



Mohokare Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2016

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Mayoral committee

Executive Mayor  
Councillors

AM Shasha  
MA Letele  
OT Khasake  
S Pokane  
MJ Sehanka  
RJ Thuhlo  
I Mehlomakhulu  
L Lekhula  
ET Backward  
BS Majenge  
IS Riddle

### Grading of local authority

Grade 2

### Chief Finance Officer (CFO)

PM Dyonase

### Accounting Officer

CT Panyani

### Registered office

Civic Centre  
Hoofd Street  
Zastron  
9950

### Postal address

PO Box 20  
Zastron  
9950

### Bankers

ABSA Bank

### Auditors

External - Auditor General of South Africa  
Internal - Thobeca Macala

### Attorneys

Modise & Modise Attorneys  
Ndumiso Voyi Attorneys

### Contact Details

Telephone: 051 - 673 9600  
Facsimile: 051 - 673 1550  
E-Mail: [info@mohokare.gov.za](mailto:info@mohokare.gov.za)  
Website: <http://www.mohokare.gov.za>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
COGTA	Department of Co-operative Governance and Traditional Affairs

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 4 to 85, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016 and were signed on its behalf by:

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**CT Panyani**  
**Municipal Manager**

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
Current Assets			
Inventories	10	763 127	765 008
Receivables from exchange transactions	11	4 147 920	5 465 312
Receivables from non-exchange transactions	12	8 907 279	3 514 019
VAT receivable	13	13 807 508	13 109 223
Cash and cash equivalents	14	6 328 876	945 123
		<b>33 954 710</b>	<b>23 798 685</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	4	268 180	256 500
Investment property	5	22 176 665	22 176 665
Property, plant and equipment	6	511 258 844	471 285 678
Other financial assets	7	351 628	345 155
		<b>534 055 317</b>	<b>494 063 998</b>
Non-Current Assets		534 055 317	494 063 998
Current Assets		33 954 710	23 798 685
<b>Total Assets</b>		<b>568 010 027</b>	<b>517 862 683</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	18	175 254	155 168
Finance lease obligation	16	200 844	262 571
Consumer Deposits	8	814 120	521 730
Payables from exchange transactions	20	81 838 523	65 728 475
Employee benefit obligation	9	507 200	-
Unspent conditional grants and receipts	17	5 243 911	7 083 784
		<b>88 779 852</b>	<b>73 751 728</b>
Non-Current Liabilities			
Other financial liabilities	18	25 046 799	22 311 620
Finance lease obligation	16	-	199 947
Employee benefit obligation	9	5 361 300	5 566 100
Provisions	19	8 656 024	11 384 620
		<b>39 064 123</b>	<b>39 462 287</b>
Non-Current Liabilities		39 064 123	39 462 287
Current Liabilities		88 779 852	73 751 728
<b>Total Liabilities</b>		<b>127 843 975</b>	<b>113 214 015</b>
Assets		568 010 027	517 862 683
Liabilities		(127 843 975)	(113 214 015)
<b>Net Assets</b>		<b>440 166 052</b>	<b>404 648 668</b>
Accumulated surplus	15	440 166 052	404 648 668

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	49 638 258	41 417 447
Rental of facilities and equipment	22	1 071 800	1 064 164
Licences and permits		2 168	3 545
Other income	23	636 834	1 340 275
Interest received - investment	24	8 381 680	7 714 535
Dividends received	24	9 955	7 067
<b>Total revenue from exchange transactions</b>		<b>59 740 695</b>	<b>51 547 033</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	6 902 912	6 314 722
<b>Transfer revenue</b>			
Government grants & subsidies	27	141 376 458	107 076 501
Public contributions and donations	28	4 009 457	1 357 959
Fines, Penalties and Forfeits		12 194 485	1 638 850
<b>Total revenue from non-exchange transactions</b>		<b>164 483 312</b>	<b>116 388 032</b>
		59 740 695	51 547 033
		164 483 312	116 388 032
<b>Total revenue</b>		<b>224 224 007</b>	<b>167 935 065</b>
<b>Expenditure</b>			
Employee related costs	29	(58 693 305)	(55 991 776)
Remuneration of councillors	30	(3 412 176)	(3 236 314)
Administration		(175 361)	(167 010)
Depreciation and amortisation	31	(26 821 187)	(27 850 507)
Impairment loss/ Reversal of impairments	32	(136 115)	(54 299)
Finance costs	33	(9 129 556)	(5 051 905)
Lease rentals on operating lease		(1 167 040)	(1 011 392)
Debt Impairment	34	(36 340 468)	(21 104 380)
Repairs and maintenance		(3 329 518)	(2 161 467)
Bulk purchases	35	(24 198 425)	(23 607 805)
Contracted services	36	(2 640 595)	(3 659 924)
Transfers and Subsidies	26	-	(11 636)
Decommissioning Costs		(394 514)	(536 155)
General Expenses	37	(22 439 120)	(21 822 069)
<b>Total expenditure</b>		<b>(188 877 380)</b>	<b>(166 266 639)</b>
		-	-
Total revenue		224 224 007	167 935 065
Total expenditure		(188 877 380)	(166 266 639)
<b>Operating surplus</b>		<b>35 346 627</b>	<b>1 668 426</b>
Loss on disposal of assets and liabilities		(1 381 886)	(355 416)
Fair value adjustments		19 193	65 770
Actuarial gains/losses	9	380 000	-
Gain on biological assets and agricultural produce		23 720	55 263
		<b>(958 973)</b>	<b>(234 383)</b>
Operating surplus/deficit		(958 973)	(234 383)
Surplus before taxation		34 387 654	1 434 043
Taxation		-	-
<b>Surplus for the year</b>		<b>34 387 654</b>	<b>1 434 043</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>403 093 437</b>	<b>403 093 437</b>
Changes in net assets		
Surplus for the year	2 306 116	2 306 116
Prior period adjustments	(750 885)	(750 885)
Total changes	1 555 231	1 555 231
<b>Balance at 01 July 2015</b>	<b>405 778 398</b>	<b>405 778 398</b>
Changes in net assets		
Surplus for the year	34 387 654	34 387 654
Total changes	34 387 654	34 387 654
<b>Balance at 30 June 2016</b>	<b>440 166 052</b>	<b>440 166 052</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		130 499 271	113 081 489
Interest income		524 724	129 246
Dividends received		9 955	7 067
		<u>131 033 950</u>	<u>113 217 802</u>
<b>Payments</b>			
Cash paid to suppliers and employees		(53 211 194)	(67 763 562)
Finance costs		(148 625)	(188 949)
		<u>(53 359 819)</u>	<u>(67 952 511)</u>
Total receipts		131 033 950	113 217 802
Total payments		(53 359 819)	(67 952 511)
<b>Net cash flows from operating activities</b>	38	<b><u>77 674 131</u></b>	<b><u>45 265 291</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(71 796 711)	(42 287 203)
Proceeds from sale of biological assets that form part of an agricultural activity	4	-	55 263
<b>Net cash flows from investing activities</b>		<b><u>(71 796 711)</u></b>	<b><u>(42 231 940)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(493 667)	(340 210)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>5 383 753</u></b>	<b><u>2 693 141</u></b>
Cash and cash equivalents at the beginning of the year		945 123	(1 748 018)
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>6 328 876</u></b>	<b><u>945 123</u></b>



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 53
Figures in Rand						

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 53
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	28 510 296	-	<b>28 510 296</b>	763 127	<b>(27 747 169)</b>	A1
Receivables from exchange transactions	8 248 707	-	<b>8 248 707</b>	4 147 920	<b>(4 100 787)</b>	A2
Receivables from non-exchange transactions	3 423 772	-	<b>3 423 772</b>	8 907 279	<b>5 483 507</b>	A3
VAT receivable	-	-	-	13 807 508	<b>13 807 508</b>	A4
Cash and cash equivalents	200 000	-	<b>200 000</b>	6 328 876	<b>6 128 876</b>	A5
	<b>40 382 775</b>	-	<b>40 382 775</b>	<b>33 954 710</b>	<b>(6 428 065)</b>	
<b>Non-Current Assets</b>						
Biological assets that form part of an agricultural activity	300 000	-	<b>300 000</b>	268 180	<b>(31 820)</b>	
Investment property	17 746 665	-	<b>17 746 665</b>	22 176 665	<b>4 430 000</b>	A1
Property, plant and equipment	475 253 835	-	<b>475 253 835</b>	511 258 844	<b>36 005 009</b>	A6
Other financial assets	320 000	-	<b>320 000</b>	351 628	<b>31 628</b>	
	<b>493 620 500</b>	-	<b>493 620 500</b>	<b>534 055 317</b>	<b>40 434 817</b>	
Non-Current Assets	40 382 775	-	<b>40 382 775</b>	33 954 710	<b>(6 428 065)</b>	
Current Assets	493 620 500	-	<b>493 620 500</b>	534 055 317	<b>40 434 817</b>	
<b>Total Assets</b>	<b>534 003 275</b>	-	<b>534 003 275</b>	<b>568 010 027</b>	<b>34 006 752</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	150 000	-	<b>150 000</b>	175 254	<b>25 254</b>	
Finance lease obligation	170 000	-	<b>170 000</b>	200 844	<b>30 844</b>	
Consumer Deposits	650 000	-	<b>650 000</b>	814 120	<b>164 120</b>	A7
Payables from exchange transactions	56 030 161	-	<b>56 030 161</b>	81 838 522	<b>25 808 361</b>	A8
Employee benefit obligation	-	-	-	507 200	<b>507 200</b>	A9
Unspent conditional grants and receipts	6 000 000	-	<b>6 000 000</b>	5 243 911	<b>(756 089)</b>	A10
Bank overdraft	5 000 000	-	<b>5 000 000</b>	-	<b>(5 000 000)</b>	
	<b>68 000 161</b>	-	<b>68 000 161</b>	<b>88 779 851</b>	<b>20 779 690</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	17 685 232	-	<b>17 685 232</b>	25 046 799	<b>7 361 567</b>	A11
Employee benefit obligation	-	-	-	5 361 300	<b>5 361 300</b>	A9
Provisions	20 000 000	-	<b>20 000 000</b>	8 656 024	<b>(11 343 976)</b>	A12
	<b>37 685 232</b>	-	<b>37 685 232</b>	<b>39 064 123</b>	<b>1 378 891</b>	
	68 000 161	-	<b>68 000 161</b>	88 779 851	<b>20 779 690</b>	
	37 685 232	-	<b>37 685 232</b>	39 064 123	<b>1 378 891</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>105 685 393</b>	-	<b>105 685 393</b>	<b>127 843 974</b>	<b>22 158 581</b>	
Assets	534 003 275	-	<b>534 003 275</b>	568 010 027	<b>34 006 752</b>	
Liabilities	(105 685 393)	-	<b>(105 685 393)</b>	(127 843 974)	<b>(22 158 581)</b>	
<b>Net Assets</b>	<b>428 317 882</b>	-	<b>428 317 882</b>	<b>440 166 053</b>	<b>11 848 171</b>	

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference - Note 53
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	428 317 882	-	<b>428 317 882</b>	440 166 053	<b>11 848 171</b>	

