 |
| Accumulated Impairment Losses | (137 214) | - | - | (262 346) | - | (399 559) |
| Accumulated De-commissioning | - | - | (2 829 826) | - | - | (2 829 826) |
| Accumulated Depreciation: | (21 428 499) | (300 842 525) | (70 846 793) | (5 349 090) | (1 373 067) | (399 839 974) |
| - Cost | (21 428 499) | (300 842 525) | (70 846 793) | (5 349 090) | (1 373 067) | (399 839 974) |

As at 30 June 2013, 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 2015

| 7 PROPERTY, PLANT AND EQUIPMENT (Continued) | 2015 R | 2014 R |
|--|--------------------------|--------------------------|
| 7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use | | |
| At Original Cost: | | |
| Land and Buildings | 802 142 | 802 142 |
| Community Assets | 10 181 213 | 10 181 213 |
| Movable assets | 1 291 611 | 1 291 611 |
| Gross Carrying Amount of PPE fully depreciated and still in use | <u>12 274 966</u> | <u>12 274 966</u> |

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 except for electricity assets as referred to in Note 14.1

7.4 Impairment of Property, Plant and Equipment

The amount of R54 299 (2014: R245 747) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2014/15 financial period.

| | | |
|--|----------------------|-----------------------|
| Other Assets: Movables | 54 299 | 245 747 |
| Total Impairment of Property, Plant and Equipment | <u>54 299</u> | <u>245 747</u> |

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

8. INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

| | | |
|---|--------------------------|--------------------------|
| Carrying values at 1 July | 22 176 665 | 22 176 665 |
| Fair Value | <u>22 176 665</u> | <u>22 176 665</u> |
| Net Gains / (Losses) from Fair Value Adjustments | - | - |
| Carrying values at 30 June | 22 176 665 | 22 176 665 |
| Fair Value | <u>22 176 665</u> | <u>22 176 665</u> |
| Estimated Fair Value of Investment Property at 30 June | <u>22 176 665</u> | <u>22 176 665</u> |

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

| | | |
|--|---------|---------|
| Rental Revenue earned from Investment Property | 804 718 | 422 734 |
|--|---------|---------|

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.

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 2015

9. BIOLOGICAL ASSETS

| | 2015 R | 2014 R |
|---|-----------|-----------|
| At Cost less Accumulated Amortisation and Accumulated Impairment Losses | 256 500 | 240 031 |

The movement in Biological Assets is reconciled as follows:

| | Cattle | Horses | Total |
|--|----------------|---------------|----------------|
| Carrying values at 1 July 2014 | 226 531 | 13 500 | 240 031 |
| Fair Value | 226 531 | 13 500 | 240 031 |
| Acquisitions during the Year (Calves born) | 49 500 | 500 | 50 000 |
| Gains from Changes in Fair Value | 6 219 | - | 6 219 |
| Losses during the Year | (9 750) | (1 500) | (11 250) |
| Disposals during the Year: | - | - | - |
| Decreases due to consumption | (28 500) | - | (28 500) |
| Losses from Changes in Fair Value | - | - | - |
| Carrying values at 30 June 2015 | 244 000 | 12 500 | 256 500 |
| Fair Value | 244 000 | 12 500 | 256 500 |
| | Cattle | Horses | Total |
| Carrying values at 1 July 2013 | 312 310 | 14 660 | 326 970 |
| 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 | - | - | - |
| Carrying values at 30 June 2014 | 226 531 | 13 500 | 240 031 |
| Fair Value | 226 531 | 13 500 | 240 031 |

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

| | Cattle 2015 | Horses 2015 | Cattle 2014 | Horses 2014 |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Quantities of each Biological Asset: | | | | |
| Opening balance | 46 | 9 | 101 | 10 |
| Acquisitions during the year | 22 | 1 | 21 | 1 |
| Decrease due to sale of assets | 0 | 0 | (65) | - |
| Losses during the year | -3 | -1 | (9) | (2) |
| Decreases due to consumption | -6 | 0 | (2) | - |
| Quantity at 30 June 2015 | 59 | 9 | 46 | 9 |

10. INVESTMENTS

Unlisted

| | | |
|-----------------------|----------------|----------------|
| Local Authority Stock | 345 155 | 285 604 |
| | 345 155 | 285 604 |

Total Investments

| | | |
|-----------------|---------|---------|
| All Investments | 345 155 | 285 604 |
|-----------------|---------|---------|

Total Investments

| | | |
|--|----------------|----------------|
| | 345 155 | 285 604 |
| | 345 155 | 285 604 |

Council's valuation of Unlisted Investments

| | | |
|-----------------------|----------------|----------------|
| Local Authority Stock | 345 155 | 285 604 |
| | 345 155 | 285 604 |

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 Ordinary Shares valued at R13.35 (2014: R10.72) per share and 13 731 Holding Shares valued at R12.31 (2014: R10.50) per share

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 2015

| 11. CONSUMER DEPOSITS | 2015 R | 2014 R |
|--------------------------------|-----------------------|-----------------------|
| Electricity, Water and other | 521 730 | 615 562 |
| Total Consumer Deposits | <u>521 730</u> | <u>615 562</u> |

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 | 32 466 188 | 25 128 938 |
| Payments received in Advance | 3 913 772 | 3 787 340 |
| Staff Bonuses | 1 175 025 | 1 200 504 |
| Staff Leave Accrued | 2 685 328 | 2 983 757 |
| Staff Salaries & Third Parties | 27 278 552 | 12 045 360 |
| Water treatment grant paid to Mohokare in error | 2 711 899 | 2 711 899 |
| Total Creditors | <u>70 230 764</u> | <u>47 857 798</u> |

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 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 | <u>8 376 281</u> | <u>6 072 722</u> |
| Total Conditional Grants and Receipts | <u>8 376 281</u> | <u>6 072 722</u> |

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 2015

14. LONG-TERM LIABILITIES

| | 2015 R | 2014 R |
|---|--------------------------|--------------------------|
| Finance Lease Liabilities | 462 518 | 733 315 |
| Government Loans | 1 106 929 | 1 176 342 |
| Other Loans (Centlec Capital Loans) | 872 545 | 988 848 |
| Centlec Payable | 18 384 364 | 10 474 149 |
| Sub-total | <u>20 826 356</u> | <u>13 372 654</u> |
| Less: Current Portion transferred to Current Liabilities:- | 417 739 | 408 795 |
| Finance Lease Liabilities | 262 571 | 271 411 |
| Government Loans | 155 168 | 137 384 |
| Total Long-term Liabilities (Neither past due, nor impaired) | <u><u>20 408 617</u></u> | <u><u>12 963 859</u></u> |

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. The last payment in respect of the lease relating to IT equipment was made during 2014/15.

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.

Government loans relates to a loan from the Development Bank of South Africa (DBSA). The loan are repayable in quarterly installments with the last payment to take place on 31 March 2020. The loan was negotiated at a fixed interest rate of 12,36%.

The Centlec payable relates to the amounts owed to Centlec in terms of services provided on behalf of the Municipality. This accounts for electricity bulk purchases, electricity sales on behalf of Mohokare Local Municipality, general expenditure incurred in the process of performing these duties as well as distribution losses. No contractual agreement regarding repayment terms, interest rate applicable, maturity date has been agreed and based on past history there is no indication that Centlec will demand payment within the next 12 months.

The amortised cost 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 (2014: 2 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 | |
|---|------------------------|-----------------------|---|-----------------------|
| | 2015 R | 2014 R | 2015 R | 2014 R |
| Amounts payable under finance leases: | | | | |
| Within one year | 291 445 | 320 540 | 291 445 | 320 540 |
| In the second to fifth years, inclusive | 206 117 | 495 960 | 206 117 | 495 960 |
| Over five years | - | - | - | - |
| | <u>497 562</u> | <u>816 499</u> | <u>497 562</u> | <u>816 499</u> |
| Less: Future Finance Obligations | (35 044) | (83 184) | (35 044) | (83 184) |
| Present Value of Minimum Lease Obligations | <u><u>462 518</u></u> | <u><u>733 315</u></u> | <u><u>462 518</u></u> | <u><u>733 315</u></u> |
| Less: Amounts due for settlement within 12 months (Current Portion) | | | (262 571) | (271 411) |
| Finance Lease Obligations due for settlement after 12 months (Non-current Portion) | | | <u><u>199 947</u></u> | <u><u>461 904</u></u> |

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 2015

Included in these classes are the following significant leases:

| | 2015 | 2014 |
|---|-------------|-------------|
| | R | 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 | 36 months |
| - Average effective interest rate, based on prime | 9,25% | 9,00% |
| - Average monthly installment | R 23 250,00 | 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.

| | Minimum Operating Lease Payments | |
|---|---|-----------------------------|
| | 2015 | 2014 |
| | R | R |
| Within one year | 67 808 | 67 808 |
| In the second to fifth years, inclusive | - | - |
| Over five years | - | - |
| | <u> </u> | <u> </u> |

15. PROVISIONS

Non-Current Provisions

Provision for Rehabilitation of Land-fill Sites

| | |
|-------------------|-------------------|
| 11 384 620 | 10 508 000 |
| <u>11 384 620</u> | <u>10 508 000</u> |

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

| | Land-fill Sites | Total |
|--------------------------------|-------------------|-------------------|
| | R | R |
| 30 June 2015 | | |
| Balance at beginning of year | 10 508 000 | 10 508 000 |
| Contributions to provision | 876 620 | 876 620 |
| | <u>11 384 620</u> | <u>11 384 620</u> |
| Balance at end of year | <u>11 384 620</u> | <u>11 384 620</u> |
| 30 June 2014 | | |
| Balance at beginning of year | 9 551 195 | 9 551 195 |
| Contributions to provision | 808 920 | 808 920 |
| Increase due to re-measurement | 147 886 | 147 886 |
| | <u>10 508 000</u> | <u>10 508 000</u> |
| Balance at end of year | <u>10 508 000</u> | <u>10 508 000</u> |

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. The provision was arrived at taking the following main factors into account: location, macro- and micro-environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by Ducharme Consulting is 30 June 2015.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. ACCUMULATED SURPLUS

| | 2015 | 2014 Restated |
|---|---------------------------|---------------------------|
| | R | R |
| The Accumulated Surplus consists of the following Internal Funds and Reserves: | | |
| Accumulated Surplus / (Deficit) due to the results of Operations | 405 399 553 | 403 093 438 |
| Total Accumulated Surplus | <u>405 399 553</u> | <u>403 093 438</u> |

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 PPE - Note 34.2
- Restatement of Centlec Payable - Note 34.3
- Restatement of Payables - Note 34.4

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 2015 | July 2014 | July 2015 | July 2014 |
| | R000's | R000's | | |
| Residential | 329 142 | 329 142 | 3 920 788 | 3 481 523 |
| Commercial | 78 639 | 78 639 | 603 232 | 540 759 |
| Agricultural | 2 381 282 | 2 381 282 | 3 812 821 | 3 471 329 |
| State | 145 831 | 145 831 | 102 827 | 81 950 |
| Rates Rebates | | | (1 924 178) | (1 726 605) |
| Total Property Rates | <u>2 934 894</u> | <u>2 934 894</u> | <u>6 515 489</u> | <u>5 848 955</u> |