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	11 627 153	(4 394 959)	7 232 194	-	-	7 232 194	6 902 912	-	(329 282)	95 %	59 %
Service charges - N1	61 129 539	-	61 129 539	-	-	61 129 539	49 638 258	-	(11 491 281)	81 %	81 %
Investment revenue - N2	5 775 772	77 705	5 853 477	-	-	5 853 477	8 391 635	-	2 538 158	143 %	145 %
Transfers recognised - operational	61 967 859	-	61 967 859	-	-	61 967 859	58 762 491	-	(3 205 368)	95 %	95 %
Other own revenue - N3	12 848 936	362 236	13 211 172	-	-	13 211 172	18 337 657	-	5 126 485	139 %	143 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>153 349 259</b>	<b>(3 955 018)</b>	<b>149 394 241</b>	<b>-</b>	<b>-</b>	<b>149 394 241</b>	<b>142 032 953</b>	<b>-</b>	<b>(7 361 288)</b>	<b>95 %</b>	<b>93 %</b>
Employee costs	(57 045 453)	(2 026 232)	(59 071 685)	-	-	(59 071 685)	(58 693 305)	-	378 380	99 %	103 %
Remuneration of councillors	(3 608 834)	(8 593)	(3 617 427)	-	-	(3 617 427)	(3 412 176)	-	205 251	94 %	95 %
Debt impairment - N4	(14 347 804)	-	(14 347 804)	-	-	(14 347 804)	(36 340 468)	21 992 664	(21 992 664)	253 %	253 %
Depreciation and asset impairment	(28 427 184)	-	(28 427 184)	-	-	(28 427 184)	(26 957 302)	-	1 469 882	95 %	95 %
Finance charges - N5	(2 702 779)	579 080	(2 123 699)	-	-	(2 123 699)	(9 129 556)	7 005 857	(7 005 857)	430 %	338 %
Materials and bulk purchases - N6	(20 563 200)	-	(20 563 200)	-	-	(20 563 200)	(24 198 425)	3 634 948	(3 635 225)	118 %	118 %
Transfers and grants	(7 365 361)	-	(7 365 361)	-	-	(7 365 361)	-	-	7 365 361	- %	- %
Other expenditure - N7	(34 355 391)	(7 818 741)	(42 174 132)	-	-	(42 174 132)	(31 528 034)	-	10 646 098	75 %	92 %
<b>Total expenditure</b>	<b>(168 416 006)</b>	<b>(9 274 486)</b>	<b>(177 690 492)</b>	<b>-</b>	<b>-</b>	<b>(177 690 492)</b>	<b>(190 259 266)</b>	<b>32 633 469</b>	<b>(12 568 774)</b>	<b>107 %</b>	<b>113 %</b>

# Mohokare Local Municipality

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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	153 349 259	(3 955 018)	149 394 241	-	-	149 394 241	142 032 953	-	(7 361 288)	95 %	93 %
Total expenditure	(168 416 006)	(9 274 486)	(177 690 492)	-	-	(177 690 492)	(190 259 266)	32 633 469	(12 568 774)	107 %	113 %
<b>Surplus/(Deficit)</b>	<b>(15 066 747)</b>	<b>(13 229 504)</b>	<b>(28 296 251)</b>	-	-	<b>(28 296 251)</b>	<b>(48 226 313)</b>		<b>(19 930 062)</b>	<b>170 %</b>	<b>320 %</b>
Transfers recognised - capital	86 254 000	(10 000 000)	76 254 000	-	-	76 254 000	82 613 967		6 359 967	108 %	96 %
Surplus/(Deficit)	(15 066 747)	(13 229 504)	(28 296 251)	-	-	(28 296 251)	(48 226 313)	-	(19 930 062)	170 %	320 %
Capital transfers and contributions	86 254 000	(10 000 000)	76 254 000	-	-	76 254 000	82 613 967	-	6 359 967	108 %	96 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>71 187 253</b>	<b>(23 229 504)</b>	<b>47 957 749</b>	-	-	<b>47 957 749</b>	<b>34 387 654</b>		<b>(13 570 095)</b>	<b>72 %</b>	<b>48 %</b>
Surplus (Deficit) after capital transfers and contributions	71 187 253	(23 229 504)	47 957 749	-	-	47 957 749	34 387 654	-	(13 570 095)	72 %	48 %
<b>Surplus/(Deficit) for the year</b>	<b>71 187 253</b>	<b>(23 229 504)</b>	<b>47 957 749</b>	-	-	<b>47 957 749</b>	<b>34 387 654</b>		<b>(13 570 095)</b>	<b>72 %</b>	<b>48 %</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure - N8	(87 508 100)	10 648 100	(76 860 000)	-		(76 860 000)	(71 621 775)		5 238 225	93 %	82 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	85 365 000	(10 000 000)	75 365 000	-		75 365 000	82 613 967		7 248 967	110 %	97 %
Internally generated funds - N8	2 143 100	(648 100)	1 495 000	-		1 495 000	490 548		(1 004 452)	33 %	23 %
<b>Total sources of capital funds</b>	<b>87 508 100</b>	<b>(10 648 100)</b>	<b>76 860 000</b>	<b>-</b>		<b>76 860 000</b>	<b>83 104 515</b>		<b>6 244 515</b>	<b>108 %</b>	<b>95 %</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	99 483 758	(16 454 148)	83 029 610	-		83 029 610	77 674 131		(5 355 479)	94 %	78 %
Net cash from (used) investing	(87 508 100)	10 648 100	(76 860 000)	-		(76 860 000)	(71 796 711)		5 063 289	93 %	82 %
Net cash from (used) financing	(272 108)	-	(272 108)	-		(272 108)	(493 667)		(221 559)	181 %	181 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11 703 550</b>	<b>(5 806 048)</b>	<b>5 897 502</b>	<b>-</b>		<b>5 897 502</b>	<b>5 383 753</b>		<b>(513 749)</b>	<b>91 %</b>	<b>46 %</b>
Cash and cash equivalents at the beginning of the year	(11 572 066)	11 930 708	358 642	-		358 642	945 123		586 481	264 %	(8)%
Net increase / (decrease) in cash and cash equivalents	11 703 550	(5 806 048)	5 897 502	-	-	5 897 502	5 383 753	-	513 749	91 %	46 %
Cash and cash equivalents at the beginning of the year	(11 572 066)	11 930 708	358 642	-	-	358 642	945 123	-	(586 481)	264 %	(8)%
<b>Cash and cash equivalents at year end</b>	<b>131 484</b>	<b>6 124 660</b>	<b>6 256 144</b>	<b>-</b>		<b>6 256 144</b>	<b>6 328 876</b>		<b>(72 732)</b>	<b>101 %</b>	<b>4 813 %</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

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Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Significant variances are explained below:

N1 - The variance is due to inaccurate budgeting. In the previous financial year interest charged on overdue consumer accounts were incorrectly included in the revenue accounts from the respective services instead of the interest received account (classification error corrected in the current financial year for both the current and comparative figures). This influenced the incorrect overbudgeting in respect of service charges.

N2 - The variance is due to the incorrect budgeting as explained in note 1 above where the budget for interest on consumer accounts were incorrectly included under service charges.

N3 - The variance in Other own revenue is mainly due to the implementation of the new traffic fines system from TMT. This lead to a significant increase in the traffic fines issued from inception of this contract during March 2016.

N4 - The variance is due to inaccurate budgeting in respect of the provision for impairment of trade and other receivables.

N5 - The variance in Finance Charges are due to inaccurate budgeting along with the high interest incurred on outstanding contributions to SALA Pension Fund and SAMWU Provident Fund.

N6 - The variance is due to inaccurate budgeting. As bulk purchases relates to electricity bulk purchases only, this amount is consolidated into the AFS of Mohokare Local Municipality based on the Trial balance received from CENTLEC SOC.

N7 - The favourable variance in terms of general expenditure can be attributed to the strict controls put into place by Mohokare Local Municipality on all non-priority spending.

N8 - Unfavourable variance due to te slow implementation of projects which has been funded through conditional government grants as well as spending controls put into place over own spending to eliminate non-priority spending.



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

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:

#### Financial assets and liabilities

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

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The Accounting Policy 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.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

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.

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% (2015: 6%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors as stated below.

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.

	Matlakeng	Rouxville	Smithfield
Long term treasury bond rate	8,14 %	9,28 %	9,28 %
<b>Adjusted for:</b>			
Landfill site not fenced off	0,10 %	0,10 %	0,10 %
No weight bridge/ track kept of vehicles entering the site	0,35 %	0,35 %	0,35 %
No control over waste types	0,50 %	0,50 %	0,50 %
No traces of medical waste identified	(0,45)%	(0,45)%	(0,45)%
Surrounded by farms	0,25 %	0,25 %	0,25 %
	<b>8,89 %</b>	<b>10,03 %</b>	<b>10,03 %</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### 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.

#### Defined Benefit Plan Liabilities

As described in the Accounting Policy on Employee Benefits, 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 Note 9 to the Annual Financial Statements.

#### Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

#### Revenue Recognition

The Accounting Policy on Revenue from Exchange Transactions and the Accounting 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.

#### Useful lives of Property, Plant and Equipment and Intangible assets

As described in the Accounting Policies relating to assets, 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.

#### Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventory

The Accounting Policy on PPE - Impairment of assets and the Accounting Policy on Intangible assets - Subsequent Measurement, Amortisation and Impairment and the Accounting Policy pertaining to 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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Biological assets that form part of an agricultural activity

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.

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

### 1.5 Investment property

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;

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- 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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

### 1.6 Property, plant and equipment

#### 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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

#### 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.

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.

#### Depreciation

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 100 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	4 - 7 years
Furniture and fittings	Straight line	4 - 7 years
Infrastructure - Electricity	Straight line	45 - 50 years
• Mini-sub	Straight line	45 years
• MV Power Transformer	Straight line	45 years
• MV Switch gear - circuit breaker	Straight line	45 years
• MV Switch gear - isolating link	Straight line	30 years
• Circuit breaker panel	Straight line	50 years
• Battery charger	Straight line	45 years

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# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Infrastructure - Roads and paving	Straight line	10 - 50 years
• Road surface - Gravel	Straight line	10 years
• Road structural layer (access)	Straight line	25 - 40 years
• Road surface - Bituminous	Straight line	30 - 40 years
• Road structural layer - Collector	Straight line	50 years
• Road structural layer - Distributor	Straight line	30 years
• Road surface - Concrete block	Straight line	30 years
Water	Straight line	20 - 80 years
Sewerage	Straight line	40 - 80 years
Landfill Sites	Straight line	5 - 100 years
Community	Straight line	5 - 80 years
• Recreational facilities	Straight line	15 - 80 years
• Security	Straight Line	5 years
Bins and containers	Straight line	4 years
Specialised property, plant and equipment	Straight line	10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

### Incomplete Construction Work

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

### 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.

### Land

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

### 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.

### 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.

### Site restoration and dismantling cost

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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.

### 1.7 Intangible assets

#### 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;
- 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.

#### Subsequent Measurement, Amortisation and Impairment



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Intangible assets (continued)

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.

### 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.

### 1.8 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.

### 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.

### Subsequent Measurement

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 1.8 Heritage assets (continued)

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.

#### 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.

### 1.9 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 model and assumptions

The fair values of financial instruments are determined as follows:

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

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

#### 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:

Consideration 1 - Base rate used as starting point - Prime lending rate

Consideration 2 - Adjustments for industry risk - None

Consideration 3 - Adjustment for entity risk - None

#### Financial Assets - Classification

# Mohokare Local Municipality

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### 1.9 Financial instruments (continued)

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

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	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.

### 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 Liability:	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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

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.

#### Initial and subsequent measurement

##### 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.

##### 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.

#### 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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

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.

#### 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.

#### 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.

### 1.10 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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Leases (continued)

#### The Municipality as Lessee

##### Finance lease

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.

##### 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.

#### 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.

##### 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.

### 1.11 Inventories

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Inventories (continued)

#### Initial Recognition

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

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

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

#### 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.

##### 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.

### 1.12 Impairment of cash-generating 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.

#### Impairment of Cash generating assets

# Mohokare Local Municipality

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## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

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.



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.13 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.

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.

### 1.14 Employee benefits

#### 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.

#### Post employment benefits

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Employee benefits (continued)

#### 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.

# Mohokare Local Municipality

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## Accounting Policies

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### 1.14 Employee benefits (continued)

#### Defined benefit plans

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

#### 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.

#### 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.

#### 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.

#### 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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.15 Provisions and contingencies

#### 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.

#### 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

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.

### 1.16 Commitments

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Commitments (continued)

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.

### 1.17 Revenue from exchange transactions

#### 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.

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.

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

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

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

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

##### 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.

##### 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.

##### 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.

##### 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.

##### 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.

##### 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.

##### Rentals

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

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

#### Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

### 1.18 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.

#### 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.

#### Traffic 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.

#### 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.

#### 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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

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.

#### 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.

### 1.19 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 2016 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.

### 1.20 Comparative figures

#### 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.

#### 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 2015 to 30 June 2018.



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.21 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.

### 1.22 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.

### 1.23 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.

### 1.24 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.

### 1.25 Events after 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.

### 1.26 Accumulated Surplus

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.27 Non-current Assets held for sale

#### 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.

#### 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.

### 1.28 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.

### 1.29 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.

### 1.30 Treatment of administration and other overhead expenses

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 2. Changes in accounting policy, 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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 3. New standards and interpretations

#### 3.1 Standards and interpretations issued, but not yet effective

#### 3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

Management has considered all of the 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.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard

#### **GRAP 20: Related Parties**

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 3. New standards and interpretations (continued)

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard

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# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 4. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Cattle	261 180	-	261 180	244 000	-	244 000
Horses	7 000	-	7 000	12 500	-	12 500
<b>Total</b>	<b>268 180</b>	<b>-</b>	<b>268 180</b>	<b>256 500</b>	<b>-</b>	<b>256 500</b>

### Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Additions (calves born)	Losses during the year	Gains/Losses from changes in fair value	Total
Cattle	244 000	49 140	(43 680)	11 720	261 180
Horses	12 500	1 000	(7 500)	1 000	7 000
	<b>256 500</b>	<b>50 140</b>	<b>(51 180)</b>	<b>12 720</b>	<b>268 180</b>

### Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Additions (calves born)	Losses during the year	Gains/Losses from changes in fair value	Disposals during the year	Total
Cattle	226 531	49 500	(28 500)	6 219	(9 750)	244 000
Horses	13 500	500	-	-	(1 500)	12 500
	<b>240 031</b>	<b>50 000</b>	<b>(28 500)</b>	<b>6 219</b>	<b>(11 250)</b>	<b>256 500</b>

### Non - Financial information

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

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

### Quantities of each biological asset

	Cattle 2016	Horses 2016	Cattle 2015	Horses 2015
Opening balance	59	9	46	9
Acquisitions during the year	21	2	22	1
Losses during the year	(12)	(5)	(3)	(1)
Decrease due to consumption	-	-	(6)	-
	<b>68</b>	<b>6</b>	<b>59</b>	<b>9</b>

### Biological Assets carried at fair value

The municipality's Biological Assets are valued annually at 30 June at fair value. The valuation, which conforms to international Valuation Standards is arrived at by reference to a market evidence of transaction prices for similar assets.

The following assumptions were used:

- Open market prices

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 5. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	22 176 665	-	22 176 665	22 176 665	-	22 176 665

#### Reconciliation of investment property - 2016

	<b>Opening balance</b>	<b>Total</b>
Investment property	22 176 665	22 176 665

#### Reconciliation of investment property - 2015

	<b>Opening balance</b>	<b>Total</b>
Investment property	22 176 665	22 176 665

All of the municipality's Investment Property is held under freehold interest 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.

#### Investment Property carried at Fair value

The review of the valuation of investment properties were performed by DB Grobler a Professional Associated Valuer and Appraiser (Reg nr: 2311/3) from EMS Advisory during July 2016.

For the review of the values of Investment Properties, the average growth in the value of middle-segment homes in the South African residential property market and the ABSA house price indexes were used as indicators.

#### Impairment of Investment Property

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

### 6. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	38 662 855	(22 188 096)	16 474 759	38 665 615	(21 878 765)	16 786 850
Infrastructure	785 223 689	(345 846 299)	439 377 390	717 001 111	(323 596 991)	393 404 120
Community	125 376 069	(76 804 439)	48 571 630	127 354 933	(75 112 965)	52 241 968
Movable Assets	14 029 642	(7 389 081)	6 640 561	15 307 346	(6 925 075)	8 382 271
Assets under Finance lease	2 136 119	(1 941 615)	194 504	2 136 120	(1 665 651)	470 469
<b>Total</b>	<b>965 428 374</b>	<b>(454 169 530)</b>	<b>511 258 844</b>	<b>900 465 125</b>	<b>(429 179 447)</b>	<b>471 285 678</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Movements due to change in decommissioning asset	Depreciation	Impairment loss	Total
Buildings	16 786 850	-	(2 760)	-	-	-	(309 331)	-	16 474 759
Infrastructure	393 404 120	19 242 008	(735 843)	69 818 670	(19 242 008)	-	(23 109 557)	-	439 377 390
Community	52 241 968	3 433 869	-	1 505 493	(3 433 869)	(3 484 358)	(1 691 473)	-	48 571 630
Movable Assets	8 382 271	472 548	(643 282)	-	-	-	(1 434 861)	(136 115)	6 640 561
Assets under Finance lease	470 469	-	-	-	-	-	(275 965)	-	194 504
	<b>471 285 678</b>	<b>23 148 425</b>	<b>(1 381 885)</b>	<b>71 324 163</b>	<b>(22 675 877)</b>	<b>(3 484 358)</b>	<b>(26 821 187)</b>	<b>(136 115)</b>	<b>511 258 844</b>



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 6. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	16 940 589	159 312	-	-	-	(313 051)	-	16 786 850
Infrastructure	373 659 220	5 652 856	-	42 884 724	(5 652 856)	(23 139 824)	-	393 404 120
Community	53 966 921	52 395	-	942 518	-	(2 719 866)	-	52 241 968
Movable Assets	8 488 059	1 558 298	(224 605)	-	-	(1 385 182)	(54 299)	8 382 271
Assets under Finance lease	763 053	-	-	-	-	(292 584)	-	470 469
	<b>453 817 842</b>	<b>7 422 861</b>	<b>(224 605)</b>	<b>43 827 242</b>	<b>(5 652 856)</b>	<b>(27 850 507)</b>	<b>(54 299)</b>	<b>471 285 678</b>

#### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening Balance	95 613 247	3 614 835	99 228 082
Additions/Capital Expenditure	69 818 670	1 505 493	71 324 163
Transferred to Additions	(19 242 008)	(3 433 869)	(22 675 877)
	<b>146 189 909</b>	<b>1 686 459</b>	<b>147 876 368</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Total
Opening Balance	58 381 379	2 672 317	61 053 696
Additions/Capital Expenditure	42 884 724	942 518	43 827 242
Transferred to Additions	(5 652 856)	-	(5 652 856)
	<b>95 613 247</b>	<b>3 614 835</b>	<b>99 228 082</b>

#### Pledged as security

The municipality did not pledge any of its assets as security except for electricity assets as referred to in Note 18

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>6. Property, plant and equipment (continued)</b>		
<b>Other information</b>		
<b>Property, plant and equipment fully depreciated and still in use (Gross carrying amount)</b>		
Land and Buildings	802 142	802 142
Community Assets	10 181 214	10 181 214
Movable Assets	866 066	866 066
	<b>11 849 422</b>	<b>11 849 422</b>
<b>Impairment of property, plant and equipment</b>		
Other Assets: Movables	136 115	54 299
<p>The amount of R 136 115 (2015: R54 299) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2015/16 financial period.</p> <p>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.</p> <p>No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.</p>		
<b>7. Other financial assets</b>		
<b>Designated at fair value</b>		
Local Authority Stock	351 628	345 155
Unlisted Investments comprise of the following: Local Authority Stock are shares held in OVK Operations Limited. 13 193 ordinary shares valued at R13.57 (2015: R13.35) per share and 13 731 holding shares valued at R12.57 (2015: R12.31) per share.		
<p>The fair value of Investments was determined after considering the market value of the shares held with OVK.</p>		
	351 628	345 155
	-	-
	-	-
<b>Non-current assets</b>		
Designated at fair value	351 628	345 155
Non-current assets	351 628	345 155
Current assets	-	-
<b>8. Consumer Deposits</b>		
Electricity, Water and Other	814 120	521 730
<p>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are refunded 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.</p> <p>No interest is paid on Consumer Deposits held.</p>		
<b>9. Employee benefit obligations</b>		
Post-retirement Health Care Benefit Liability	1 923 400	1 971 200
Long Service Awards Liability	3 945 100	3 594 900
	<b>5 868 500</b>	<b>5 566 100</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
<b>Long Service Awards Liability</b>		
Balance at the beginning of the year	3 594 900	3 912 200
Contributions to provision	506 500	-
Increase due to discounting	318 500	-
Expenditure incurred	(234 300)	-
Actuarial (gains) / Losses	(240 500)	(317 300)
Balance at the end of the year	3 945 100	3 594 900
Transfer current portion to current liabilities	(507 200)	-
	<b>3 437 900</b>	<b>3 594 900</b>

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 5 years of continuous service and every 5 years of continuous service thereafter to The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr Gerick, fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

At year-end, 273 (2015: 281) employees were eligible for long-service awards.

The current service cost for the year ending 30 June 2016 is estimated to be R 506 500, whereas the cost for the ensuing year is estimated to be R234 300.

### Post-retirement Health Care Benefits Liability

Balance at beginning of the year	1 971 200	1 971 200
Interest Cost	172 300	-
Benefits Paid	(80 600)	-
Actuarial Profit	(139 500)	-
	<b>1 923 400</b>	<b>1 971 200</b>

The Municipality provides a post-employment medical scheme subsidy to two of its retired employees. The subsidy rate is 60% of the pensioners current medical aid premiums with a restriction of a maximum of R3 698 as at 30 June 2016.

The liability is currently unfunded and will, in the future, increase with the discount rate used to calculate the present value of the expected future cash flows. Unanticipated changes in the schemes' medical aid contributions will directly affect the liability.

### 10. Inventories

Consumable stores	303 817	336 137
Spare parts	419 097	404 379
Water	40 213	24 492
	<b>763 127</b>	<b>765 008</b>

Inventories recognised as an expense during the year 391 223 374 465

The cost of water production for the year amounted to R4,52 per kilolitre (2015: R4,33 per kilolitre) in Zastron, R9,62 per kilolitre (2015: R5,45 per kilolitre) in Rouxville and R5,11 per kilolitre (2015: R4,10 per kilolitre) in Smithfield.