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: 0,7380 c/R (2013/14: 0,6709 c/R)
- Commercial Properties: 0,9998 c/R (2013/14: 0,9089 c/R)
- State Properties: 0,3489 c/R (2013/14: 0,3172 c/R)
- Agricultural Properties: 0,1594 c/R (2013/14: 0,1449 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 2015

| 18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED | 2015 R | 2014 R |
|---|------------------------------|------------------------------|
| National Equitable Share | 52 966 000 | 51 873 000 |
| Operational Grants | <u>52 966 000</u> | <u>51 873 000</u> |
| Conditional / Unconditional Grants | 61 604 730 | 42 455 403 |
| National: FMG | 1 800 000 | 1 650 000 |
| National: MIG | 25 462 000 | 17 887 000 |
| National: MSIG | 934 000 | 890 000 |
| National: RBIG | 29 052 274 | 16 933 222 |
| GOGTA Grant | - | 2 775 000 |
| LG SETA | 13 411 | 320 181 |
| Expanded Public Works Programme | 1 033 000 | 1 000 000 |
| National: MWIG | 3 310 045 | 1 000 000 |
| Total Government Grants and Subsidies | <u><u>114 570 730</u></u> | <u><u>94 328 403</u></u> |
| Government Grants and Subsidies: | | |
| Conditional Grants - Capital | 57 824 319 | 35 820 222 |
| Conditional Grants - Operational | 3 780 411 | 6 635 181 |
| Unconditional Grants - Capital | - | - |
| Unconditional Grants - Operational | 52 966 000 | 51 873 000 |
| Total Government Grants and Subsidies | <u><u>114 570 730</u></u> | <u><u>94 328 403</u></u> |
| Summary of Transfers: | | |
| Conditions met - transferred to Revenue: Operating Expenses | 57 807 114 | 59 274 442 |
| Conditions met - transferred to Revenue: Capital Expenses | 47 976 890 | 34 746 049 |
| Centlec Electrification Grant | - | 585 951 |
| Total Transfers | <u><u>105 784 004</u></u> | <u><u>94 606 442</u></u> |
| 18.1 National: Equitable Share (Unconditional) | <u><u>52 966 000</u></u> | <u><u>51 873 000</u></u> |

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. R6,626 million was withheld in the financial period ended 30 June 2015 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R46,340 million was paid to Mohokare during the financial period ended 30 June 2015

18.2 National: FMG Grant (Conditional)

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 800 000 | 1 650 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 800 000) | (1 650 000) |
| Conditions still to be met - transferred to Liabilities | <u>-</u> | <u>-</u> |

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 | 4 949 172 | 12 039 610 |
| Current year receipts | 25 462 000 | 17 887 000 |
| Roll-over withheld on Equitable share | (5 626 000) | (7 000 000) |
| Conditions met - transferred to Revenue: Operating Expenses | (889 858) | (327 675) |
| Conditions met - transferred to Revenue: Capital Expenses | (15 766 406) | (17 559 325) |
| Conditions met - transferred to Deferred Revenue | - | (90 439) |
| Conditions still to be met - transferred to Liabilities | <u><u>8 128 908</u></u> | <u><u>4 949 172</u></u> |

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18.4 National: MSIG Funds (Conditional)

| | 2015 R | 2014 R |
|---|-----------------------------|-----------------------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 934 000 | 890 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (934 000) | (890 000) |
| 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 | (253 503) | - |
| Current year receipts | 29 052 274 | 16 933 222 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | - |
| Conditions met - transferred to Revenue: Capital Expenses | (29 052 274) | (17 186 725) |
| Conditions met - Receivable in the 2014-15 financial period | <u>(253 503)</u> | <u>(253 503)</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.

18.6 Expanded Public Works Programme (EPWP) (Conditional)

| | | |
|---|-----------------------------|-----------------------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 033 000 | 1 000 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (1 033 000) | (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.

18.7 Municipal Water Infrastructure Grant (MWIG)

| | | |
|---|-----------------------------|-----------------------------|
| Balance unspent at beginning of year | 1 000 000 | - |
| Roll-over withheld on Equitable share | (1 000 000) | - |
| Current year receipts | 3 310 045 | 1 000 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (151 834) | - |
| Conditions met - transferred to Revenue: Capital Expenses | <u>(3 158 211)</u> | <u> </u> |
| Conditions still to be met - transferred to Liabilities | <u> </u> | <u>1 000 000</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 | 2 081 200 | 2 081 400 |
| Current year receipts | - | 2 775 000 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | - | (2 775 200) |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities | <u>2 081 200</u> | <u>2 081 200</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 treatent as Revenue received in advance.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18.9 COGTA Grant (Conditional) (Water pumps)

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 377 053 | 815 439 |
| Current year receipts | - | - |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (19 010) | (438 386) |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 14) | <u>358 043</u> | <u>377 053</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.

18.10 LG SETA training grant (Unconditional)

| | | |
|---|----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 13 411 | 320 181 |
| Interest allocated | - | - |
| Conditions met - transferred to Revenue: Operating Expenses | (13 411) | (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.

18.11 Changes in levels of Government Grants

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

19. DONATIONS RECEIVED

| | | |
|---|------------------|----------------|
| Unconditional Contributions | 1 357 959 | 970 424 |
| Total Public Contributions and Donations | <u>1 357 959</u> | <u>970 424</u> |

20. SERVICE CHARGES

| | | |
|---------------------------------|-------------------|-------------------|
| Sale of Electricity | 22 364 274 | 19 244 693 |
| Sale of Water | 12 403 075 | 9 195 720 |
| Refuse Removal | 5 204 577 | 3 605 214 |
| Sewerage and Sanitation Charges | 8 012 459 | 5 735 948 |
| Connection Fees | 11 818 | 375 457 |
| Total Service Charges | <u>47 996 203</u> | <u>38 157 033</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 | 804 718 | 422 734 |
| Rental Revenue from Buildings | 244 527 | 133 970 |
| Rental Revenue from Halls | 14 955 | 18 112 |
| Rental Revenue from Other Facilities | (36) | 182 |
| Total Rental of Facilities and Equipment | <u>1 064 164</u> | <u>574 998</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 2015

22. INTEREST EARNED

| | 2015 R | 2014 R |
|------------------------------|----------------|------------------|
| External Investments: | | |
| Bank Account | 80 756 | 66 720 |
| Investments | 48 490 | 109 101 |
| | 129 246 | 175 822 |
| Outstanding Debtors: | | |
| Outstanding Billing Debtors | 805 766 | 8 084 890 |
| | 805 766 | 8 084 890 |
| Total Interest Earned | 935 012 | 8 260 711 |

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

| | | |
|-------------------------|----------------|------------------|
| Non-Current Investments | 129 246 | 175 822 |
| Loans and Receivables | 805 766 | 8 084 890 |
| | 935 012 | 8 260 711 |

23. OTHER REVENUE

| | | |
|----------------------------|------------------|----------------|
| Building Plan Fees | 2 895 | 1 673 |
| Cemetery Fees | 44 544 | 48 614 |
| Commission on collections | 98 861 | 57 828 |
| Rates Certificates | 7 546 | 27 041 |
| Cattle additions | 50 000 | 64 928 |
| Sundry Income | 1 136 428 | 764 752 |
| Total Other Revenue | 1 340 274 | 964 837 |

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 2015

| 24. EMPLOYEE RELATED COSTS | 2015 | 2014 |
|--|-------------------|-------------------|
| | R | R |
| Employee Related Costs - Salaries and Wages | 35 137 046 | 33 465 699 |
| Basic Salaries and Wages | 35 079 408 | 32 561 655 |
| Contribution to Leave Fund | 57 638 | 904 044 |
| Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund | 9 844 480 | 8 933 417 |
| Medical | 2 644 717 | 2 257 050 |
| Pension | 6 362 193 | 5 894 074 |
| Bonus fund | - | - |
| Industrial Council Levy | 23 159 | 31 903 |
| Skills Development Levy | 452 074 | 394 572 |
| UIF | 362 338 | 355 817 |
| Travel, Motor Car and Other Allowances | 3 036 749 | 2 780 836 |
| Allowances | 3 036 749 | 2 780 836 |
| Housing Benefits and Allowances | 37 441 | 48 573 |
| Overtime Payments | 3 098 452 | 2 674 151 |
| Annual Bonuses | 2 668 012 | 2 598 819 |
| Temporary Employees - Salaries and Wages | 955 736 | 200 648 |
| EPWP Employees | 1 213 859 | 2 064 315 |
| Total Employee Related Costs | 55 991 776 | 52 766 457 |
| No advances were made to employees. | | |
| Remuneration of Section 57 Employees: | | |
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | 602 700 | 604 988 |
| Travel Allowance | 267 000 | 267 000 |
| Company Contributions to UIF, Medical and Pension Funds | 167 551 | 156 804 |
| Other | - | - |
| Total | 1 037 250 | 1 028 792 |
| Remuneration of the Chief Financial Officer | | |
| Annual Remuneration | 732 709 | 400 237 |
| Annual Bonus | - | 29 425 |
| Company Contributions to UIF, Medical and Pension Funds | 9 193 | 5 820 |
| Acting Allowance | - | 124 158 |
| Other | - | - |
| Total | 741 901 | 559 641 |
| 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 for the 2013/14 period. | | |
| Remuneration of the Manager: Community Services | | |
| Annual Remuneration | 327 059 | 293 506 |
| Annual Bonus | 27 255 | 25 522 |
| Travel Allowances | 72 000 | 67 000 |
| Company Contributions to UIF, Medical and Pension Funds | 102 927 | 89 670 |
| Other | - | - |
| Total | 529 241 | 475 698 |
| Remuneration of the Manager: Corporate Services | | |
| Annual Remuneration | 463 113 | 436 497 |
| Travel Allowances | 150 000 | 150 000 |
| Company Contributions to UIF, Medical and Pension Funds | 127 303 | 116 475 |
| Other | - | - |
| Total | 740 415 | 702 972 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|---|----------------|----------------|
| | R | R |
| Remuneration of the Manager: Technical Services | | |
| Annual Remuneration | 620 288 | 581 410 |
| Re-imbursive Travel Allowances | - | 51 912 |
| Company Contributions to UIF, Medical and Pension Funds | 120 711 | 112 231 |
| Acting allowance | - | 27 768 |
| Other | - | - |
| Total | 740 999 | 773 321 |

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 | 409 384 | 374 690 |
| Chief Whip - Mr MA Letele | 166 528 | 165 725 |
| Councillors | 1 499 305 | 1 403 021 |
| Company Contributions to SDL, Medical and Pension Funds | 372 731 | 337 864 |
| Medical Aid | 155 661 | 131 910 |
| Pension Fund | 187 280 | 178 636 |
| Skills Development Levy | 29 791 | 27 318 |
| Other Allowances (Cellular Phones, Housing, Transport, etc) | 788 366 | 784 040 |
| Housing Subsidy | 151 115 | 151 115 |
| Telephone Allowance | 229 548 | 229 550 |
| Travelling Allowance | 407 703 | 403 375 |
| Total Councillors' Remuneration | 3 236 314 | 3 065 340 |

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

| | | |
|--|-------------------|-------------------|
| Buildings | 341 002 | 306 324 |
| Infrastructure | 22 218 695 | 21 842 223 |
| Community Assets | 1 447 716 | 1 472 389 |
| Movable Assets | 1 316 416 | 1 919 636 |
| Assets under Finance Lease Agreements | 292 586 | 236 095 |
| Total Depreciation and Amortisation | 25 616 415 | 25 776 667 |

27. IMPAIRMENT LOSSES

27.1 Impairment Losses on Fixed Assets

| | | |
|--------------------------------------|---------------|----------------|
| Impairment Losses Recognised: | 54 299 | 245 747 |
| Property, Plant and Equipment | 54 299 | 245 747 |
| | 54 299 | 245 747 |

27.2 Impairment Losses on Financial Assets

| | | |
|---|-------------------|-------------------|
| Impairment Losses Recognised: | 21 050 082 | 22 210 661 |
| Receivables from Exchange Transactions (Exclusive of VAT) | 18 752 723 | 20 464 422 |
| Movement in provision for bad debt (Centlec) | (54 012) | 312 156 |
| Receivables from Non-exchange Transactions | 2 252 964 | 1 303 633 |
| Traffic fines | 98 408 | 130 450 |
| | 21 050 082 | 22 210 661 |
| Total Impairment Losses | 21 104 381 | 22 456 408 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| 28. FINANCE COSTS | 2015 | 2014 |
|---|--------------------------|--------------------------|
| | R | R |
| DBSA Loan | 138 445 | 148 707 |
| Creditors Overdue | 3 435 600 | 1 107 756 |
| Finance Leases | 50 503 | 32 581 |
| Landfill Provision | 876 620 | 808 919 |
| Bank overdraft | - | 618 |
| Finance costs incurred by Centlec | 98 885 | 110 515 |
| | | |
| Total Interest Expense | <u>4 600 053</u> | <u>2 209 096</u> |
| Total Interest Paid on External Borrowings | <u>4 600 053</u> | <u>2 209 096</u> |
| | | |
| 29. BULK PURCHASES | | |
| Electricity (Centlec) | 23 607 805 | 19 755 688 |
| Total Bulk Purchases | <u>23 607 805</u> | <u>19 755 688</u> |
| | | |
| 30. CONTRACTED SERVICES | | |
| Professional Fees | 3 420 552 | 5 226 430 |
| - Valuation Roll | 1 719 298 | - |
| - Fixed Assets | 445 798 | 2 947 231 |
| - Assisance on Revenue for 13/14 Audit | 206 570 | - |
| - VAT | 530 964 | 815 884 |
| - Other | 517 922 | 1 463 315 |
| Security Services | 239 371 | 167 194 |
| Total Contracted Services | <u>3 659 924</u> | <u>5 393 623</u> |
| | | |
| 31. GRANTS AND SUBSIDIES PAID | | |
| Donations to matrics exams | 11 636 | - |
| Total Grants and Subsidies | <u>11 636</u> | <u>-</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

32. GENERAL EXPENSES

| | 2015 | 2014 |
|---|-------------------|-------------------|
| | R | R |
| Included in General Expenses are the following: | | |
| Administration fees | 167 010 | 320 941 |
| Advertising | 91 175 | 275 339 |
| Audit Fees | 2 990 857 | 4 038 198 |
| Bank Charges | 337 195 | 138 387 |
| Cancellation Fees | - | - |
| Cattle Feed | 2 496 | 18 909 |
| Cattle Consumption | 28 500 | 8 177 |
| Biological Asset Losses | 11 250 | 49 441 |
| Cattle Fair Value adjustment Loss | - | - |
| Centlec Service Expenses | - | - |
| Chemicals and Poison | 3 359 533 | 3 196 154 |
| Cleaning Material | 73 936 | 36 213 |
| Computer Software & Licenses | 1 020 776 | 627 764 |
| Consumables | 374 465 | 990 013 |
| Disaster Expenditure | - | 1 524 |
| Electricity usage | 4 011 411 | 4 243 611 |
| Entertainment | 66 867 | 92 416 |
| Electricity Network charges | 759 185 | 1 824 155 |
| Fines & Penalties | 451 853 | 464 252 |
| Fuel & Oil | 1 774 631 | 1 734 616 |
| Insurance | 341 485 | 787 892 |
| Operating Leases | 1 011 392 | 896 406 |
| Legal Costs | 607 101 | 799 000 |
| Magazines, books and periodicals | 236 | 75 962 |
| Medical Expenses | 5 422 | 12 969 |
| Motor vehicle expenses | 13 757 | 15 284 |
| Pauper burials | 7 500 | 19 300 |
| Postage and Courier | 285 076 | 422 010 |
| Printing & Stationary | 580 583 | 599 357 |
| Royalties and license fees | - | - |
| Software expenses | - | - |
| Special Programmes | 245 454 | 452 260 |
| Subscription Fees | 593 377 | 477 379 |
| Telephone Cost | 2 205 544 | 1 976 580 |
| Training Costs | 302 555 | 126 385 |
| Traffic Operational | 4 300 | 9 570 |
| Transport Costs | - | - |
| Travelling and Subsistence | 1 795 301 | 2 324 991 |
| Uniforms and Protective Clothing | 55 921 | 1 138 103 |
| Total General Expenses | 23 576 145 | 28 193 557 |

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

| | 30 532 428 | 22 979 226 |
|----------------------|-------------------|-------------------|
| Debtors written off | 18 692 402 | 15 691 377 |
| Distribution Losses: | | |
| Electricity Losses | 5 364 000 | 4 284 685 |
| Water losses | 6 476 027 | 3 003 164 |

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 2015

33. CHANGE IN ACCOUNTING POLICY

The municipality adopted no new Accounting Standards for the first time during the financial year 2014/2015 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:

| | | Accumulated Surplus |
|--|--------------|---------------------------|
| Balance as published as at 30 June 2014 | | 425 110 774 |
| Change in accounting policy: | | - |
| Correction of error: | | |
| <i>Corrections through Accumulated surplus</i> | | (22 943 023) |
| - Centlec Prior period adjustment | (206 868) | |
| - PPE carrying values | (33 239) | |
| - Derecognise property held for transfer that does not meet the definition | (23 460 500) | |
| - Adjustments made to payables balance | (534 163) | |
| - Restatement of provision for rehabilitation of landfill site | 1 041 748 | |
| - Recognise investment property not accounted for | 250 000 | |
| <i>Corrections through comparative figures in the Income statement (Note 34.2)</i> | | 925 687 |
| - Depreciation on fixed assets | 5 480 | |
| - Depreciation on landfill site asset | 839 302 | |
| - Interest on landfill site provision | (17 669) | |
| - Correction of provision for impairment calculation | 98 573 | |
| Restated balance as at 30 June 2014 | | <u>403 093 437</u> |

34.2 Reclassification of Revenue and Expenditure

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

The effect of the changes are as follows:

| | Revenue for the Year | Expenditure for the Year | (Surplus) Deficit for the Year |
|--|---------------------------|-----------------------------|-----------------------------------|
| Total as per AFS previously published for 2013/14 | 153 537 631 | 166 089 727 | (12 552 096) |
| Adjustment to Depreciation | - | (5 480) | 5 480 |
| Free Basic Services offset against revenue | (3 014 720) | 3 014 720 | - |
| Restated Total as per AFS currently disclosed for 2013/14 | <u>150 522 911</u> | <u>169 098 967</u> | <u>(12 546 616)</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34.3 Property, Plant & Equipment

The effect of the Correction of Error is as follows:

| | Property, Plant and Equipment |
|--|--|
| Amount per AFS previously published for 2013/14 | 455 253 835 |
| Fixed Assets Opening balances differences | - |
| Adjustment to Costs Opening Balance | (41 226) |
| Adjustment to Accumulated Depreciation | 7 987 |
| Adjustment to the 2012-13 depreciation charges | 5 480 |
| Restated Balances as at 30 June 2014 | <u><u>455 226 076</u></u> |

34.4 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 |
|---|---------------------------------|
| Balance published as at 30 June 2014 | 10 267 281 |
| Adjustment - interest | (18 671) |
| Adjustment - Stale Grant from 2009 moved to Acc Surplus | 225 539 |
| Restated Balances as at 30 June 2014 | <u><u>10 474 149</u></u> |

34.5 Classification of Work in Progress

The prior year figure for work in progress relating to Community Assets has incorrectly been classified as Land and Buildings in the 2013/14 financial year.

| | Land and Buildings | Community Assets | Total |
|--|-------------------------------|--------------------------------|--------------------------------|
| Balances published as at 30 June 2014 | 2 672 317 | - | 2 672 317 |
| Re-classification in 2014/15 | -2 672 317 | 2 672 317 | - |
| Restated Balances as at 30 June 2014 | <u><u>-</u></u> | <u><u>2 672 317</u></u> | <u><u>2 672 317</u></u> |

34.6 Classification of Inventory held for transfer

The effect of the Correction of Error is as follows:

| | Investment Properties | Inventory Held for Transfer | Total |
|--|----------------------------------|--|---------------------------------|
| Amount per AFS previously published for | 17 746 665 | 27 640 500 | 45 387 165 |
| Adjustment to Costs Opening Balance | 4 180 000 | (4 180 000) | - |
| Derecognise portion not meeting the definition against accumulated surplus | - | (23 460 500) | (23 460 500) |
| Restated Balances as at 30 June 2014 | <u><u>21 926 665</u></u> | <u><u>-</u></u> | <u><u>21 926 665</u></u> |

34.7 Adjustment for payables opening balance

The effect of the Correction of Error is as follows:

| | Trade and other Payables |
|---|---|
| Balances published as at 30 June 2014 | 24 594 775 |
| Amounts identified which should have been included in the balance at 30 June 2014 | 534 163 |
| Restated Balances as at 30 June 2014 | <u><u>25 128 938</u></u> |

34.8 Correction of Pension and medical aid deduction disclosure note

Upon inspection of the amount disclosed in the 13/14 financial year, it was identified that only the amount relating to the pension fund was disclosed in note 41.5. This has been updated to include the amounts relating to medical aid fund as well as provident fund.

The effect of the Correction of Error is as follows:

| | 2013/14 Audited AFS | Adjustment | 2013/14 Restated |
|---|------------------------------------|--------------------------------|--------------------------------|
| Pension and Medical Aid Deductions | | | |
| Opening Balance | 4 209 712 | 1 125 934 | 5 335 646 |
| Current year Payroll Deductions and Council Contributions | 9 871 311 | 2 884 078 | 12 755 389 |
| Amount Paid - current year | (3 723 728) | (741 023) | (4 464 751) |
| Amount Paid - previous years | (4 209 712) | (720 033) | (4 929 745) |
| Interest accrual | 221 643 | 610 494 | 832 137 |
| | <u><u>6 369 226</u></u> | <u><u>3 159 450</u></u> | <u><u>9 528 676</u></u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34.9 Correction of Landfill site provision

The effect of the Correction of Error is as follows:

| | 2013/14 Audited AFS | Adjustment | 2013/14 Restated |
|---|---------------------------|--------------------|---------------------|
| Lanfill sites provision | | | |
| Opening balance | 12 997 706 | (3 446 511) | 9 551 195 |
| Contributions to provision | 791 250 | 17 670 | 808 920 |
| Increase due to re-measurement | 2 701 698 | (2 553 813) | 147 885 |
| | <u>16 490 654</u> | <u>(5 982 654)</u> | <u>10 508 000</u> |
| Rehabilitation asset | | | |
| Cost | 11 125 775 | (147 886) | 10 977 889 |
| Increase/(decrease) in provision due to error | - | 147 886 | 147 886 |
| Accumulated depreciation | (3 451 950) | 622 125 | (2 829 825) |
| Carrying value at 30 June 2014 | <u>7 673 825</u> | <u>622 125</u> | <u>8 295 950</u> |

The correction of this error pertains to the incorrect measurement of the landfill site provision and the corresponding rehabilitation asset at inception. Further factors which lead to the adjustment of the AFS and the disclosure of the prior period error includes the fact that the incorrect interest rate was used to discount the landfill site provision. In the past changes in estimate was applied retrospective and not prospective as prescribed by GRAP.

34.10 Adjustment for Investment Properties opening balance

The effect of the Correction of Error is as follows:

| | Investment Properties |
|--|--------------------------|
| Balances published as at 30 June 2014 | 17 746 665 |
| Adjustment to Costs Opening Balance relating to properties held for transfer (note 34,7) | 4 180 000 |
| Adjustment to Costs Opening Balance relating to a property that was not recognised previously. | 250 000 |
| Restated Balances as at 30 June 2014 | <u><u>22 176 665</u></u> |

34.10 Classification adjustment for levies from exchange to non-exchange receivables

The effect of the Correction of Error is as follows:

| | 2013/14 Audited AFS | Adjustment | 2013/14 Restated |
|--|---------------------------|------------|---------------------|
| Receivables | | | |
| Receivables from exchange transactions | 2 463 457 | 9 292 | 2 472 749 |
| Receivables from non-exchange transactions | 649 064 | 89 283 | 738 347 |
| Movement to income statement due to re-classification errors in prior year | | (98 575) | |
| | <u>3 112 521</u> | <u>-</u> | <u>3 211 096</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34.11 Restatement of cash flow statement

The prior period cash flow statement has been restated as indicated below. This is mainly due to the fact that transactions incurred by the electricity service provider (Centlec) were not of cash flow nature for the municipality as all transactions were made through a loan account with Centlec, with no actual payments/receipts being made. There were also reclassifications between line items in the cash flow statement.