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>11. Receivables from exchange transactions</b>		
<b>Gross Balances</b>		
Electricity	2 807 440	1 799 670
Water	47 387 304	36 365 588
Sewerage	29 387 380	23 941 811
Refuse	21 744 458	17 758 726
Housing Rental	1 880 428	1 707 828
Other	61 520	8 761
	<b>103 268 530</b>	<b>81 582 384</b>
<b>Less: Allowance for impairment</b>		
Electricity	(350 507)	(364 010)
Water	(46 552 445)	(34 702 544)
Sewerage	(28 807 416)	(22 420 777)
Refuse	(21 563 745)	(17 259 741)
Housing Rental	(1 790 908)	(1 443 304)
Other	(55 588)	(8 761)
	<b>(99 120 609)</b>	<b>(76 199 137)</b>
Consumer debtors - Electricity	2 456 933	1 435 660
Consumer debtors - Water	834 859	1 745 109
Consumer debtors - Sewerage	579 964	1 521 034
Consumer debtors - Refuse (Filtered)	180 713	498 985
Consumer debtors - Housing Rental	89 519	264 524
Consumer debtors - Other	5 932	-
	<b>4 147 920</b>	<b>5 465 312</b>
<b>Electricity</b>		
Current: 0 - 30 Days	1 985 140	611 667
31 - 60 Days	182 556	61 653
61 - 90 Days	31 053	116 877
90 + Days	258 184	645 463
	<b>2 456 933</b>	<b>1 435 660</b>
<b>Water</b>		
Current: 0 - 30 Days	289 271	154 885
31 - 60 Days	102 708	108 179
61 - 90 Days	160 779	108 689
90 + Days	282 101	1 291 291
	<b>834 859</b>	<b>1 663 044</b>
<b>Sewerage</b>		
Current: 0 - 30 Days	143 644	193 698
31 - 60 Days	82 399	119 795
61 - 90 Days	62 980	97 936
90 + Days	290 941	1 109 605
	<b>579 964</b>	<b>1 521 034</b>
<b>Refuse</b>		
Current: 0 - 30 Days	48 752	67 614
31 - 60 Days	28 918	39 902
61 - 90 Days	22 697	31 632
90 + Days	80 346	359 837
	<b>180 713</b>	<b>498 985</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Housing Rental</b>		
Current: 0 - 30 Days	16 431	30 071
31 - 60 Days	14 537	23 566
61 - 90 Days	12 928	22 863
90 + Days	45 623	188 024
	<b>89 519</b>	<b>264 524</b>
<b>Other</b>		
Current: 0 - 30 Days	1 634	-
31 - 60 Days	1 488	-
61 - 90 Days	1 476	-
90 + Days	1 334	-
	<b>5 932</b>	<b>-</b>
<b>Summary of Consumer Debtors by Customer Classification</b>		
<b>Household</b>		
Current: 0 - 30 Days	2 756 456	3 082 041
31 - 60 Days	2 146 453	2 103 228
61 - 90 Days	2 756 126	2 085 067
90 + Days	76 741 653	67 727 746
Less: Allowance for impairment	(83 260 345)	(72 523 087)
	<b>1 140 343</b>	<b>2 474 995</b>
<b>Industrial/ Commercial</b>		
Current: 0 - 30 Days	1 961 746	1 418 966
31 - 60 Days	269 659	158 423
61 - 90 Days	371 904	204 758
90 + Days	4 650 704	2 560 465
Less: Allowance for impairment	(4 914 319)	(3 133 646)
	<b>2 339 694</b>	<b>1 208 966</b>
<b>National and Provincial Government</b>		
Current: 0 - 30 Days	403 215	531 345
31 - 60 Days	237 888	61 030
61 - 90 Days	75 081	66 913
90 + Days	951 076	1 047 052
Less: Allowance for impairment	(1 057 072)	-
	<b>610 188</b>	<b>1 706 340</b>
<b>Other Debtors</b>		
Current: 0 - 30 Days	262 916	24 074
31 - 60 Days	292 520	15 281
61 - 90 Days	261 433	18 565
90 + Days	9 129 732	559 495
Less: Allowance for impairment	(9 888 906)	(542 404)
	<b>57 695</b>	<b>75 011</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Total</b>		
Current: 0 - 30 Days	5 384 333	5 056 426
31 - 60 Days	2 946 520	2 337 961
61 - 90 Days	3 464 544	2 375 304
90 + Days	91 473 165	71 894 758
Less: Allowance for impairment	(99 120 642)	(76 199 137)
	<b>4 147 920</b>	<b>5 465 312</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(76 199 137)	(72 297 085)
Contributions to allowance	(32 490 246)	(21 950 120)
Debt impairment written off against allowance	9 568 711	18 048 068
	<b>(99 120 672)</b>	<b>(76 199 137)</b>
<b>12. Receivables from non-exchange transactions</b>		
<b>Gross Balances</b>		
Traffic Fines	11 813 190	1 876 100
Other Sundry Debtors	203 769	325 610
Consumer debtors - Rates	12 948 224	9 974 783
Levies	6 871 639	6 942 153
	<b>31 836 822</b>	<b>19 118 646</b>
<b>Provision for Impairment</b>		
Traffic Fines	(3 926 448)	(244 458)
Consumer debtors - Rates	(12 133 834)	(8 495 969)
Levies	(6 869 261)	(6 864 200)
	<b>(22 929 543)</b>	<b>(15 604 627)</b>
<b>Net Balances</b>		
Fines	7 886 742	1 631 642
Other receivables from non-exchange revenue 1	203 769	325 610
Consumer debtors - Rates	814 390	1 478 814
Levies	2 378	77 953
	<b>8 907 279</b>	<b>3 514 019</b>

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

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 12. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

2016 Assessment Rates	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	367 193	(202 235)	164 958
Past due: 31 - 60 days	41 833	(35 618)	6 215
Past due: 61 - 90 days	48 205	(37 970)	10 235
Past due: 90+ days	12 490 993	(11 858 011)	632 982
	<b>12 948 224</b>	<b>(12 133 834)</b>	<b>814 390</b>

2016 Traffic Fines	Gross Balances	Provision for impairment	Total
Current: 0 - 30 Days	4 103 470	(1 419 165)	2 684 305
Past due: 31 - 60 days	3 765 250	(1 209 873)	2 555 377
Past due: 61 - 90 days	1 731 400	(565 731)	1 165 669
Past due: 90 + days	2 213 070	(731 679)	1 481 391
	<b>11 813 190</b>	<b>(3 926 448)</b>	<b>7 886 742</b>

2016 Levies	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	27 689	(27 254)	435
31 - 60 Days	27 384	(26 956)	428
61 - 90 Days	27 187	(26 822)	365
90 + Days	6 789 379	(6 788 229)	1 150
	<b>6 871 639</b>	<b>(6 869 261)</b>	<b>2 378</b>

2015 Assessment Rates	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	91 805	(67 108)	24 697
31 - 60 Days	69 166	(53 567)	15 599
61 - 90 Days	81 868	(56 004)	25 864
90 + Days	9 731 954	(8 319 300)	1 412 654
	<b>9 974 793</b>	<b>(8 495 979)</b>	<b>1 478 814</b>

2015 Levies	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	25 019	(23 813)	1 206
31 - 60 Days	23 775	(22 858)	917
61 - 90 Days	23 587	(22 793)	794
90 + Days	6 869 771	(6 794 736)	75 035
	<b>6 942 152</b>	<b>(6 864 200)</b>	<b>77 952</b>

#### Summary of Assessment Rates Debtors by Customer Classification

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 12. Receivables from non-exchange transactions (continued)

#### As at 30 June 2016

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
<b>Current</b>					
0 - 30 Days	189 510	78 539	8 952	2 187	279 188
<b>Past Due</b>					
31 - 60 Days	30 245	5 556	907	1 598	38 306
61 - 90 Days	31 433	11 977	1 075	1 590	46 075
+ 90 Days	9 715 149	7 552 941	886 905	1 301 299	19 456 294
Subtotal	9 966 337	7 649 013	897 839	1 306 674	19 819 863
Less: Provision for Impairment	(9 737 032)	(7 173 791)	(791 255)	(1 301 017)	(19 003 095)
	<b>229 305</b>	<b>475 222</b>	<b>106 584</b>	<b>5 657</b>	<b>816 768</b>

#### As at 30 June 2015

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
<b>Current</b>					
0 - 30 Days	66 645	45 690	4 404	85	116 824
<b>Past Due</b>					
31 - 60 Days	43 801	44 696	4 404	41	92 942
61 - 90 Days	44 871	44 050	16 493	41	105 455
90 + Days	10 779 955	5 217 906	559 317	44 537	16 601 715
Subtotal	10 935 272	5 352 342	584 618	44 704	16 916 936
Less: Provision for Impairment	(10 411 688)	(4 905 976)	-	(42 505)	(15 360 169)
	<b>523 584</b>	<b>446 366</b>	<b>584 618</b>	<b>2 199</b>	<b>1 556 767</b>

### Reconciliation of Provision for Impairment

#### Assessment Rate and Levies Debtors

Balance at the beginning of the year	15 604 627	13 751 538
Impairment losses recognised	9 176 629	2 497 422
Amounts written off as uncollectable	(1 851 713)	(644 333)
	<b>22 929 543</b>	<b>15 604 627</b>

### 13. VAT receivable

VAT Payable	(1 813 977)	(2 577 958)
VAT Receivable	15 621 485	15 697 259
	<b>13 807 508</b>	<b>13 119 301</b>

Mohokare Local Municipality is registered as a Category C vendor for VAT purposes. This means that the Municipality is required to submit monthly VAT returns to the South African Revenue Services.

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

No interest is payable to SARS if the VAT is not paid over timeously, but interest for late payments are charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

During the 2014/15 financial year, the South African Revenue Services called an audit on certain VAT periods between 2009-07 and 2010-10. This gave rise to the South African Revenue Services writing back all input VAT claims for this period and adjustments were made to output VAT declared for the periods under review leading to a claim from SARS that Mohokare Local Municipality owes them R52 million. Due to this matter, all VAT submissions made from July 2014 was offset against the amount as claimed to be outstanding by the South African Revenue Services.



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 13. VAT receivable (continued)

Upon finalisation of the audit, the municipality was assured that all input VAT claimed for the periods withheld (July 2014 to June 2015) will be paid out to the municipality. However, before this refund could be made, a new audit was called on the periods 2014-04 to 2014-11 and the Municipality was informed that no payout regarding the initial audit will be made to the municipality until such time that the second audit is concluded.

Upon the finalisation of the second audit a payout was made to the municipality. It was significantly less than the total amount to be paid out for the periods for which the money was withheld. At current, Mohokare is awaiting the outcome of this matter as it was escalated on our behalf by the SARS IGR committee under the leadership of Lydia Majoe.

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 180	1 180
Bank balances	6 125 725	774 991
Short-term deposits	201 971	168 952
	<b>6 328 876</b>	<b>945 123</b>

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.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Cheque Account - Zastron Branch 405 265 4487	5 373 892	358 642	(2 174 706)	5 382 322	564 289	(2 076 232)
ABSA BANK - Savings Account - Zastron Branch 2810 000 018	199 741	901	(137)	201 441	901	(137)
STANDARD BANK - Cheque Account - Zastron Branch 041 952 776	113 656	139 097	81 007	113 656	139 097	81 007
FIRST NATIONAL BANK - Cheque Account - Zastron Branch 5359 3549 308	90 238	70 824	83 202	90 117	70 703	83 081
ABSA BANK - 32 Days Notice - 101 4355 924	103 916	99 988	96 954	103 916	9 998	96 954
ABSA BANK 32 Days Notice - 6074 357 138	299	293	288	299	293	288
ABSA BANK - Call Account - 9074 133 593	918	1 124	1 298	918	1 124	1 298
ABSA BANK - Call Account - 9086 343 532	32 225	2 263	1 075	32 225	2 263	1 075
FIRST NATIONAL BANK - Call Deposit Account - 7235 900 4546	64 612	62 363	63 468	64 612	65 283	63 468
Cash Control Accounts	-	-	-	338 190	89 992	(36 000)
Petty Cash	-	-	-	1 180	1 180	1 180
<b>Total</b>	<b>5 979 497</b>	<b>735 495</b>	<b>(1 847 551)</b>	<b>6 328 876</b>	<b>945 123</b>	<b>(1 784 018)</b>

An amount of R 5 243 911 (2015: R7 083 784) is attributable of Unspent Conditional Grants.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Cash and cash equivalents (continued)</b>		
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.		
<b>15. Accumulated surplus</b>		
<b>The Accumulated Surplus consists of the following internal funds and reserves:</b>		
Accumulated surplus (defecit)	440 166 052	404 648 664
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	207 965	291 445
- in second to fifth year inclusive	-	206 117
	207 965	497 562
less: future finance charges	(7 121)	(35 044)
<b>Present value of minimum lease payments</b>	<b>200 844</b>	<b>462 518</b>
<b>Present value of minimum lease payments due</b>		
- within one year	207 965	291 445
- in second to fifth year inclusive	-	206 117
Less: future finance charges	(7 121)	(35 044)
	<b>200 844</b>	<b>462 518</b>
Non-current liabilities	-	199 947
Current liabilities	200 844	262 571
	<b>200 844</b>	<b>462 518</b>

Finance Leases relates to vehicles purchased on lease terms of 3 years (36 months) with the last payment due in February 2017. Cellphone devices were purchased on lease terms of 2 years (24 months) for which the lease came to an end in the current financial year. The last repayment in respect of the cellphone devices was made in December 2015.

The effective interest rate on finance leases is between 9% and 10.7% (2015: 8% and 11%).