| | 2013/14 Audited AFS | Adjustment | 2013/14 Restated |
|---|---------------------------|---------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Cash receipts from sale of goods or services | 111 634 981 | 102 568 431 | 9 066 550 |
| Government grants received | - | (75 400 632) | 75 400 632 |
| Interest received | 8 260 712 | 8 084 890 | 175 822 |
| | <u>119 895 693</u> | <u>35 252 689</u> | <u>84 643 004</u> |
| Payments | | | |
| Cash paid to employees | - | 50 766 227 | (50 766 227) |
| Cash paid to Suppliers | (90 631 776) | (88 391 212) | (2 240 564) |
| Interest paid | (2 191 427) | (2 009 521) | (181 906) |
| | <u>(92 823 203)</u> | <u>(39 634 506)</u> | <u>(53 188 697)</u> |
| NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES | <u>27 072 490</u> | <u>(4 381 817)</u> | <u>31 454 307</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | | |
|---|-------------------------|-------------------------|-----------------------|
| Borrowings raised | 4 829 825 | 4 248 389 | 581 436 |
| Borrowings repaid | - | 124 502 | -124 502 |
| NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES | <u>4 829 825</u> | <u>4 372 891</u> | <u>456 934</u> |

| | 2013/14 Audited AFS | Adjustment | 2013/14 Restated |
|--|---------------------------|---------------------------|--------------------------|
| Disclosure note: Cash generated by operations | | | |
| Surplus / (Deficit) for the Year | (12 552 096) | (925 687) | (11 626 409) |
| Adjustment for: | | | |
| Depreciation | 25 782 147 | 5 480 | 25 776 667 |
| Impairment Losses on Property, Plant and Equipment | 245 747 | - | 245 747 |
| Loss on write-off of property, plant and equipment | 298 128 | - | 298 128 |
| Movement in Biological Assets (births, deaths and consumption) | (9 113) | (1 803) | (7 310) |
| Gains on Disposal of livestock | (43 982) | - | (43 982) |
| Fair Value adj biological assets | (211 931) | (97 680) | (114 251) |
| Fair value adj - investments | - | 97 680 | (97 680) |
| De-commissioning | 1 375 457 | 839 302 | 536 155 |
| Revenue received in advance | (90 439) | (90 439) | - |
| Contribution to Impairment Provision | 24 591 565 | (157 354) | 24 748 919 |
| Non-Cash Revenue COGTA Donation on Payables | (970 424) | - | (970 424) |
| Contribution to provisions | 791 249 | 791 249 | - |
| Grant funds withheld | (7 000 000) | (7 000 000) | - |
| Sale of electricity by Centlec (non-cash) | - | 20 707 312 | (20 707 312) |
| Expenditure incurred by Centlec (non-cash) | - | (26 079 913) | 26 079 913 |
| Interest Earned - Outstanding Debtors (non-cash) | - | 8 084 890 | (8 084 890) |
| Finance Costs (non-cash) | - | (2 027 190) | 2 027 190 |
| Operating surplus before working capital changes | <u>32 206 308</u> | <u>(5 854 153)</u> | <u>38 060 461</u> |
| (Increase)/Decrease in Inventories | (133 624) | - | (133 624) |
| (Increase)/Decrease in Consumer Debtors | (23 472 708) | (8 008 421) | (15 464 287) |
| (Increase)/Decrease in Other Debtors | (841 234) | 415 376 | (1 256 610) |
| (Increase)/Decrease in Sundry Debtors | 138 461 | - | 138 463 |
| (Increase)/Decrease in VAT Receivable | 666 432 | 481 608 | 184 824 |
| Increase/(Decrease) in Consumer Deposits | 401 904 | 249 399 | 152 505 |
| Increase/(Decrease) in Creditors | 17 715 521 | 1 251 059 | 16 464 462 |
| Increase/(Decrease) in Conditional Grants and Receipts | 217 673 | 7 000 000 | (6 782 327) |
| Increase/(Decrease) in deferred revenue | 90 439 | - | 90 439 |
| Increase/(Decrease) in biological assets | 92 241 | 92 241 | - |
| Cash generated by / (utilised in) Operations | <u>27 081 415</u> | <u>(4 372 892)</u> | <u>31 454 307</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| 35. CASH GENERATED BY OPERATIONS | 2015 | 2014 |
|--|-------------------|-------------------|
| | R | R |
| Surplus / (Deficit) for the Year | 2 306 116 | (11 626 409) |
| Depreciation and Amortisation | 25 616 415 | 25 776 667 |
| De-commissioning costs | 536 155 | 536 155 |
| Impairment losses on Property, Plant and Equipment | 54 299 | 245 747 |
| Loss on Disposal of PPE | 355 416 | 298 128 |
| Movement in Biological Assets (births, deaths and consumption) | (10 250) | (7 310) |
| Gains on Disposal of livestock | (55 263) | (43 982) |
| Fair Value adj biological assets | (6 219) | (114 251) |
| Fair value adj - investments | (59 551) | (97 680) |
| Contribution to Impairment Provision | 24 301 491 | 24 748 919 |
| Non-Cash Revenue COGTA Donation on Payables | (1 357 959) | (970 424) |
| Water infrastructure grant - water meters received in kind | (3 310 048) | - |
| Sale of electricity by Centlec (non-cash) | (26 400 117) | (20 707 312) |
| Expenditure incurred by Centlec (non-cash) | 34 156 543 | 26 079 913 |
| Interest Earned - Outstanding Debtors (non-cash) | (805 766) | (8 084 890) |
| Finance Costs (non-cash) | 4 411 105 | 2 027 190 |
| Operating surplus before working capital changes | 59 732 367 | 38 060 461 |
| Decrease/(Increase) in Inventories - Consumables | 25 715 | (133 624) |
| Decrease/(Increase) in Consumer Debtors | (23 395 795) | (15 464 287) |
| Decrease/(Increase) in Other Debtors | (3 071 384) | (1 256 610) |
| Decrease/(Increase) in Sundry Debtors | -1 050 667 | 138 463 |
| Decrease/(Increase) in VAT Receivable | (9 069 652) | 184 824 |
| Increase/(Decrease) in Consumer Deposits | (113 831) | 152 505 |
| Increase/(Decrease) in Creditors | 19 995 420 | 16 464 462 |
| Increase/(Decrease) in Conditional Grants and Receipts | 2 303 560 | (6 782 327) |
| Increase/(Decrease) in deferred revenue | (90 439) | 90 439 |
| Cash generated by / (utilised in) Operations | 45 265 296 | 31 454 307 |

36. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

37. FINANCING FACILITIES

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

38. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

| | | |
|---|--------------|--------------|
| Long-term Liabilities (See Note 14) | 20 826 356 | 13 372 654 |
| Used to finance Property, Plant and Equipment - at cost | (20 826 356) | (13 372 654) |
| Sub-total | - | - |

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised Expenditure

| | 2015 R | 2014 R |
|---|--------------------|--------------------|
| Reconciliation of Unauthorised Expenditure: | | |
| Opening balance | 115 413 992 | 87 796 732 |
| Unauthorised Expenditure current year | 15 131 426 | 27 617 260 |
| Approved by Council or condoned | - | - |
| Unauthorised Expenditure awaiting authorisation | <u>130 545 418</u> | <u>115 413 992</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|---|---|
| <i>The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per unit. No incidents were noticed where payments were made by unauthorised personnel. The major contributor relates to the Impairment of debtors that was not fully budgeted for, interest charges in respect of non-payment of outstanding trade and salary creditors and contracted services which was not fully budgeted for.</i> | N/A |

39.2 Fruitless and Wasteful Expenditure

| | | |
|---|-------------------|------------------|
| Reconciliation of Fruitless and Wasteful expenditure: | | |
| Opening balance | 6 829 242 | 4 947 535 |
| Fruitless and Wasteful Expenditure current year | 4 049 486 | 1 881 707 |
| Identified in the current year relating to prior years | 1 790 113 | - |
| Condoned or written off by Council | - | - |
| To be recovered – contingent asset | - | - |
| Transfer to receivables for recovery | - | - |
| Fruitless and Wasteful Expenditure awaiting condonement | <u>12 668 841</u> | <u>6 829 242</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|--|---|
| <i>Fines and Penalties</i> 514 190 | |
| <i>Court order/ Court settlement</i> 535 337 | |
| <i>Interest on late accounts</i> 2 999 959 | |

39.3 Irregular Expenditure

| | | |
|---|-------------------|--------------------|
| Reconciliation of Irregular Expenditure: | | |
| Opening balance | 130 196 434 | 129 258 580 |
| Irregular Expenditure current year | 15 985 572 | 937 854 |
| Written off by Council | (63 144 064) | - |
| To be recovered – contingent asset (see Note 49) | - | - |
| Transfer to receivables for recovery (see Note 4) | - | - |
| Irregular Expenditure awaiting condonement | <u>83 037 942</u> | <u>130 196 434</u> |

| Incident | Disciplinary Steps / Criminal Proceedings |
|---|---|
| <i>Irregular expenditure identified due to non-compliance to SCM regulations</i> R 7 355 787 | <i>These expenses relate to Irregular expenses identified under the audit process for the 2014/15 financial period. These expenses will be investigated by Management to determine whether it should in fact be included under the Irregular expenditures..</i> |
| <i>Unspent conditional grant funds used for other purposes than which it was intended for. The unspent amount is not cash-backed at year end.</i> R 8 629 785 | <i>These expenses relate to Irregular expenditure identified during the 14/15 audit process. Conditional Grant funding which was reported as not spent at 30 June 2015 was used for other purposes than which it was intended for.</i> |

The full extent of irregular expenditure relating to the 2014/15 financial year is still under investigation.

39.4 Irregular and fruitless and wasteful expenditure identified in current year relating to prior years

During the 2014/15 financial year, a detailed evaluation of the total expenditure of the retention period 2009/10 to 2013/14 was undertaken to confirm irregular, fruitless and wasteful expenditure that was incurred by the municipality in order to verify the validity, accuracy and completeness of irregular, fruitless and wasteful expenditure. Through this exercise it was determined that the municipality previously disclosed incorrect amounts which resulted in an adjustment of R 35 877 080 for irregular expenditure and an adjustment of R 1 790 113 in the 2014/15 financial year. During this process sufficient and appropriate documentation relating to transactions to the total value of R 73 009 345 for the period 2009/10 to 2013/14 could not be found. Despite all endeavours and processes, such documentation could not be found.

40. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - SALGA

| | | |
|---|------------------|----------------|
| Opening Balance | 853 000 | 503 000 |
| Council Subscriptions | 574 045 | 450 000 |
| Amount Paid - current year | (12 500) | (100 000) |
| Interest charges | 83 823 | - |
| Balance Unpaid (included in Creditors) | <u>1 498 368</u> | <u>853 000</u> |

40.2 Audit Fees

| | | |
|---|------------------|------------------|
| Opening Balance | 1 219 595 | (802 434) |
| Current year Audit Fee | 3 828 165 | 4 510 481 |
| Interest charges | 250 095 | 64 008 |
| Amount Paid - current year | - | (1 859 068) |
| Credit notes received | (417 588) | (184) |
| Amount Paid - previous years | - | - |
| Donations received towards Audit Fees | (1 110 744) | (693 208) |
| Balance Unpaid (included in Creditors) | <u>3 769 523</u> | <u>1 219 595</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40.3 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.

40.4 PAYE, Skills Development Levy and UIF

| | 2015 R | 2014 R |
|--|-------------------------|-------------------------|
| Opening Balance | 1 920 253 | 2 256 429 |
| Current year Payroll Deductions | 6 233 093 | 5 273 959 |
| Amount Paid - current year | (6 334 902) | (1 135 107) |
| Amount Paid - previous years | | - |
| Penalties and interest | 828 684 | 15 789 |
| Offset to VAT receivable | (1 026 820) | (4 490 817) |
| Balance Unpaid (included in Payables) | <u>1 620 307</u> | <u>1 920 253</u> |

The balance represents PAYE,SDL and UIF deducted from the payroll during the 2014/15 financial period.

40.5 Pension and Medical Aid Deductions

| | 2015 | 2014 |
|---|--------------------------|-------------------------|
| Opening Balance | 9 528 676 | 5 335 646 |
| Current year Payroll Deductions and Council Contributions | 13 390 353 | 12 755 389 |
| Amount Paid - current year | (4 673 341) | (4 464 751) |
| Amount Paid - previous years | (300 000) | (4 929 745) |
| Interest accrual | 2 606 917 | 832 137 |
| Balance Unpaid (included in Payables) | <u>20 552 604</u> | <u>9 528 676</u> |

The balance represents Pension and Medical Aid contributions deducted from employees and councillors payroll in the 2013/14 and 2014/15 financial year's, as well as the municipality's contributions to these funds.

40.6 Councillor's arrear Consumer Accounts

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

| | Total | Outstanding up to 90 days | Outstanding more than 90 days |
|--|----------------------|---------------------------------|-------------------------------------|
| 30 June 2015 | | | |
| Councillor Lekhula L | 7 167 | 782 | 6 385 |
| Councillor Letele MA | 2 449 | 470 | 1 979 |
| Councillor Thuhlo RJ | 1 133 | 958 | 175 |
| Councillor Shasha SD | 6 747 | 692 | 6 056 |
| Total Councillor Arrear Consumer Accounts | <u>17 497</u> | <u>2 902</u> | <u>14 595</u> |
| 30 June 2014 | | | |
| 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 |
| Total Councillor Arrear Consumer Accounts | <u>31 024</u> | <u>5 357</u> | <u>25 668</u> |

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

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|----------------------|-----------------------------------|---------------|
| 30 June 2015 | Highest amount outstanding | Ageing |
| Councillor Lekhula L | 6 385 | > 90 Days |
| Councillor Letele MA | 1 979 | > 90 Days |
| Councillor Thuhlo RJ | 175 | > 90 Days |
| Councillor Shasha SD | 6 056 | > 90 Days |

| | | |
|-----------------------|-----------------------------------|---------------|
| 30 June 2014 | Highest amount outstanding | Ageing |
| 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 |

40.7 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 | | 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 & Pension fund and provident fund contributions not 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 |

40.8 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:

| | | | 2015 R | 2014 R |
|---|-------------|--|---------------------|---------------------|
| Purchased during the year | units (kWh) | | 21 493 123 | 21 498 603 |
| Sold during the year | units (kWh) | | <u>(16 488 258)</u> | <u>(16 831 223)</u> |
| Unaccounted Losses | units (kWh) | | 5 004 865 | 4 667 380 |
| Normal distribution losses - % of electricity purchases | units (kWh) | | - | - |
| Loss (R): | | | 5 255 108 | 4 284 685 |

Calculated as follows :

| | % | Lost Units | Tariff | Value |
|--------------------------|---------|------------|--------|-----------|
| 30 June 2015 | | | | |
| Total Electricity Losses | 100,00% | 5 004 865 | R - | 5 255 108 |
| - Residential | 97,43% | 4 876 240 | R 1,05 | 5 120 052 |
| - Business | 2,57% | 128 625 | R 1,05 | 135 056 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | | 2015 R | 2014 R |
|--------------------------|---------|-----------|-----------|-----------|
| 30 June 2014 | | | | |
| Total Electricity Losses | 100,00% | 4 667 380 | R 0,92 | 4 284 685 |
| - Residential | 97,43% | 3 159 314 | R 0,92 | 2 900 271 |
| - Business | 2,57% | 1 508 066 | R 0,92 | 1 384 414 |

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.

Water:

| | | | | |
|---------------------|--------------------------|----------------|---------------|------------------|
| 30 June 2015 | Unaccounted Water Losses | <u>507 483</u> | <u>4,5468</u> | <u>2 307 418</u> |
| 30 June 2014 | Unaccounted Water Losses | <u>773 507</u> | <u>3,8825</u> | <u>3 003 164</u> |

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

41. COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

Commitments in respect of Capital Expenditure:

| | | |
|---|---------------------------|--------------------------|
| - Approved and Contracted for:- <i>Infrastructure</i> | <u>111 670 118</u> | <u>56 920 715</u> |
| | 111 670 118 | 56 920 715 |
| - Approved but Not Yet Contracted for:- <i>Infrastructure</i> | <u>3 200 000</u> | <u>3 302 322</u> |
| | 3 200 000 | 3 302 322 |
| Total Capital Commitments | <u><u>114 870 118</u></u> | <u><u>60 223 037</u></u> |

41.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 14.

42. FINANCIAL INSTRUMENTS

42.1.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

| <u>Financial Assets</u> | <u>Classification</u> | | |
|---|-----------------------|-----------|-----------|
| Non-current Investments | | | |
| Investment in OVK Shares | Fair value | 345 155 | 285 604 |
| Receivables from Exchange Transactions | | | |
| Electricity | Amortised cost | 1 435 660 | 551 353 |
| Refuse | Amortised cost | 498 986 | 193 293 |
| Sewerage | Amortised cost | 1 521 034 | 747 179 |
| Water | Amortised cost | 1 663 044 | 840 751 |
| Sundry Debtors | Amortised cost | 1 957 252 | 1 004 993 |
| Other Receivables | Amortised cost | 264 523 | 140 171 |
| Receivables from Non-exchange Transactions | | | |
| Assessment Rates Debtors | Amortised cost | 1 556 767 | 738 347 |
| Cash and Cash Equivalents | | | |
| Call Deposits | Amortised cost | 168 952 | 163 083 |
| Bank Balances | Amortised cost | 774 991 | 163 951 |
| Cash Floats and Advances | Amortised cost | 1 180 | 1 180 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

SUMMARY OF FINANCIAL ASSETS

| | | 2015 | 2014 |
|--|--------------------------|--------------------------|-------------------------|
| | | R | R |
| Financial Assets at Amortised Cost: | | | |
| Receivables from Exchange Transactions | Electricity | 1 435 660 | 551 353 |
| Receivables from Exchange Transactions | Refuse | 498 986 | 193 293 |
| Receivables from Exchange Transactions | Sewerage | 1 521 034 | 747 179 |
| Receivables from Exchange Transactions | Water | 1 663 044 | 840 751 |
| Sundry Debtors | Sundry Debtors | 1 957 252 | 1 004 993 |
| Receivables from Exchange Transactions | Other Debtors | 264 523 | 140 171 |
| Receivables from Non-exchange Transactions | Assessment Rates Debtors | 1 556 767 | 738 347 |
| Cash and Cash Equivalents | Bank Balances | 774 991 | 163 951 |
| Cash and Cash Equivalents | Call Deposits | 168 952 | 163 083 |
| Cash and Cash Equivalents | Cash Floats and Advances | 1 180 | 1 180 |
| | | <u>9 842 387</u> | <u>4 544 302</u> |
| Financial Assets at Fair Value: | | | |
| Non-current Investments | Shares in OVK | 345 155 | 285 604 |
| | | <u>345 155</u> | <u>285 604</u> |
| Total Financial Assets | | <u>10 187 543</u> | <u>4 829 907</u> |

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

| <u>Financial Liabilities</u> | <u>Classification</u> | | |
|------------------------------|-----------------------|------------|------------|
| Long-term Liabilities | | | |
| Finance Lease Liabilities | Amortised cost | 199 947 | 461 904 |
| Government Loans | Amortised cost | 951 761 | 1 038 958 |
| Centlec Payable | Cost | 18 384 364 | 10 474 149 |
| Other Loans | Amortised cost | 872 545 | 988 848 |
| Payables | | | |
| Trade Creditors | Amortised cost | 32 466 188 | 25 128 938 |
| Payments received in Advance | Amortised cost | 3 913 772 | 3 787 340 |
| Sundry Deposits | Amortised cost | 2 711 899 | 2 711 899 |
| Consumer Deposits | Amortised cost | 521 730 | 615 562 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 | 2014 |
|---|------------------------------|--------------------------|--------------------------|
| | | R | R |
| Bank Overdraft | | | |
| Bank Overdraft | Amortised cost | | 2 076 232 |
| Current Portion of Long-term Liabilities | | | |
| Finance Lease Liabilities | Amortised cost | 262 571 | 271 411 |
| Government Loans | Amortised cost | 155 168 | 137 384 |
| SUMMARY OF FINANCIAL LIABILITIES | | 2015 | 2014 |
| | | R | R |
| Financial Liabilities at Amortised Cost: | | | |
| Long-term Liabilities | Finance Lease Liabilities | 199 947 | 461 904 |
| Long-term Liabilities | Government Loans | 951 761 | 1 038 958 |
| Long-term Liabilities | Other Loans | 872 545 | 988 848 |
| Payables | Trade Creditors | 32 466 188 | 25 128 938 |
| Payables | Payments received in Advance | 3 913 772 | 3 787 340 |
| Payables | Sundry Deposits | 2 711 899 | 2 711 899 |
| Payables | Other Creditors | | |
| Consumer Deposits | Consumer deposits | 521 730 | 615 562 |
| Current Portion of Long-term Liabilities | Finance Lease Liabilities | 262 571 | 271 411 |
| Current Portion of Long-term Liabilities | Government Loans | 155 168 | 137 384 |
| Bank Overdraft | Bank Overdraft | | 2 076 232 |
| Financial Liabilities at Cost: | | | |
| Long-term Liabilities | Centlec Liability | 18 384 364 | 10 474 149 |
| | | <u>60 439 946</u> | <u>47 692 625</u> |
| Total Financial Liabilities | | <u>60 439 946</u> | <u>47 692 625</u> |

42.1.2 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

42.2 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.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015, except for the Centlec Loan which is carried at cost, as a result of the short-term maturity of these assets and liabilities.

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

| | 30 June 2015 | | 30 June 2014 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| FINANCIAL ASSETS | | | | |
| Measured at Amortised Cost: | 9 842 387 | 9 842 387 | 4 544 302 | 4 544 302 |
| Call Deposits | 168 952 | 168 952 | 163 083 | 163 083 |
| Bank Balances and cash | 776 171 | 776 171 | 165 131 | 165 131 |
| Trade Receivables from Exchange Transactions | 7 340 498 | 7 340 498 | 3 477 742 | 3 477 742 |
| Trade Receivables from Non-exchange Transactions | 1 556 767 | 1 556 767 | 738 347 | 738 347 |
| Measured at Fair Value | 345 155 | 345 155 | 285 604 | 285 604 |
| OVK Shares | 345 155 | 345 155 | 285 604 | 285 604 |
| Total Financial Assets | <u>10 187 543</u> | <u>10 187 543</u> | <u>4 829 907</u> | <u>4 829 907</u> |
| FINANCIAL LIABILITIES | | | | |
| Measured at Amortised Cost: | 42 055 582 | 42 055 582 | 37 218 476 | 37 218 476 |
| Finance Lease Liabilities | 199 947 | 199 947 | 461 904 | 461 904 |
| Government Loans | 951 761 | 951 761 | 1 038 958 | 1 038 958 |
| Other Loans | 872 545 | 872 545 | 988 848 | 988 848 |
| Payments Received in Advance | 3 913 772 | 3 913 772 | 3 787 340 | 3 787 340 |
| Consumer Deposits | 521 730 | 521 730 | 615 562 | 615 562 |
| Bank Overdraft | - | - | 2 076 232 | 2 076 232 |
| Trade and Other Payables: | - | - | - | - |
| - Creditors | 32 466 188 | 32 466 188 | 25 128 938 | 25 128 938 |
| - Sundry Deposits | 2 711 899 | 2 711 899 | 2 711 899 | 2 711 899 |
| - Other payables | - | - | - | - |
| - Current Portion of Long-term Liabilities | 417 739 | 417 739 | 408 795 | 408 795 |
| Measured at Cost | 18 384 364 | 18 384 364 | 10 474 149 | 10 474 149 |
| Centlec Payable | 18 384 364 | 18 384 364 | 10 474 149 | 10 474 149 |
| Total Financial Liabilities | <u>60 439 946</u> | <u>60 439 946</u> | <u>47 692 625</u> | <u>47 692 625</u> |
| Total Financial Instruments | <u>(50 252 403)</u> | <u>(50 252 403)</u> | <u>(42 862 718)</u> | <u>(42 862 718)</u> |
| Unrecognised Gain / (Loss) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Assumptions used in determining Fair Value of Financial Assets

The table below analyses Financial Instruments 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.

Class is one level lower than category.