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

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

- Office equipment
- Vehicles

	Average period outstanding	Average effective interest rate	Average monthly installment
<b>ABSA Vehicle Financing (5 vehicles)</b>			
2016	9 months	9,25 %	23 339
2015	21 months	9,25 %	23 239
		<b>18,50 %</b>	<b>46 578</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
National: MWIG	5 726 654	-
National: MIG	(587 283)	6 979 244
COGTA Grant	358 043	358 043
National: RBIG	(253 503)	(253 503)
	<b>5 243 911</b>	<b>7 083 784</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	7 083 784	6 072 722
Additions during the year	141 376 458	114 570 730
Income recognition during the year	(143 216 331)	(113 559 668)
	<b>5 243 911</b>	<b>7 083 784</b>
See note 27 for reconciliation of grants from National/Provincial Government.		
<b>18. Other financial liabilities</b>		
<b>At amortised cost</b>		
Government Loans	874 936	1 106 929
Government loans relate to a loan from the Development Bank of South Africa (DBSA). The loan is 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%.		
Centlec Payable	23 570 114	20 487 314
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 upon and based on past history there is no indication that Centlec will demand payment within the next 12 months.		
Other Loans (Centlec Capital Loans)	777 003	872 545
Centlec capital loans are repaid over a period of 20 years and at a 10% interest rate. Other loans are secured over assets used to produce electricity.		
	<b>25 222 053</b>	<b>22 466 788</b>
<b>Total other financial liabilities</b>	<b>25 222 053</b>	<b>22 466 788</b>
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.		
<b>Non-current liabilities</b>		
At amortised cost	25 046 799	22 311 620
<b>Current liabilities</b>		
At amortised cost	175 254	155 168

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 19. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	11 384 620	(2 728 596)	8 656 024

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	10 508 000	876 620	11 384 620

#### Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R23.7 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 EMS Advisory is 30 June 2016.

### 20. Payables from exchange transactions

Trade payables	37 915 552	30 675 799
Payments received in advance	4 917 051	3 913 772
Staff Salaries and Third Parties	35 049 747	27 278 551
Accrued leave pay	2 676 935	2 685 328
Accrued bonus	1 279 238	1 175 025
	<b>81 838 523</b>	<b>65 728 475</b>

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

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of the 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.

### 21. Service charges

Sale of electricity	24 787 686	22 364 274
Sale of water	13 975 662	9 264 029
Sewerage and sanitation charges	6 572 352	6 045 838
Refuse removal	4 175 795	3 731 488
Connection Fees	126 763	11 818
	<b>49 638 258</b>	<b>41 417 447</b>

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.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>22. Rental of facilities and equipment</b>		
<b>Premises</b>		
Operating Lease Rental Investment Property	776 311	804 718
Rental Revenue from Buildings	269 573	244 527
Rental Revenue from Halls	25 645	14 955
	<b>1 071 529</b>	<b>1 064 200</b>
<b>Facilities and equipment</b>		
Rental of facilities	271	(36)
Premises	1 071 529	1 064 200
Garages and parking	-	-
Facilities and equipment	271	(36)
	<b>1 071 800</b>	<b>1 064 164</b>

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

### 23. Other income

Building Plan Fees	4 912	2 895
Cemetery Fees	49 074	44 544
Commission on Collections	111 121	98 861
Rates Certificates	7 180	7 546
Sundry Income	414 407	1 136 429
Cattle Additions	50 140	50 000
	<b>636 834</b>	<b>1 340 275</b>

The amounts disclosed above for other revenue are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

### 24. Investment revenue

#### Dividend revenue

Unlisted financial assets - Local	9 955	7 067
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#### Interest revenue

Bank	94 569	80 756
Interest charged on trade and other receivables	7 856 956	7 585 289
Investments	430 155	48 490

	<b>8 381 680</b>	<b>7 714 535</b>
Dividend Revenue	9 955	7 067
Interest Revenue	8 381 680	7 714 535
<b>Total Investment Revenue</b>	<b>8 391 635</b>	<b>7 721 602</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	3 840 842	3 720 020
Commercial	770 923	603 232
State	269 826	102 827
Small holdings and farms	4 183 773	3 812 821
Rates Rebates	(2 162 452)	(1 924 178)
	<b>6 902 912</b>	<b>6 314 722</b>

### Valuations

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 2015.

Interim valuations are processed on a 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: 0.6273c/R (2014/15: R0.7380c/R)  
Commercial Properties: 0.8498c/R (2014/15: R0.9089c/R)  
State Properties: 0.2966c/R (2014/15: R0.3489c/R)  
Agricultural Properties: 0.0010c/R (2014/15: R0.1594c/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 amounts.

### 26. Transfers and subsidies

#### Other subsidies

Donations to matric exams	-	11 636
Grants paid to ME's	-	-
Other subsidies	-	11 636

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	54 870 000	52 966 000
EPWP Grant	1 000 000	1 033 000
National: FMG	1 800 000	1 800 000
National: MSIG	930 000	934 000
COGTA Grant	-	19 010
LG SETA Training Grant	162 491	13 411
	<b>58 762 491</b>	<b>56 765 421</b>
<b>Capital grants</b>		
CENTLEC Electrification Grant	474 000	-
National: MIG	15 939 527	17 948 761
National: MWIG	4 547 654	3 310 045
National: RBIG	61 652 786	29 052 274
	<b>82 613 967</b>	<b>50 311 080</b>
	58 762 491	56 765 421
	82 613 967	50 311 080
	<b>141 376 458</b>	<b>107 076 501</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

#### Equitable Share

Equitable Share	54 870 000	52 966 000
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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 COTGA the funds are also utilised to enable the municipality to execute its functions as the local authority. R7,184 million was withheld in the financial period ended 30 June 2016 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R47,686 million was paid to Mohokare during the financial period ended 30 June 2016.

#### Municipal Water Infrastructure Grant (Conditional)

Balance unspent at beginning of year	-	1 000 000
Roll-over withheld on Equitable share	-	(1 000 000)
Current-year receipts	15 000 000	3 310 045
Conditions met - transferred to operating expenses	-	(151 834)
Conditions met - transferred to revenue	(4 547 654)	(3 158 211)
Transfer portion of grant to RBIG	(4 725 692)	-
	<b>5 726 654</b>	<b>-</b>

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.

#### Municipal Infrastructure Grant (Conditional)

Balance unspent at beginning of year	6 979 244	4 949 172
MIG withheld from Equitable Share	(7 184 000)	(5 626 000)
Current-year receipts	15 780 000	25 462 000
Conditions met - transferred to operational projects	(714 143)	(747 024)
Conditions met - transferred to capital projects	(15 448 384)	(17 058 904)
	<b>(587 283)</b>	<b>6 979 244</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 27. Government grants and subsidies (continued)

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.

#### COGTA Grant (Water pumps) Conditional

Balance unspent at beginning of year	358 043	377 053
Conditions met - transferred to revenue	-	(19 010)
	<u>358 043</u>	<u>358 043</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.

#### Regional Bulk Infrastructure Grant (Conditional)

Balance unspent at beginning of year	(253 503)	(253 503)
Current-year receipts	56 927 093	29 052 274
Conditions met - transferred to revenue	(61 652 785)	(29 052 274)
Transfer received (MWIG Revenue)	4 725 692	-
	<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.

#### FMG Grant (Conditional)

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	<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.

#### Expanded Public Works (EPWP) Grant (Conditional)

Current-year receipts	1 000 000	1 033 000
Conditions met - transferred to revenue	(1 000 000)	(1 033 000)
	<u>-</u>	<u>-</u>

This grant was received for the creation of job opportunities. No funds have been withheld.

#### MSIG Grant (Conditional)

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	<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.

#### LG SETA Training Grant (Unconditional)

Current-year receipts	162 491	13 411
Conditions met - transferred to revenue	(162 491)	(13 411)
	<u>-</u>	<u>-</u>



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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Figures in Rand	2016	2015
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### 27. Government grants and subsidies (continued)

This grant was utilised for the training and schooling of staff. No funds have been withheld.

### 28. Public contributions and donations

Unconditional Contributions	4 009 457	1 357 959
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Public contributions and donations relates to the under more the following significant donations received by Mohokare Local Municipality:

National Treasury assisted Mohokare Local Municipality in settling the arrears on the outstanding account of the Auditor General of South Africa to the amount of R 3 507 456.72.

Free State Provincial Treasury assisted Mohokare Local Municipality with the appointment of a service provider to compile the Infrastructure Fixed Asset Register. Assistance received from Free State Provincial Treasury to assist with this appointment amounts to R 500 000.00.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>29. Employee related costs</b>		
Basic	34 052 513	33 547 398
Bonus	2 967 425	2 640 757
Medical aid - company contributions	2 909 334	2 644 717
UIF	365 627	362 338
SDL	434 242	452 074
Other payroll levies	26 720	23 159
Leave pay provision charge	56 330	57 638
Defined contribution plans	5 929 462	5 834 508
Travel, motor car, accommodation, subsistence and other allowances	2 826 602	2 547 749
Overtime payments	3 160 058	3 098 452
Long-service awards	191 600	-
Housing benefits and allowances	695 800	37 441
Temporary Workers	1 027 873	955 736
	<b>54 643 586</b>	<b>52 201 967</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	646 733	602 700
Car Allowance	267 000	267 000
Contributions to UIF, Medical and Pension Funds	177 156	167 551
	<b>1 090 889</b>	<b>1 037 251</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	783 998	732 709
Contributions to UIF, Medical and Pension Funds	9 712	9 193
	<b>793 710</b>	<b>741 902</b>
<b>Corporate and human resources (corporate services)</b>		
Annual Remuneration	504 577	463 113
Car Allowance	150 000	150 000
Contributions to UIF, Medical and Pension Funds	137 571	127 303
	<b>792 148</b>	<b>740 416</b>
<b>Community Services Manager</b>		
Annual Remuneration	349 953	327 059
Car Allowance	72 000	72 000
Contributions to UIF, Medical and Pension Funds	113 307	102 927
Annual Bonus	29 163	27 255
Cell phone Allowance	2 000	-
	<b>566 423</b>	<b>529 241</b>
<b>Technical Services Director</b>		
Annual Remuneration	665 019	620 288
Acting allowance	14 377	-
Contributions to UIF, Medical and Pension Funds	127 153	120 711
	<b>806 549</b>	<b>740 999</b>
<b>Total Employee costs</b>		
Total Employee related costs	58 693 305	55 991 776