30 June 2015

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|----------------|--------------|--------------|----------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| OVK Shares | 345 155 | - | - | 345 155 |
| Total Financial Assets | <u>345 155</u> | <u>-</u> | <u>-</u> | <u>345 155</u> |
| Total Financial Instruments | <u>345 155</u> | <u>-</u> | <u>-</u> | <u>345 155</u> |

30 June 2014

| | Level 1 R | Level 2 R | Level 3 R | Total R |
|---|----------------|---------------------|--------------|---------------------|
| FINANCIAL ASSETS | | | | |
| Financial Instruments at Fair Value: | | | | |
| OVK Shares | 285 604 | - | - | 285 604 |
| Total Financial Assets | <u>285 604</u> | <u>-</u> | <u>-</u> | <u>285 604</u> |
| Total Financial Instruments | <u>285 604</u> | <u>(10 474 149)</u> | <u>-</u> | <u>(10 188 545)</u> |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.3 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 14,68%, increasing by 2,93%. 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.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

| | 2015 | 2014 |
|---------------------------------|---------------|---------------|
| | R | R |
| Debt | 60 439 946 | 47 692 625 |
| Cash and Cash Equivalents | (945 122) | (328 214) |
| Net Debt | 59 494 824 | 47 364 411 |
| Equity | 405 399 553 | 403 093 436 |
| Net debt to equity ratio | 14,68% | 11,75% |

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

Debt is defined as Long- and Short-term Liabilities.

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.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.4 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.

42.5 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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

| At 30 June 2015 | Less than one year | Between one and two years | Between two and five years | Over five years |
|--|--------------------|---------------------------|----------------------------|-----------------|
| Other financial liabilities (Borrowings) | 155 168 | 175 254 | 776 507 | - |
| Payables from exchange transactions | 39 091 859 | - | - | - |
| Centlec Payable | 18 384 364 | | | |
| | | | | |
| At 30 June 2014 | Less than one year | Between one and two years | Between two and five years | Over five years |
| Other financial liabilities (Borrowings) | 137 384 | 155 168 | 883 790 | - |
| Payables from exchange transactions | 31 628 177 | - | - | - |
| Centlec Payable | 10 474 149 | | | |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.6 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.

42.6.1 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.

42.6.2 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 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. On-going 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 and discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.7 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.

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.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 R | 2014 R |
|--|-------------------|------------------|
| Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained: | | |
| Investments | 345 155 | 285 604 |
| Long-term Receivables | | |
| Consumer Debtors | 6 940 013 | 3 211 096 |
| Other Debtors | 1 957 252 | 1 004 993 |
| Bank, Cash and Cash Equivalents | 945 122 | (1 748 018) |
| Maximum Credit and Interest Risk Exposure | 10 187 543 | 2 753 675 |

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

| | 2015 % | 2014 % |
|--------------------------------------|----------------|----------------|
| Consumer Debtors: | | |
| - Household | 91,83% | 53,63% |
| - Industrial / Commercial | 5,32% | 6,83% |
| - National and Provincial Government | 2,09% | 28,18% |
| - Other Classes | 0,76% | 11,35% |
| Total Credit Risk | 100,00% | 100,00% |

| | 2015 R | 2014 R |
|-------------------------------------|----------------|--------------------|
| Bank and Cash Balances | | |
| ABSA Bank Ltd | 668 859 | (1 976 754) |
| First National Bank | 135 986 | 146 549 |
| Old Mutual | (0) | (0) |
| Standard Bank | 139 097 | 81 007 |
| Cash Equivalents | 1 180 | 1 180 |
| Total Bank and Cash Balances | 945 122 | (1 748 018) |

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:

| | | |
|---|----------------|----------------|
| Counterparties without external credit rating:- | | |
| Group 1 | 308 535 | 131 970 |
| Group 2 | 44 561 | 19 060 |
| Group 3 | | |
| | 353 096 | 151 030 |

Total Receivables from Exchange Transactions

Receivables from Non-exchange Transactions

| | | |
|---|---------------|--------------|
| Group 1 | 24 697 | 6 267 |
| Group 2 | | |
| Group 3 | | |
| Total Receivables from Non-exchange Transactions | 24 697 | 6 267 |

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 2015

42. FINANCIAL INSTRUMENTS (Continued)

42.8 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 Rate Risk

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 | Less than one year | Between one and two years | Between two and five years | More than 5 Years |
|------------------------------------|-----------------|---------------------------------|-------------------|--------------------|---------------------------|----------------------------|-------------------|
| | # | % | R | R | R | R | R |
| 30 June 2015 | | | | | | | |
| Non-interest Bearing | | | 57 476 223 | 57 476 223 | - | - | - |
| - Creditors | | 0% | 39 091 859 | 39 091 859 | - | - | - |
| - Centlec Payable | | 0% | 18 384 364 | 18 384 364 | - | - | - |
| Variable Interest Rate Instruments | | | - | - | - | - | - |
| - Bank Overdraft | | 10% | - | - | - | - | - |
| Fixed Interest Rate Instruments | | | 2 441 992 | 291 013 | 300 097 | 978 336 | 872 545 |
| - Centlec Capital Loans | | 0% | 872 545 | - | - | - | 872 545 |
| - Finance lease liability | | 10% | 462 518 | 135 845 | 124 843 | 201 830 | - |
| - DBSA | | 12% | 1 106 929 | 155 168 | 175 254 | 776 506 | - |
| | | | 59 918 215 | 57 767 236 | 300 097 | 978 336 | 872 545 |
| 30 June 2014 | | | | | | | |
| Non-interest Bearing | | | 42 102 326 | 42 102 326 | - | - | - |
| - Creditors | | 0% | 31 628 177 | 31 628 177 | - | - | - |
| - Centlec Payable | | 0% | 10 474 149 | 10 474 149 | - | - | - |
| Variable Interest Rate Instruments | | | 2 076 232 | 2 076 232 | - | - | - |
| - Bank Overdraft | | 10% | 2 076 232 | 2 076 232 | - | - | - |
| Fixed Interest Rate Instruments | | | 3 239 138 | 276 446 | 285 843 | 1 144 446 | 988 848 |
| - Centlec Capital Loans | | 0% | 988 848 | - | - | - | 988 848 |
| - Finance lease liability | | 10% | 733 315 | 139 062 | 130 674,94 | 260 656 | - |
| - DBSA | | 12% | 1 176 342 | 137 384 | 155 168 | 883 790 | - |
| | | | 47 417 696 | 44 455 004 | 285 843 | 1 144 446 | 988 848 |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.9 Price Risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity.

| | Impact on post tax surplus in Rand | | Impact on other components of equity in Rand | |
|----------------------|------------------------------------|--------|--|------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial instrument | | | | |
| OVK Shares | 59 551 | 97 680 | - | - |

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43. 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

| | 2015 | 2014 |
|---|--------|--------|
| | R | R |
| - Total amount of medical aid contributions | 67 681 | 70 095 |

44. RELATED PARTY TRANSACTIONS

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

44.1 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 |
| 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 2015

44.1 Interest of Related Parties (Continued)

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

| | R |
|--|---------------|
| Councillor Lekhula L | 7 167 |
| Councillor Letele MA | 2 449 |
| Councillor Thuhlo RJ | 1 133 |
| Councillor Shasha SD | 6 747 |
| Total provision for bad debt on councillors accounts | 17 497 |

44.2 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.

44.3 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.

44.4 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.

44.5 Purchases from Related Parties

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

45. CONTINGENT LIABILITIES

| | 2015 R | 2014 R |
|---|----------------|-------------------|
| | 245 000 | 10 983 395 |
| (i) Unfair Dismissal Claims: 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 has not been quantified. | 200 000 | - |
| (ii) Keoratile traffic solutions Dispute between Mohokare Municipality and Keoratile traffic solutions. Total withdrawal of the case during the 14/15 financial year. | - | 10 908 395 |
| (iii) Professional services rendered Judgement taken against client for professional services rendered | - | 75 000 |
| (ii) Dispute regarding pipeline servitude Dispute regarding construction of pipeline next to servitude. The possible losses regarding this could amount to R45 000. The claims are being handled by D. Marais. | 45 000 | - |
| (iii) 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. | - | - |
| (iv) SALA Pension Fund: A notice of motion has been issued against the Municipality in respect of the R13 545 500 owed to SALA Pension Fund. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2015 the estimated outflow of funds relating to legal fees are R nil. | - | - |
| (v) SAMWU Provident Fund: A notice of motion has been issued against the Municipality in respect of the R6 377 690 owed to SAMWU Provident Fund. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts. The full amount is included in Note 12 under staff salaries and third parties. At 30 June 2015 the estimated outflow of funds relating to legal fees are R nil. | - | - |

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46 CONTINGENT ASSETS

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

47 IN-KIND DONATIONS AND ASSISTANCE

Refer to note 19 Relating to Donations and assistance received.

48 PRIVATE PUBLIC PARTNERSHIPS

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

49 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

50 COMPARATIVE FIGURES

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

51 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2015 the Council adopted the 2015/16 to 2017/18 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.

(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 will be closely monitored and the necessary corrective actions instituted.

(v) The municipality's cash management was under pressure during the 2014/15 financial period due to an amount of R6,6 million being withheld from the Equitable share receivable. The funds were withheld due to Municipal Infrastructure Grants (Conditional) and Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2014/15.

(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 43% (40% - 2014) which was an improvement from the previous period. The Municipality's receivables increased by R8,5 million before the provision of impairment which indicates uncollected debtors for the current period. The Municipality appointed attorneys to assist with debt collection.

(vii) Notices of motion have been issued against the municipality as a result of long outstanding members' contributions as well as council contributions to the pension fund and provident fund.

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 2015

| Details | Original Loan Amount | Interest Rate | Loan Number | Redeemable | Balance at 30 June 2014 | Received during the Period | Redeemed/ Written Off during Period | Balance at 30 June 2015 |
|--|----------------------|---------------|-------------------------|------------|-------------------------|----------------------------|-------------------------------------|-------------------------|
| | R | | | | R | R | R | R |
| CAPITAL LEASE LIABILITIES | | | | | | | | |
| Finance lease Liabilities | - | Prime | | 2016 | 733 315 | | (270 797) | 462 518 |
| Total Capital Lease Liabilities | - | | | | 733 315 | - | (270 797) | 462 518 |
| GOVERNMENT LOANS | | | | | | | | |
| DBSA Loan | 2 730 000 | | 1 | 2015 | 1 176 342 | - | (69 414) | 1 106 929 |
| Total Government Loans | 2 730 000 | | | | 1 176 342 | - | (69 414) | 1 106 929 |
| OTHER LOANS | | | | | | | | |
| Centlec Capital Loan | 1 214 262 | 0,00% | 40021201 to 40027483 | 2024 | 872 545 | - | - | 872 545 |
| Total Other Loans | 1 214 262 | | | | 872 545 | - | - | 872 545 |
| TOTAL EXTERNAL LOANS | 3 944 262 | | | | 2 782 203 | - | (340 211) | 2 441 992 |