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>30. Remuneration of councillors</b>		
Executive Major	444 153	409 384
Chief Whip	166 338	166 528
Councillors	1 627 137	1 499 304
Medical Aid Contributions	150 673	155 661
Pension Contributions	205 117	187 280
Motor vehicle allowance	407 703	407 703
Cell phone and other allowances	229 548	229 548
Housing allowance	151 115	151 115
Skills Development Levy	30 392	29 791
	<b>3 412 176</b>	<b>3 236 314</b>
<b>In-kind benefits</b>		
<p>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.</p>		
<p>The Mayor has use of a vehicle leased from the Government Garage for official duties.</p>		
<b>31. Depreciation and amortisation</b>		
Buildings	309 331	313 051
Infrastructure	23 109 557	23 139 824
Community Assets	1 691 474	2 719 866
Movable Assets	1 434 861	1 385 182
Assets under finance leases	275 964	292 584
	<b>26 821 187</b>	<b>27 850 507</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	136 115	54 299
<p>Impairment losses on Property, Plant and Equipment was recognised after indicators for impairment was identified at the reporting date. The assets impaired was either broken or redundant</p>		
	136 115	54 299
	-	-
<b>33. Finance costs</b>		
DBSA Loan	117 847	138 445
Employee benefit obligations	490 800	-
Trade and other payables	7 647 115	3 887 453
Finance leases	30 778	50 503
Finance costs incurred by CENTLEC	87 255	98 885
Interest on Landfill Provision	755 761	876 619
	<b>9 129 556</b>	<b>5 051 905</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>34. Impairment Losses</b>		
<b>Impairment Losses on Financial Assets:</b>		
Receivables from Exchange Transactions (exclusive of VAT)	27 150 051	18 807 022
Movement in provision for bad debt (Centlec)	13 788	(54 012)
Receivables from Non-exchange Transactions	4 137 617	2 252 963
Traffic Fines	5 039 012	98 407
	<b>36 340 468</b>	<b>21 104 380</b>
<b>35. Bulk purchases</b>		
Electricity	24 198 425	23 607 805
<b>36. Contracted services</b>		
Contracted services	2 640 595	3 659 924
<b>Professional Services</b>		
Valuation Roll	136 842	1 719 298
Preparation of Fixed Asset Register	405 589	445 798
Assistance on Revenue for the 13/14 audit	-	206 570
VAT	-	530 964
Irregular expenditure Audit	875 001	-
Assistance on Financial System	580 116	-
Other	643 047	517 923
Security Services	-	239 371
	<b>2 640 595</b>	<b>3 659 924</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>37. General expenses</b>		
Advertising	142 734	91 175
Auditors remuneration	4 641 897	2 990 857
Bank charges	195 414	337 195
Cleaning	189 002	73 936
Computer expenses	667 439	1 020 776
Consulting and professional fees	1 306 551	607 101
Consumables	391 223	374 465
Entertainment	25 876	66 867
Insurance	263 824	341 485
Magazines, books and periodicals	7 895	236
Medical expenses	3 098	5 422
Motor vehicle expenses	31 059	13 757
Fuel and oil	1 824 741	1 774 631
Postage and courier	291 771	285 076
Printing and stationery	617 353	580 583
Protective clothing	271 506	55 921
Subscriptions and membership fees	1 238 461	593 377
Telephone and fax	1 730 706	2 205 544
Training	215 851	302 555
Travel - local	1 635 804	1 671 481
Electricity	3 527 219	4 011 411
Wellness	24 692	-
Cattle Feed	96 539	42 246
Traffic Operational Plan	-	4 300
Electricity Network Charges	597 144	759 185
Pauper burials	-	7 500
Special Programs	57 707	245 454
Chemicals	2 355 414	3 359 533
Other expenses	88 200	-
	<b>22 439 120</b>	<b>21 822 069</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>38. Cash generated from operations</b>		
Surplus	34 387 654	1 488 342
<b>Adjustments for:</b>		
Depreciation and amortisation	26 821 187	27 850 507
Decommissioning Costs	394 514	536 155
Impairment Losses on Property, Plant and Equipment	136 115	54 299
Gain on sale of assets and liabilities	1 381 886	355 416
Movement in Biological Assets	(23 720)	(65 513)
Fair value adjustments	(19 193)	(65 770)
Finance costs - Landfill site provision	755 761	-
Finance Costs - Trade and other payables	7 252 601	4 411 105
Finance Cost - incurred by CENTLEC	87 255	-
Finance Costs - Employee benefit obligation	490 800	-
Cattle additions	(50 140)	-
Debt impairment	36 340 468	24 301 491
Actuarial gains and losses	(380 000)	-
Donations on payables non-cash revenue	(3 507 457)	(1 357 959)
Water infrastructure Grant - Watermeters received in kind	-	(3 310 048)
Sale of electricity by Centlec - non-cash	(26 018 836)	(26 400 117)
Expenditure incurred by Centlec - non-cash	28 910 438	34 156 543
Interest charged on trade and other receivables	(7 856 956)	(805 765)
<b>Changes in working capital:</b>		
Inventories	1 881	25 715
Receivables from exchange transactions	(16 956 707)	(23 395 795)
Sundry debtors	-	(1 050 667)
Other receivables from non-exchange transactions	(14 569 889)	(3 071 384)
Payables from exchange transactions	12 261 186	19 995 420
VAT	(324 844)	(8 987 472)
Unspent conditional grants and receipts	(1 839 873)	691 227
Unspent conditional grants and receipts	-	(90 439)
	<b>77 674 131</b>	<b>45 265 291</b>

### 39. Financial instruments disclosure

#### Categories of financial instruments

#### 2016

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	2 456 933	2 456 933
Receivables from Exchange transactions - Refuse	-	180 713	180 713
Receivables from Exchange transactions - Sewerage	-	579 964	579 964
Receivables from Exchange transactions - Water	-	834 859	834 859
Receivables from Exchange transactions - Other Receivables	-	5 932	5 932
Receivables from non-exchange transactions	-	8 907 279	8 907 279
Cash and Cash equivalents - Call Deposits	-	201 971	201 971
Cash and Cash equivalents - Bank Balances	-	6 125 725	6 125 725
Cash and Cash equivalents - Cash Floats and Advances	-	1 180	1 180
Non-Current Investments - Investment in OVK Shares	351 628	-	351 628
	<b>351 628</b>	<b>19 294 556</b>	<b>19 646 184</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Government Loans	874 936	-	874 936

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>Financial instruments disclosure (continued)</b>		
Centlec Payable	-	23 570 114
Other Loans	777 003	-
Trade and other payables from exchange transactions	37 915 552	-
Payments received in advance	4 917 051	-
Consumer Deposits	814 120	-
	<b>45 298 662</b>	<b>23 570 114</b>
		<b>68 868 776</b>

### 2015

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	1 435 660	1 435 660
Receivables from Exchange transactions - Refuse	-	498 985	498 985
Receivables from Exchange transactions - Sewerage	-	1 521 034	1 521 034
Receivables from Exchange transactions - Water	-	1 745 109	1 745 109
Receivables from Non -exchange transactions - Traffic Debtors	-	1 631 642	1 631 642
Receivables from non-exchange transactions - Sundry Debtors	-	325 610	325 610
Receivables from Non-exchange transactions	-	1 556 767	1 556 767
Cash and Cash equivalents - Bank balances	-	774 991	774 991
Cash and Cash equivalents - Call Deposit	-	168 952	168 952
Cash and Cash equivalents - Cash floats and advances	-	1 180	1 180
Non-current Investments - Investment in OVK Shares	345 155	-	345 155
	<b>345 155</b>	<b>9 659 930</b>	<b>10 005 085</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Finance Lease Liability	462 518	-	462 518
Government Loans	1 106 929	-	1 106 929
Loans from shareholders	-	20 487 314	20 487 314
Other Loans	872 545	-	872 545
Trade and other payables from exchange transactions	30 675 799	-	30 675 799
Payments received in advance	3 913 772	-	3 913 772
Consumer Deposits	521 730	-	521 730
	<b>37 553 293</b>	<b>20 487 314</b>	<b>58 040 607</b>

#### Financial Assets pledged as security

A pledge of R25 000 in favour of Eskom is held with First National Bank.

A limited cession of R20 000 is held with ABSA Bank.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	66 645 109	111 670 118
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	29 024 810	3 200 000
<b>Total capital commitments</b>		
Already contracted for but not provided for	66 645 109	111 670 118
Not yet contracted for and authorised by accounting officer	29 024 810	3 200 000
	<b>95 669 919</b>	<b>114 870 118</b>

The figure disclosed for commitments above is inclusive of Value Added Tax (VAT).



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>41. Contingencies</b>		
Unfair Dismissal Claims:	361 234	200 000
Unfair dismissal claims have been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys and Malherbe, Saayma, Smith Attorneys. The possible losses regarding these cases has been quantified.		
Dispute regarding Pipeline Servitude:	-	45 000
A dispute regarding the construction of a pipeline next to the servitude has been brought against the Municipality. The possible losses regarding this matter could amount to R45 000. The claims are being handled by D. Marais.		
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 the results of these studies to determine the procedures to be implemented going forward.		
SALA Pension Fund:	-	-
A notice of motion has been issued against the Municipality in respect of the R19 708 982 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 20 under staff salaries and third parties. At 30 June 2016 the estimated outflow of funds relating to legal fees are R nil.		
SAMWU Provident Fund:	-	-
A notice of motion has been issued against the Municipality in respect of the R 7 535 749 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 20 under staff salaries and third parties. At 30 June 2016 the estimated outflow of funds relating to legal fees are R nil.		
ISA & Partners Engineers:	-	-
A notice of motion has been issued against the Municipality by ISA and Partners Engineers. This notice of motion has been issued against the Municipality after the contract of the engineer was terminated due to the fact that they did not adhere to the terms of their appointment. The notice was issued in respect of invoices the engineer claims to be outstanding with corresponding interest levied on these invoices. This matter is currently under investigation by the Municipality.		
Johnny Bravo:	480 642	-
A dispute between the contractor and Mohokare Local Municipality is currently underway pertaining to outstanding retention fees. Negotiations are currently underway and the best estimate of managements' financial exposure is estimated as at 30 June 2016.		
	<b>841 876</b>	<b>245 000</b>

### Contingent assets

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 42. Related parties

#### Relationships

Accounting Officer - CT Panyani	Uhlosi Trading, Uhlosi Guest House, PC Training ad Business College & Platinum Campus
Director Corporate Services - LV Nqoko-Rametse	Info Com Biz Center & Sabbath Business Consultancy
Councillor - L Lekhula	Lekhula Constructions
Councillor - ET Backward	Matlakeng Charcoal Project
Councillor - IS Riddle	Nick's Place Guesthouse
Councillor - RJ Thuhlo	Sethuka Co-operative Cattle Farming
Councillor - AM Shasha	Sentsoeti Development Centre
Unit Manager Rouxville - MS Matamane	Leamo Pty Ltd
Local Economic Development Manager - NS Buyeye	Business (Zastron)
Project Management Unit Manager - S Petela	Appars Holding SA (Engineering) & 35 Truck Hire (Transport)

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

Please refer to note 29 for the disclosure of remuneration of Key Personnel and to note 30 for the disclosure of Councillors' remuneration.

#### Councillor's Consumer Accounts

Councillor Lekhula L	4 536	7 167
Councillor Letele MA	7 269	2 449
Councillor Thuhlo RJ	1 321	1 133
Councillor Shasha AM	-	6 747
Councillor Sehanka MJ	10 639	-
Councillor Riddle IS	877	-

#### Section 56 Managers' Consumer Accounts

Municipal Manager - TC Panyani	823	370
Technical Services Director - MN Tsoamotse	6 397	5 056

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 56 personnel.

The municipality did not buy goods from any companies which can be considered to be 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 the Public.

### 43. Prior period errors

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 43. Prior period errors (continued)

#### Accumulated Surplus

Balance as published at 30 June 2015	-	405 399 553
Property, Plant and equipment	1 143 907	-
Unspent conditional grants and receipts	1 292 498	-
Post-Retirement Medical Aid benefits	(1 971 200)	-
Long Service Awards provision	(3 594 900)	-
Trade Payables	1 790 389	-
Centlec Payable	(2 102 950)	-
VAT Receivable	(92 517)	-
Kopanong water treatment grant	2 711 899	-
Restated balance as at 30 June 2015	-	404 576 681

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 43. Prior period errors (continued)

Property, Plant and Equipment - N1	Carrying value per signed 2014/15 AFS	Adjustments made to Opening Balances	Adjustments made to Accumulate d Depreciat on	Adjustments made to Disposals	Adjusted Carrying value
Buildings Assets	16 758 899	-	27 951	-	16 786 850
Infrastructure Assets	394 616 149	(290 896)	(921 129)	-	393 404 124
Community Assets	50 225 849	2 752 114	(735 995)	-	52 241 968
Movable Assets	8 070 407	249 820	(68 766)	130 808	8 382 269
Assets under Finance Lease	470 467	-	-	-	470 467
	<b>470 141 771</b>	<b>2 711 038</b>	<b>(1 697 939)</b>	<b>130 808</b>	<b>471 285 678</b>

  

VAT Receivable - N2	Balance per signed 2014/15 AFS	Adjustment due to Audit performed by SARS on periods 2014- 04 - 2014-11	Adjusted Balance
VAT Payable	(2 577 958)	-	(2 577 958)
VAT Receivable	15 789 776	(92 517)	15 697 259
	<b>13 211 818</b>	<b>(92 517)</b>	<b>13 119 301</b>

  

Centlec Payable - N3	Balance per signed 2014/15 AFS	Reversal of interim electricity consumption relating to prior years	Adjusted Balance
Centlec Payable	18 384 364	2 102 950	20 487 314

  

Post-retirement Medical Aid Benefits - N4	Balance per signed 2014/15 AFS	Adjustment due to first time measurement	Adjusted balance
Post retirement medical aid liability	-	1 971 200	1 971 200

  

Long service awards provision - N4	Balance per signed 2014/15 AFS	Adjustment due to first time measurement	Adjusted balance
Long Service Provision	-	3 594 400	3 594 400

  

Unspent Conditional Grants and Receipts - N5	Balance per signed 2014/15 AFS	Adjustment due to PY invoices not recognised	Adjusted balance
Unspent Conditional Grants	8 376 281	(1 292 497)	7 083 784

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### Trade Payables - N6

	Balance per signed 2014/15 AFS	Adjustment made due to PY movements	Adjusted balance
Trade Payables	32 466 188	(1 790 389)	30 675 799

#### Reclassification of interest received incorrectly included in service charges and property rates - N7

	Balance per signed 14/15 AFS	Amount Reclassified to interest received	Adjusted balance
Property Rates	6 515 490	(200 768)	6 314 722
Water Levies	12 403 075	(3 139 046)	9 264 029
Sewerage Levies	8 012 459	(1 966 620)	6 045 839
Refuse Removal Levies	5 204 577	(1 473 089)	3 731 488
	<b>32 135 601</b>	<b>(6 779 523)</b>	<b>25 356 078</b>

#### Koponong water treatment grant incorrectly included in payables - N8

	Balance per signed 14/15 AFS	Amount written off against retained earnings	Adjusted Balance
Water treatment grant (Payables from exchange transactions)	2 711 899	(2 711 899)	-

N1 - Property, Plant and equipment was restated due to changes in the values of certain assets. Tar roads, which were incorrectly capitalised as gravel roads. This error has been corrected.

N2 - The VAT correction pertains to an audit performed on the periods 2014-04 to 2014-11 by the South African Revenue Services. The decrease of the asset is due to the write back of items on which VAT was incorrectly claimed by the Municipality

N3 - The correction on the Centlec Payable relates to the reversal of interim/estimate electricity consumption relating to prior years.

N4 - The provision for Post Retirement Liabilities as well as Long Service Bonusses has not been included in the AFS in previous financial years. The Municipality obtained an actuarial valuation in terms of the current year and prior year.

N5 - The movement in the balance of unspent conditional grants are due to expenditure incurred in the previous financial year which was not recorded.

N6 - The net movement in the trade and other payables balance relates to expenditures that should have been included in the prior financial year as well as to Creditors with long outstanding balances for whom we have obtained a zero balance confirmation.

N7 - During the previous financial year interest charged on overdue consumer accounts were incorrectly included in the service charges votes instead of in the interest received votes. This reclassification was done to ensure that the figures in the Annual Financial Statements are comparable.

N8 - The Kopnaong Water Treatment Grant paid to Mohokare in error has been disclosed as part of trade payables since 2013/14. Through correspondence with National Treasury, it has been confirmed that this amount has already been withheld from Mohokare Local Municipality's Equitable Share during the 2013/14 and 2014/15 financial years.

### 44. Comparative figures

Certain comparative figures have been reclassified.

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 45. Risk management

#### Financial risk management

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.

#### 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 and the ability to close out market positions. 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.

<b>30 June 2016</b>	<b>Less than 1 year</b>	<b>Between one and two years</b>	<b>Between two to five years</b>	<b>Over five years</b>
Other financial liabilities (Borrowings)	175 254	197 941	501 741	-
Payables from exchange transactions	37 915 552	-	-	-
Centlec Payable	23 570 114	-	-	-
	<b>61 660 920</b>	<b>197 941</b>	<b>501 741</b>	<b>-</b>

  

<b>30 June 2015</b>	<b>Less than one year</b>	<b>Between one and two years</b>	<b>Between two and five years</b>	<b>Over five years</b>
Other financial liabilities (Borrowings)	155 168	175 254	776 507	-
Payables from exchange transactions	30 675 799	-	-	-
Centlec Payable	20 487 314	-	-	-
	<b>51 318 281</b>	<b>175 254</b>	<b>776 507</b>	<b>-</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 45. Risk management (continued)

#### Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has 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 Equivalentents

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

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 45. Risk management (continued)

#### 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 is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### **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.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. 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 risk.



# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 45. Risk management (continued)

#### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes

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.

#### Foreign exchange risk

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 foreign market.

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated 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.

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### 46. Going concern

Management considered the following matters relating to the Going Concern:

- (i) On 28 May 2016 the Council adopted the 2016/17 to 2018/19 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 2015/16 financial period due to an amount of R7,1 million being withheld from the Equitable share receivable. The funds were withheld due to Municipal 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 2015/16.

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

### 47. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

### 48. Unauthorised expenditure

Opening Balance	118 999 476	115 413 992
Unauthorise expenditure current year	32 633 469	3 585 484
	<b>151 632 945</b>	<b>118 999 476</b>

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.

### 49. Fruitless and wasteful expenditure

Opening Balance	12 668 841	6 829 242
Fruitless and wasteful expenditure current year	7 756 520	4 049 486
Identified in the current year relating to prior years	-	1 790 113
Less: Amounts written off	(13 564 374)	-
	<b>6 860 987</b>	<b>12 668 841</b>

Fruitless and wasteful expenditure for the year includes Fines and penalties of R654 047 and Interest on overdue accounts to the amount of R6 720 181.

# Mohokare Local Municipality

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### 50. Irregular expenditure

Opening balance	118 915 022	130 196 434
Add: Irregular Expenditure - current year	13 513 256	15 985 572
Add: Irregular Expenditure identified in current year relating to prior year	-	35 877 080
Less: Amounts written off	(117 203 181)	(63 144 064)
	<b>15 225 097</b>	<b>118 915 022</b>

### Irregular and fruitless and wasteful expenditure identified in 2014/15 relating to prior years

During the 2014/15 financial year, a detailed evaluation of the total expenditure off 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.

The full extent of irregular expenditure relating to the 2015/16 financial year is still under investigation.

### Details of irregular expenditure – current year

Equipment Hiring and procurement of printer cartridges - three quotations not obtained	<b>Disciplinary steps taken/criminal proceedings</b> These expenses relate to Irregular expenses identified for the 2015/16 financial period. These expenses will be investigated by Management to determine whether it should in fact be included in Irregular expenditure.	850 127
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### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	1 498 368	853 000
Current year subscription / fee	606 208	574 045
Amount paid - current year	(200 000)	(12 500)
Credit note issued	(3 595)	-
Interest Charges	-	83 823
	<b>1 900 981</b>	<b>1 498 368</b>

#### Audit fees

Opening balance	3 769 523	1 219 595
Current year audit fee	5 166 702	3 828 165
Interest Charges	499 963	250 095
Credit Notes received	-	(417 588)
Amount paid - previous years	(2 029 967)	-
Donations received towards audit fees	(3 507 457)	(1 110 744)
	<b>3 898 764</b>	<b>3 769 523</b>

#### PAYE and UIF

Opening balance	1 620 307	1 920 252
Current year payroll deductions	6 658 417	6 233 093
Amount paid - current year	(4 105 896)	(6 334 902)
Penalties and interest	654 046	828 684
Offset to VAT receivable	(3 287 710)	(1 026 820)
	<b>1 539 164</b>	<b>1 620 307</b>

# Mohokare Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Opening balance	20 552 604	9 528 675
Current year subscription / fee	14 810 594	13 390 353
Amount paid - current year	(6 367 422)	(4 673 341)
Amount paid - previous years	(5 280 889)	(300 000)
Interest accrual	6 388 804	2 606 917
	<b>30 103 691</b>	<b>20 552 604</b>

#### VAT

VAT receivable	13 807 508	13 109 223
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VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted throughout the year.

#### Councillors' arrear consumer accounts

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

##### 30 June 2016

	Highest outstanding amount	Aging (in days)
Councillor MJ Sehanka	672	90
Councillor L Lekhula	3 836	90
Councillor MA Letele	6 481	90
Councillor RJ Thuhlo	672	90
	<b>11 661</b>	<b>360</b>

##### 30 June 2015

	Highest outstanding amount	Aging (in days)
Councillor L Lekhula	6 385	90
Councillor MA Letele	1 979	90
Councillor RJ Thuhlo	175	90
Councillor SD Shasha	6 056	90
	<b>14 595</b>	<b>360</b>

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

Electricity Losses	Purchased during the year (kWh)	Sold during the year (kWh)	Unaccounted losses (kWh)	Unit rate per kWh lost	Loss (R)
2016	20 516 583	-15 318 910	5 197 673	1,20	6 255 536
2015	21 493 123	-16 488 258	5 004 865	1,05	5 364 000
					<b>11 619 536</b>

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

# Mohokare Local Municipality

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### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Water Losses	Units (KI)	Value per unit	Value of loss (R)
2016	828 167	4,85	4 024 892
2015	1 427 029	4,55	6 492 980

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.

### 52. 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 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.

### 53. Budget differences

#### Material differences between budget and actual amounts

# Mohokare Local Municipality

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### 53. Budget differences (continued)

#### Statement of Financial Position:

A1 - The variance is due to incorrect budgeting. The Inventory budgeted amount was never adjusted for the write-off of assets held for sale to Retained Earnings and Investment Property in 2014/15.

A2 - This variance is due to inaccurate budgeting. The high rate of debt impairment was not taken into account. This can also be seen in the underbudgeting for the impairment expense on the statement of financial performance.

A3 - The variance is due to the implementation of a new service provided (TMT Services) in the Traffic Department. The contract commenced during March 2016 and lead to a significant increase in the revenue and receivables on traffic fines recorded by the Municipality.

A4 - The variance is due to inaccurate budgeting.

A5 - This variance was due to prudent budgeting principles taken into account when budgeting for the cash and cash equivalents balance at year end. This low budget was influenced by past events of the Municipality as well as the Municipality having severe cash flow constraints.

A6 - This variance is due to incorrect budgeting. The high allocation of capital grants for the 2015/16 financial year was not fully taken into account when the PPE amount was budgeted for.

A7 - This variance is due to the CENTLEC SOC consolidation as a significant increase in consumer deposits were reported by them, however, Mohokare Local Municipality could not foresee this.

A8 - The variance in Payables from Exchange Transactions are influenced mainly by the Municipality experiencing severe cash flow constraints. The main contributing factors are the increase in the outstanding amounts to salary related creditors (SALA Pension Fund and SAMWU Provident Fund) along with the Municipality's inability to repay creditors within the 30 days after the invoice date.

A9 - The variance in terms of employee benefit obligations are due to the fact that this is the first year in which the municipality obtained a actuarial valuation for these items. These items will be included in the budget for subsequent years.

A10 - The variance in unspent conditional grants and receipts are due to the fact that spending on capital projects went better than anticipated.

A11 - The variance is due to the CENTLEC SOC payable which arises from the consolidation of the figures pertaining to Mohokare Local Municipality. As the Municipality has no control over these amounts, accurate budgeting is problem.

A12 - This difference is due to the change in the interest rate and DMR rates to be used in the calculation of the rehabilitation for landfill sites provision.