APPENDIX B
Mohokare Local Municipality
UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying |
|--------------------------------------|--------------------|------------------|--------------------|--------------------|-----------|--------------------|---------------------------------------|-------------------|-----------|-------------|-----------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Impairments | Disposals | Closing Balance | Value |
| | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Land and Buildings | | | | | | | | | | | | | |
| Housing | 15 658 742 | - | - | - | - | 15 658 742 | 6 116 131 | - | - | - | - | 6 116 131 | 9 542 611 |
| Operational buildings Total | 20 745 344 | 159 312 | - | - | - | 20 904 656 | 15 449 582 | 159 312 | - | - | - | 15 608 894 | 5 295 762 |
| Land: Developed | 1 934 500 | - | - | - | - | 1 934 500 | - | - | - | - | - | - | 1 934 500 |
| | 38 338 586 | 159 312 | - | - | - | 38 497 898 | 21 565 713 | 159 312 | - | - | - | 21 725 025 | 16 772 873 |
| Infrastructure | | | | | | | | | | | | | |
| <i>Electricity:</i> | | | | | | | | | | | | | |
| Network | 84 485 562 | - | 10 179 792 | - | - | 94 665 354 | 36 278 739 | 4 203 494 | - | - | - | 40 482 234 | 54 183 120 |
| <i>Roads and Transport:</i> | | | | | | | | | | | | | |
| Roads & Stormwater | 176 843 714 | - | 15 485 867 | - | - | 192 329 581 | 88 732 609 | 9 137 633 | - | - | - | 97 870 242 | 94 459 339 |
| <i>Sanitation:</i> | | | | | | | | | | | | | |
| Sanitation network | 167 236 970 | - | 10 279 649 | - | - | 177 516 620 | 77 509 105 | 3 827 604 | - | - | - | 81 336 708 | 96 179 912 |
| <i>Water:</i> | | | | | | | | | | | | | |
| Supply network | 187 845 016 | - | 65 320 795 | - | - | 253 165 811 | 98 322 072 | 5 049 964 | - | - | - | 103 372 036 | 149 793 775 |
| | 616 411 262 | - | 101 266 103 | - | - | 717 677 365 | 300 842 525 | 22 218 695 | - | - | - | 323 061 220 | 394 616 145 |
| Community Assets | | | | | | | | | | | | | |
| Community facilities | 62 578 086 | - | - | - | - | 62 578 086 | 35 157 211 | 1 311 223 | - | - | - | 36 468 434 | 26 109 652 |
| Sport and Recreational Facilities | 59 641 023 | 2 672 317 | 3 667 231 | (2 672 317) | - | 63 308 254 | 38 519 409 | 686 623 | - | - | - | 39 206 032 | 24 102 222 |
| | 122 219 109 | 2 672 317 | 3 667 231 | (2 672 317) | - | 125 886 340 | 73 676 620 | 1 997 846 | - | - | - | 75 674 466 | 50 211 874 |
| Leased Assets | | | | | | | | | | | | | |
| Office equipment | 1 358 102 | - | - | - | - | 1 358 102 | 1 308 232 | 33 245 | - | - | - | 1 341 477 | 16 625 |
| Motor vehicles | 778 019 | - | - | - | - | 778 019 | 64 835 | 259 340 | - | - | - | 324 175 | 453 844 |
| | 2 136 120 | - | - | - | - | 2 136 120 | 1 373 067 | 292 585 | - | - | - | 1 665 652 | 470 469 |
| Other Assets | | | | | | | | | | | | | |
| <i>Emergency Equipment:</i> | | | | | | | | | | | | | |
| Emergency / rescue equipment | 161 894 | - | - | - | (8 126) | 153 768 | 82 585 | 19 277 | - | - | (6 048) | 95 814 | 57 954 |
| Fire fighting equipment / fire hoses | 32 484 | - | - | - | (4 368) | 28 116 | 18 221 | 2 797 | - | - | (2 361) | 18 657 | 9 459 |
| <i>Furniture and Fittings:</i> | | | | | | | | | | | | | |
| Tables & desks | 648 851 | 2 044 | - | - | (28 862) | 622 034 | 332 901 | 54 004 | - | - | (15 340) | 371 565 | 250 469 |
| Chairs and couches | 1 285 694 | 1 913 | - | - | (97 020) | 1 190 587 | 809 964 | 79 528 | - | 3 937 | (73 748) | 819 682 | 370 905 |
| Cabinets & cupboards | 528 689 | 6 639 | - | - | (9 047) | 526 280 | 291 754 | 43 618 | - | 1 638 | (7 567) | 329 443 | 196 837 |
| Other furniture and fittings | 173 951 | - | - | - | (9 364) | 164 588 | 101 224 | 13 776 | - | - | (3 398) | 111 602 | 52 985 |
| Shelving and bookcases | 56 164 | 1 386 | - | - | (939) | 56 611 | 35 498 | 3 687 | - | - | (224) | 38 961 | 17 650 |
| Headboards | 656 | - | - | - | - | 656 | 574 | 7 | - | - | - | 581 | 75 |
| <i>Motor Vehicles:</i> | | | | | | | | | | | | | |
| Trailers and accessories | 643 300 | - | - | - | - | 643 300 | 243 841 | 22 557 | - | - | - | 266 398 | 376 902 |
| Trucks, buses and IdVs | 1 153 169 | - | - | - | - | 1 153 169 | 134 753 | 66 337 | - | - | - | 201 090 | 952 079 |
| Tractors | 1 988 050 | - | - | - | - | 1 988 050 | 602 185 | 53 267 | - | - | - | 655 452 | 1 332 598 |
| Passenger vehicles | 859 600 | - | - | - | - | 859 600 | 322 952 | 28 624 | - | - | - | 351 576 | 508 024 |
| Farm Vehicles | 85 500 | 302 538 | - | - | - | 388 038 | 17 784 | 16 390 | - | - | - | 34 174 | 353 864 |
| Emergency vehicles | - | 129 941 | - | - | - | 129 941 | - | - | - | - | - | - | 129 941 |
| Specialised vehicles | 180 000 | - | - | - | - | 180 000 | 25 920 | 8 640 | - | - | - | 34 560 | 145 440 |
| <i>Office Equipment:</i> | | | | | | | | | | | | | |
| Domestic equipment | 92 660 | 5 845 | - | - | (8 943) | 89 563 | 54 509 | 26 948 | - | 130 | (5 419) | 76 167 | 13 396 |

APPENDIX B
Mohokare Local Municipality
UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying |
|----------------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|---------------------------------------|-------------------|-----------|---------------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | Impairments | Disposals | Closing Balance | Value |
| Computer hardware | R 2 140 517 | R 264 728 | - | - | (146 585) | 2 258 660 | R 940 990 | R 277 042 | - | R 48 114 | R (78 323) | 1 187 823 | R 1 070 836 |
| Office machines | 374 151 | - | - | - | (13 980) | 360 171 | 123 125 | 50 939 | - | - | (6 617) | 167 446 | 192 725 |
| Office equipment - other | 771 163 | 8 083 | - | - | (6 116) | 773 130 | 109 551 | 136 704 | - | - | (1 517) | 244 738 | 528 392 |
| Audiovisual equipment | 230 631 | - | - | - | (17 542) | 213 089 | 86 779 | 35 821 | - | - | (8 226) | 114 374 | 98 715 |
| Air conditioners | 78 624 | - | - | - | - | 78 624 | 61 298 | 3 778 | - | 480 | - | 65 556 | 13 068 |
| Musical instruments | 34 500 | - | - | - | - | 34 500 | 21 689 | 2 116 | - | - | - | 23 805 | 10 695 |
| <i>Plant and Equipment:</i> | | | | | | | | | | | | | |
| Lawnmowers / gardening equipment | 318 569 | - | - | - | - | 318 569 | 191 397 | 41 480 | - | - | - | 232 877 | 85 692 |
| Plant and equipment - other | 821 556 | 65 529 | - | - | (206 948) | 680 137 | 453 282 | 81 478 | - | - | (100 472) | 434 289 | 245 848 |
| Workshop equipment and tools | 221 752 | 26 276 | - | - | (15 119) | 232 910 | 77 703 | 38 560 | - | - | (7 237) | 109 026 | 123 884 |
| Compressors | 47 944 | 96 770 | - | - | - | 144 714 | 25 371 | 16 186 | - | - | - | 41 557 | 103 156 |
| Radio equipment | 9 682 | - | - | - | - | 9 682 | 8 472 | 126 | - | - | - | 8 597 | 1 085 |
| Generators | 669 614 | 2 944 | - | - | (159 000) | 513 558 | 275 419 | 91 204 | - | - | (78 705) | 287 918 | 225 640 |
| Law enforcement equipment | 14 614 | - | - | - | (5 415) | 9 199 | 4 592 | 1 656 | - | - | (1 728) | 4 520 | 4 679 |
| <i>Other Assets:</i> | | | | | | | | | | | | | |
| Laboratory Equipment | 225 696 | 394 329 | - | - | (53 278) | 566 748 | 157 103 | 56 358 | - | - | (38 306) | 175 154 | 391 594 |
| <i>Other Assets:</i> | | 249 333 | | | | 249 333 | | 43 513 | | | | 43 513 | 205 820 |
| | 13 849 675 | 1 558 298 | - | - | (790 652) | 14 617 321 | 5 611 436 | 1 316 416 | - | 54 299 | (435 236) | 6 546 914 | 8 070 407 |
| Total | 792 954 753 | 4 389 927 | 104 933 334 | (2 672 317) | (790 652) | 898 815 045 | 403 069 360 | 25 984 853 | - | 54 299 | (435 236) | 428 673 277 | 470 141 768 |
| | | | | | | 0.00 | | | | | | 0.00 | 107 889 783.60 |

Mohokare Local Municipality
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015

| Description | Cost / Revaluation | | | | | | Accumulated Depreciation / Impairment | | | | | | Carrying |
|------------------------------|--------------------|-----------|--------------------|-----------|-----------|-------------------|---------------------------------------|-----------|-----------|----------|-----------|-----------------|-------------------|
| | Opening Balance | Additions | Under Construction | Transfers | Disposals | Closing Balance | Opening Balance | Additions | Transfers | | Disposals | Closing Balance | Value |
| Investment Properties | R | R | R | R | R | R | R | R | R | | R | R | R |
| Improved Properties | 6 040 020 | - | - | - | - | 6 040 020 | - | - | - | - | - | - | 6 040 020 |
| Unimproved Properties | 16 136 645 | - | - | - | - | 16 136 645 | - | - | - | - | - | - | 16 136 645 |
| | 22 176 665 | - | - | - | - | 22 176 665 | - | - | - | - | - | - | 22 176 665 |

APPENDIX C
Mohokare Local Municipality
UN-AUDITED SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

| Description | Cost / Revaluation | | | | | Accumulated Depreciation / Impairment | | | | | Carrying Value |
|-------------------------------|--------------------|------------------|--------------------|------------------|--------------------|---------------------------------------|-------------------|---------------|------------------|--------------------|--------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Impairments | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R | R |
| Executive and Council | 907 173 | - | - | (15 845) | 891 328 | 489 424 | 63 704 | 684 | (5 640) | 548 172 | 343 155 |
| Finance and Administration | 26 463 080 | 258 542 | - | (297 706) | 26 423 916 | 18 541 034 | 777 086 | 40 816 | (152 789) | 19 206 147 | 7 217 770 |
| Planning and Development | 38 539 | - | - | (442) | 38 097 | 27 548 | 2 051 | - | (224) | 29 376 | 8 721 |
| Health | - | - | - | - | - | - | - | - | - | - | - |
| Community and Social Services | 47 428 345 | - | - | (28 803) | 47 399 542 | 30 451 535 | 785 579 | 1 340 | (23 127) | 31 215 326 | 16 184 217 |
| Housing | 17 799 233 | - | - | (2 908) | 17 796 325 | 6 144 555 | 84 645 | - | (2 013) | 6 227 188 | 11 569 137 |
| Public Safety | 294 814 | - | - | (6 083) | 288 731 | 169 296 | 19 984 | - | (2 312) | 186 968 | 101 763 |
| Sport and Recreation | 68 444 996 | 52 395 | - | (5 289) | 68 492 102 | 40 225 324 | 747 671 | - | (4 502) | 40 968 492 | 27 523 610 |
| Environmental Protection | - | - | - | - | - | - | - | - | - | - | - |
| Waste Management | 170 111 254 | 1 459 068 | - | (209 433) | 171 360 890 | 78 977 984 | 4 094 381 | 32 | (145 775) | 82 926 623 | 88 434 267 |
| Roads and Transport | 177 954 155 | - | - | - | 177 954 155 | 89 352 167 | 9 158 981 | - | - | 98 511 148 | 79 443 007 |
| Water | 188 612 403 | 3 158 211 | - | (10 301) | 191 760 312 | 98 643 461 | 5 075 799 | - | (6 707) | 103 712 553 | 88 047 760 |
| Electricity | 84 485 562 | - | - | - | 84 485 562 | 36 278 739 | 4 203 494 | - | - | 40 482 234 | 44 003 328 |
| Other | 4 515 913 | - | - | (213 841) | 4 302 072 | 938 467 | 579 927 | 11 427 | (92 147) | 1 437 675 | 2 864 397 |
| Total | 787 055 469 | 4 928 217 | - | (790 652) | 791 193 034 | 400 239 534 | 25 593 303 | 54 299 | (435 236) | 425 451 901 | 365 741 133 |

APPENDIX D

Mohokare Local Municipality

UN-AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

| 2014 Actual Income | 2014 Actual Expenditure | 2014 Surplus/ (Deficit) | Description | 2015 Actual Income | 2015 Actual Expenditure | 2015 Surplus/ (Deficit) |
|--------------------------|-------------------------------|-------------------------------|-----------------------------------|--------------------------|-------------------------------|-------------------------------|
| R | R | R | | R | R | R |
| (580 856) | 11 831 494 | 11 250 638 | Executive and Council | (26 007) | 11 250 613 | 11 224 606 |
| (72 424 095) | 51 761 752 | (20 662 343) | Finance and Administration | (64 691 737) | 53 044 049 | (11 647 688) |
| - | 1 978 803 | 1 978 803 | Planning and Development | - | 2 273 356 | 2 273 356 |
| (621 874) | 5 931 739 | 5 309 865 | Community and Social Services | (114 510) | 6 770 856 | 6 656 346 |
| (424 539) | 552 157 | 127 618 | Housing | (811 158) | 678 387 | (132 770) |
| (1 358 675) | 1 282 064 | (76 611) | Public Safety | (2 799 594) | 1 522 614 | (1 276 980) |
| (75) | 1 216 553 | 1 216 478 | Sport and Recreation | (218) | 1 260 417 | 1 260 200 |
| (43 982) | 248 780 | 204 799 | Environmental Protection | - | - | - |
| (28 940 143) | 14 945 404 | (13 994 740) | Waste Management | (32 897 407) | 14 580 596 | (18 316 811) |
| (1 453 801) | 6 084 739 | 4 630 938 | Roads and Transport | (1 033 311) | 5 046 035 | 4 012 725 |
| (27 064 536) | 16 246 846 | (10 817 690) | Water | (45 276 811) | 17 818 881 | (27 457 930) |
| (20 625 055) | 54 009 397 | 33 384 341 | Electricity | (26 093 727) | 55 631 355 | 29 537 628 |
| - | - | - | Other - Reversal of capital items | - | - | - |
| (153 537 631) | 166 089 727 | 12 552 096 | Sub-Total | (173 744 478) | 169 877 160 | (3 867 318) |
| | | | Revenue Foregone | | | |
| (153 537 631) | 166 089 727 | 12 552 096 | Total | (173 744 478) | 169 877 160 | (3 867 318) |

APPENDIX E(1)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

| Description | 2014/15 Actual | 2014/15 Budget | 2014/15 Variance | 2014/15 Variance | Explanation of Significant Variances |
|---|--------------------|---------------------|---------------------|---------------------|---|
| | R | R | R | % | |
| REVENUE | | | | | |
| Property Rates | 6 515 489 | 14 587 000 | (8 071 511) | (55,33) | Inaccurate Budgeting |
| Fines | 1 638 850 | 3 000 000 | (1 361 150) | (45,37) | Less fines issued than anticipated |
| Licences and Permits | 3 545 | 3 000 | 545 | 18,17 | |
| Government Grants and Subsidies | 105 784 004 | 54 508 000 | 51 276 004 | 94,07 | Budget only displayed the operational grants. |
| Public Contributions and Donations | 1 357 959 | - | 1 357 959 | 100,00 | Public contributions and donations are not budgeted for |
| Service Charges | 47 996 203 | 52 819 000 | (4 822 797) | (9,13) | |
| Rental of Facilities and Equipment | 1 064 164 | 604 000 | 460 164 | 76,19 | |
| Interest Earned - External investments | 129 246 | 7 000 | 122 246 | 1 746,37 | High interest earned on call accounts |
| Interest Earned - Outstanding debtors | 805 766 | - | 805 766 | 100,00 | Refer to Service charges |
| Dividends Received | 7 067 | 19 000 | (11 933) | (62,81) | |
| Gain on Fair value adjustment | 65 770 | - | 65 770 | 100,00 | Fair value gains not budgeted for |
| Other Income | 1 340 274 | 7 181 000 | (5 840 726) | (81,34) | Budget includes VAT pay-outs |
| Profit on Sale of Biological Assets | 55 263 | - | 55 263 | 100,00 | Sale of blesbok not budgeted for |
| Total Revenue | 166 763 599 | 132 728 000 | 34 035 601 | 25,64 | |
| EXPENDITURE | | | | | |
| Employee Related Costs | 55 991 776 | 54 676 000 | 1 315 776 | 2,41 | Inaccurate Budgeting |
| Remuneration of Councillors | 3 236 314 | 3 066 000 | 170 314 | 5,55 | |
| Depreciation | 26 152 570 | 28 608 000 | (2 455 430) | (8,58) | Inaccurate Budgeting |
| Impairment Losses | 21 104 381 | 13 952 000 | 7 152 381 | 51,26 | Impairment on receivables higher than expected |
| Repairs and Maintenance | 2 161 467 | - | 2 161 467 | 100,00 | Repairs and Maintenance in Budget included under other general expenses |
| Interest Paid | 4 600 053 | 2 729 000 | 1 871 053 | 68,56 | Interest charge on Landfill sites provision not budgeted for |
| Bulk Purchases | 23 607 805 | 19 570 000 | 4 037 805 | 20,63 | Centlec purchases |
| Contracted Services | 3 659 924 | 584 000 | 3 075 924 | 526,70 | Consultants Budget included under other general expenses |
| Grants and Subsidies Paid | 11 636 | 4 963 000 | (4 951 364) | (99,77) | |
| General Expenses | 23 576 145 | 32 724 000 | (9 147 855) | (27,95) | Centlec General expenses not budgeted for |
| Loss on disposal of Property, Plant and Equipment | 355 416 | - | 355 416 | 100,00 | Loss of building due to vandalism not expected |
| Total Expenditure | 164 457 484 | 160 872 000 | 3 585 486 | 2,23 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | 2 306 113 | (28 144 000) | 30 450 113 | (108,19) | |

APPENDIX E(1)

Mohokare Local Municipality

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 greater than 10% versus Budget |
|---|---------------------|---------------------|---------------------|---------------------|--|
| | R | R | R | % | |
| REVENUE | | | | | |
| Property Rates | 5 848 955 | 13 904 000 | (8 055 045) | (57,93) | Inaccurate Budgeting |
| Fines | 874 540 | 500 000 | 374 540 | 74,91 | Less fines issued than anticipated |
| 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 | 38 157 165 | 43 454 000 | (5 296 835) | (12,19) | Some Electricity sales not budgeted for. |
| Rental of Facilities and Equipment | 574 998 | 571 000 | 3 998 | 0,70 | More rental of facilities than expected |
| 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 | Amounts not forseen |
| Interest Earned - Provisions | - | - | - | 0,00 | Reversal of landfill site provisions |
| Dividends Received | 8 925 | 9 000 | (75) | (0,83) | Inaccurate Budgeting |
| Gain on Fair value adjustment | 211 931 | - | 211 931 | 100,00 | Amounts not forseen |
| Other Income | 1 008 818 | 4 586 000 | (3 577 182) | (78,00) | Amounts not forseen |
| Total Revenue | 150 522 908 | 115 155 000 | 35 367 910 | 30,71 | |
| EXPENDITURE | | | | | |
| 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 | Inaccurate Budgeting |
| Depreciation | 26 312 822 | 27 952 000 | (1 639 178) | (5,86) | Inaccurate Budgeting |
| Impairment Losses | 22 456 408 | 5 610 000 | 16 846 408 | 300,29 | Impairment on receivables higher than expected |
| Repairs and Maintenance | 1 698 199 | - | 1 698 199 | 100,00 | Repairs & Maintenance budgeted under General Expenses |
| Interest Paid | 2 209 096 | 312 000 | 1 897 096 | 608,04 | Interest charge on Landfill sites provision not budgeted for |
| Bulk Purchases | 19 755 688 | 16 000 000 | 3 755 688 | 23,47 | Centlec purchases not budgeted for |
| Contracted Services | 5 393 623 | 159 000 | 5 234 623 | 3 292,22 | More consultants used than was budgeted for |
| Grants and Subsidies Paid | - | 5 850 000 | (5 850 000) | (100,00) | |
| General Expenses | 28 193 557 | 34 635 000 | (6 441 443) | (18,60) | Capital expenditures included in budget |
| Loss on disposal of Property, Plant and Equipment | 298 128 | - | 298 128 | 100,00 | Loss of building due to vandalism not expected |
| Total Expenditure | 162 149 318 | 142 040 000 | 20 109 319 | 14,16 | |
| NET SURPLUS / (DEFICIT) FOR THE YEAR | (11 626 410) | (26 885 000) | 15 258 590 | (56,76) | |

APPENDIX E(2)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2015

| Description | 2014/15 | 2014/15 | 2014/15 | 2014/15 | 2014/15 | 2014/15 | 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 | - | - | - | 3 000 | (3 000) | 100% | Budget is based on actual payments, additions are based on date of delivery |
| Finance and Administration | 159 312 | - | 159 312 | 914 000 | (754 688) | 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 | 52 395 | - | 52 395 | 346 000 | (293 605) | 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 | - | 942 518 | 942 518 | 2 656 000 | (1 713 482) | 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 | - | - | - | 482 000 | (482 000) | 100% | Budget is based on actual payments, additions are based on date of delivery |
| Roads and Transport | - | 8 689 842 | 8 689 842 | 10 335 000 | (1 645 158) | 100% | Budget is based on actual payments, additions are based on date of delivery |
| Water | - | 29 667 945 | 29 667 945 | 43 882 000 | (14 214 055) | 100% | Budget is based on actual payments, additions are based on date of delivery |
| Electricity | - | 4 526 937 | 4 526 937 | 3 666 000 | 860 937 | 100% | Budget is based on actual payments, additions are based on date of delivery |
| Other | 1 558 298 | - | 1 558 298 | - | 1 558 298 | 100,00 | |
| Total | 1 770 005 | 43 827 242 | 45 597 247 | 62 284 000 | (16 686 753) | (26,79) | |

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

| 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 | - | - | - | - | - | 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 | 6% | 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 | (23 503) | 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) | -93% | 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 | 560% | 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) | 0% | 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 |
| Total | 3 555 173 | 30 558 322 | 34 113 495 | 41 366 650 | (7 253 155) | (17,53) | |

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 | 15 620 000 | 16 656 000 | 14 064 000 | 0 | 11 585 000 | 11 585 000 | 11 585 000 | 11 585 000 | 6 626 000 | N/A | N/A | N/A | B & MWIG Roll over expi | N/A |
| FMG | Nat Treasury | 1 800 000 | 0 | 0 | 0 | 450 000 | 450 000 | 450 000 | 450 000 | N/A | N/A | N/A | N/A | N/A | N/A |
| MWIG | Nat Treasury | 0 | 0 | 0 | 3 310 045 | 0 | 0 | 0 | 3 310 045 | N/A | N/A | N/A | N/A | N/A | N/A |
| MIG Projects | MIG | 6 852 000 | 6 275 000 | 12 335 000 | 0 | 3 922 089 | 4 632 219 | 3 193 602 | 4 908 354 | N/A | N/A | N/A | N/A | N/A | Roll-over |
| Bulk Infrastructure Grant | DWAF | 4 584 061 | 12 417 394 | 9 500 030 | 2 550 789 | 9 833 830 | 10 982 844 | 7 000 000 | 2 404 423 | N/A | N/A | N/A | N/A | N/A | N/A |
| MSIG | COGTA | 934 000 | 0 | 0 | 0 | 233 500 | 233 500 | 233 500 | 233 500 | N/A | N/A | N/A | N/A | N/A | N/A |
| EPW Incentive Grant | Province | 413 000 | 310 000 | 310 000 | 0 | 258 250 | 258 250 | 258 250 | 258 250 | N/A | N/A | N/A | N/A | N/A | N/A |
| COGTA Grants | COGTA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| LG SETA Grant | LG SETA | 0 | 0 | 0 | 13 411 | 0 | 0 | 0 | 13 411 | N/A | N/A | N/A | N/A | N/A | N/A |
| Total Grants and Subsidies Received | | 30 203 061 | 35 658 394 | 36 209 030 | 5 874 245 | 26 282 669 | 28 141 813 | 22 720 352 | 23 162 983 | 6 626 000 | 0 | 0 | 0 | | |