## Appendix A

June 2016

### Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Interest charged during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
DBSA Loan	1	2016	1 106 929	117 847	349 840	874 936	-
			<b>1 106 929</b>	<b>117 847</b>	<b>349 840</b>	<b>874 936</b>	-
<b>Bonds</b>							
<b>Other loans</b>							
Centlec Capital Loans	40021201 to 40027483	2024	872 545	-	95 542	777 003	-
			<b>872 545</b>	<b>-</b>	<b>95 542</b>	<b>777 003</b>	-
<b>Lease liability</b>							
Finance Lease Liabilities		2017	462 518	-	261 674	200 844	-
			<b>462 518</b>	<b>-</b>	<b>261 674</b>	<b>200 844</b>	-
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa			1 106 929	117 847	349 840	874 936	-
Other loans			872 545	-	95 542	777 003	-
Lease liability			462 518	-	261 674	200 844	-
			<b>2 441 992</b>	<b>117 847</b>	<b>707 056</b>	<b>1 852 783</b>	-

# Appendix B

June 2016

## Analysis of property, plant and equipment as at 30 June 2016

### Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Buildings</b>														
Building property - housing	8 364 406	-	-	-	-	-	8 364 406	(6 198 947)	-	-	(82 816)	-	(6 281 763)	2 082 643
Building property - Operational Buildings	20 788 009	-	-	-	-	-	20 788 009	(15 679 817)	-	-	(226 515)	-	(15 906 332)	4 881 677
Land - Housing	9 396 551	-	(2 760)	-	-	-	9 393 791	-	-	-	-	-	-	9 393 791
Land - Operational Buildings	116 647	-	-	-	-	-	116 647	-	-	-	-	-	-	116 647
<b>Total Buildings</b>	<b>38 665 613</b>	<b>-</b>	<b>(2 760)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38 662 853</b>	<b>(21 878 764)</b>	<b>-</b>	<b>-</b>	<b>(309 331)</b>	<b>-</b>	<b>(22 188 095)</b>	<b>16 474 758</b>
<b>Infrastructure</b>														
Electricity - LV Network	78 650 204	4 303 820	-	-	-	-	82 954 024	(35 760 389)	-	-	(4 925 719)	-	(40 686 108)	42 267 916
Electricity - MV Network	11 543 847	-	-	-	-	-	11 543 847	(5 696 050)	-	-	(346 321)	-	(6 042 371)	5 501 476
Road and Stormwater - Stormwater	28 628 002	-	(159 045)	(4 038 890)	-	-	24 430 067	(14 552 591)	90 519	-	(477 133)	-	(14 939 205)	9 490 862
Roads and Stormwater - Traffic Management	258 470	-	-	-	-	-	258 470	(149 590)	-	-	(24 697)	-	(174 287)	84 183
Roads and Stormwater - Road Structures	162 219 175	14 938 188	(1 437 047)	(15 203 118)	-	-	160 517 198	(82 764 329)	769 731	-	(8 499 269)	-	(90 493 867)	70 023 331
Sanitation - Buildings and external facilities	230 923	-	-	-	-	-	230 923	(122 866)	-	-	(7 279)	-	(130 145)	100 778
Sanitation - Collection/Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(63 338 208)	-	-	(2 349 628)	-	(65 687 836)	51 785 988
Sanitation - Sewer pump station	6 620 649	-	-	-	-	-	6 620 649	(2 785 749)	-	-	(295 483)	-	(3 081 232)	3 539 417
Sanitation - Waste water treatment	42 849 705	-	-	-	-	-	42 849 705	(15 059 337)	-	-	(1 156 398)	-	(16 215 735)	26 633 970
Water - Boreholes	43 279 440	-	-	-	3 253 839	-	46 533 279	(986 405)	-	-	(85 083)	-	(1 071 488)	45 461 791
Water - Bulk Distribution	43 323 090	-	-	-	-	-	109 887 921	(4 340 097)	-	-	(127 650)	-	(4 467 747)	105 420 174
Water - Dam	1 093 477	-	-	-	-	-	1 093 477	(625 376)	-	-	(23 964)	-	(649 340)	444 137
Water - Distribution/Reticulation Network	107 902 737	-	-	-	-	-	107 902 737	(59 294 901)	-	-	(2 473 834)	-	(61 768 735)	46 134 002
Water - Storage	21 883 628	-	-	-	-	-	21 883 628	(12 973 946)	-	-	(584 963)	-	(13 558 909)	8 324 719
Water - Pump Station	10 874 543	-	-	-	-	-	10 874 543	(7 119 968)	-	-	(466 286)	-	(7 586 254)	3 288 289
Water - Treatment	40 169 397	-	-	-	-	-	40 169 397	(18 027 189)	-	-	(1 265 851)	-	(19 293 040)	20 876 357
<b>Total Infrastructure</b>	<b>717 001 111</b>	<b>19 242 008</b>	<b>(1 596 092)</b>	<b>(19 242 008)</b>	<b>69 818 670</b>	<b>-</b>	<b>785 223 689</b>	<b>(323 596 991)</b>	<b>860 250</b>	<b>-</b>	<b>(23 109 558)</b>	<b>-</b>	<b>(345 846 299)</b>	<b>439 377 390</b>
<b>Community Assets</b>														
Buildings - Community facilities	49 492 792	-	-	-	-	-	49 492 792	(33 116 427)	-	-	(796 479)	-	(33 912 906)	15 579 886
Buildings - Sports and recreation facilities	60 307 052	3 433 869	(3 433 689)	-	1 505 493	-	61 812 725	(39 206 032)	-	-	(790 177)	-	(39 996 209)	21 816 516
Land - Community Facilities	2 011 913	-	-	-	-	-	2 011 913	-	-	-	-	-	-	2 011 913
Land - Sport and recreational facilities	8 007 582	-	-	-	-	-	8 007 582	-	-	-	-	-	-	8 007 582
Solid Waste - Landfill Site	7 535 593	-	-	-	-	(3 484 536)	4 051 057	(2 790 506)	-	-	(104 819)	-	(2 895 325)	1 155 732
<b>Total Community Assets</b>	<b>127 354 932</b>	<b>3 433 869</b>	<b>(3 433 689)</b>	<b>-</b>	<b>1 505 493</b>	<b>(3 484 536)</b>	<b>125 376 069</b>	<b>(75 112 965)</b>	<b>-</b>	<b>-</b>	<b>(1 691 475)</b>	<b>-</b>	<b>(76 804 440)</b>	<b>48 571 629</b>



## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Movable assets (incl. assets under finance lease)</b>														
Leased Assets - Office Equipment	1 358 101	-	-	-	-	-	1 358 101	(1 341 478)	-	-	(16 623)	-	(1 358 101)	-
Leased Assets - Motor Vehicles	778 019	-	-	-	-	-	778 019	(324 175)	-	-	(259 340)	-	(583 515)	194 504
Emergency equipment/ Rescue equipment	178 146	4 050	(21 252)	-	-	-	160 944	(107 465)	16 567	-	(24 306)	-	(115 204)	45 740
Fire fighting equipment/ Fire hoses	31 960	3 050	(3 836)	-	-	-	31 174	(20 736)	3 077	-	(3 073)	-	(20 732)	10 442
Furniture & Fittings	2 688 512	6 980	(368 860)	-	-	-	2 326 632	(1 738 894)	271 125	-	(198 738)	-	(1 666 507)	660 125
Motor Vehicles	5 353 689	-	(56 700)	-	-	-	5 296 989	(1 546 035)	11 836	-	(340 767)	-	(1 874 966)	3 422 023
Office Equipment	4 016 879	363 117	(660 568)	-	-	-	3 719 428	(1 992 620)	405 841	-	(622 081)	-	(2 208 860)	1 510 568
Plant and Equipment	3 038 161	95 351	(639 037)	-	-	-	2 494 475	(1 519 325)	398 524	-	(382 011)	-	(1 502 812)	991 663
	<b>17 443 467</b>	<b>472 548</b>	<b>(1 750 253)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 165 762</b>	<b>(8 590 728)</b>	<b>1 106 970</b>	<b>-</b>	<b>(1 846 939)</b>	<b>-</b>	<b>(9 330 697)</b>	<b>6 835 065</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Total property plant and equipment

Buildings	38 665 613	-	(2 760)	-	-	-	38 662 853	(21 878 764)	-	-	(309 331)	-	(22 188 095)	16 474 758
Infrastructure	717 001 111	19 242 008	(1 596 092)	(19 242 008)	69 818 670	-	785 223 689	(323 596 991)	860 250	-	(23 109 558)	-	(345 846 299)	439 377 390
Community Assets	127 354 932	3 433 869	(3 433 689)	-	1 505 493	(3 484 536)	125 376 069	(75 112 965)	-	-	(1 691 475)	-	(76 804 440)	48 571 629
Movable assets (incl. assets under finance lease)	17 443 467	472 548	(1 750 253)	-	-	-	16 165 762	(8 590 728)	1 106 970	-	(1 846 939)	-	(9 330 697)	6 835 065
	<b>900 465 123</b>	<b>23 148 425</b>	<b>(6 782 794)</b>	<b>(19 242 008)</b>	<b>71 324 163</b>	<b>(3 484 536)</b>	<b>965 428 373</b>	<b>(429 179 448)</b>	<b>1 967 220</b>	<b>-</b>	<b>(26 957 303)</b>	<b>-</b>	<b>(454 169 531)</b>	<b>511 258 842</b>

#### Investment properties

Improved Property	6 040 020	-	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Property	16 136 645	-	-	-	-	-	16 136 645	-	-	-	-	-	-	16 136 645
	<b>22 176 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 176 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 176 665</b>

#### Total

Buildings	38 665 613	-	(2 760)	-	-	-	38 662 853	(21 878 764)	-	-	(309 331)	-	(22 188 095)	16 474 758
Infrastructure	717 001 111	19 242 008	(1 596 092)	(19 242 008)	69 818 670	-	785 223 689	(323 596 991)	860 250	-	(23 109 558)	-	(345 846 299)	439 377 390
Community Assets	127 354 932	3 433 869	(3 433 689)	-	1 505 493	(3 484 536)	125 376 069	(75 112 965)	-	-	(1 691 475)	-	(76 804 440)	48 571 629
Movable assets (incl. assets under finance lease)	17 443 467	472 548	(1 750 253)	-	-	-	16 165 762	(8 590 728)	1 106 970	-	(1 846 939)	-	(9 330 697)	6 835 065
Investment properties	22 176 665	-	-	-	-	-	22 176 665	-	-	-	-	-	-	22 176 665
	<b>922 641 788</b>	<b>23 148 425</b>	<b>(6 782 794)</b>	<b>(19 242 008)</b>	<b>71 324 163</b>	<b>(3 484 536)</b>	<b>987 605 038</b>	<b>(429 179 448)</b>	<b>1 967 220</b>	<b>-</b>	<b>(26 957 303)</b>	<b>-</b>	<b>(454 169 531)</b>	<b>533 435 507</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2015

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Buildings</b>														
Building property - Housing	8 364 406	-	-	-	-	-	8 364 406	(6 116 131)	-	-	(82 816)	-	(6 198 947)	2 165 459
Building property - Operational Buildings	20 628 697	159 312	-	-	-	-	20 788 009	(15 449 581)	-	-	(230 237)	-	(15 679 818)	5 108 191
Land - Housing	9 396 551	-	-	-	-	-	9 396 551	-	-	-	-	-	-	9 396 551
Land - Operational Buildings	116 649	-	-	-	-	-	116 649	-	-	-	-	-	-	116 649
<b>Total Buildings</b>	<b>38 506 303</b>	<b>159 312</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38 665 615</b>	<b>(21 565 712)</b>	<b>-</b>	<b>-</b>	<b>(313 053)</b>	<b>-</b>	<b>(21 878 765)</b>	<b>16 786 850</b>
<b>Infrastructure</b>														
Electricity - LV Network	78 650 205	5 652 856	-	-	(5 652 856)	-	78 650 205	(30 962 003)	-	-	(4 798 387)	-	(35 760 390)	42 889 815
Electricity - MV Network	11 543 847	-	-	-	-	-	11 543 847	(5 349 687)	-	-	(346 363)	-	(5 696 050)	5 847 797
Roads and Stormwater - Stormwater	28 628 002	-	-	-	-	-	28 628 002	(14 075 458)	-	-	(477 133)	-	(14 552 591)	14 075 411
Roads and Stormwater - Traffic Management	258 470	-	-	-	-	-	258 470	(124 124)	-	-	(25 466)	-	(149 590)	108 880
Roads and Stormwater - Road Structures	161 187 204	-	-	-	1 031 971	-	162 219 175	(74 147 669)	-	-	(8 616 660)	-	(82 764 329)	79 454 846
Sanitation - Buildings and External Facilities	230 923	-	-	-	-	-	230 923	(115 587)	-	-	(7 279)	-	(122 866)	108 057
Sanitation - Collection/ Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(60 988 580)	-	-	(2 349 628)	-	(63 338 208)	54 135 616
Sanitation - Sewer Pump Station	6 620 649	-	-	-	-	-	6 620 649	(2 486 580)	-	-	(299 168)	-	(2 785 748)	3 834 901
Sanitation - Waste Water Treatment	42 849 705	-	-	-	-	-	42 849 705	(13 891 681)	-	-	(1 167 656)	-	(15 059 337)	27 790 368
Water - Boreholes	1 426 687	-	-	-	41 852 753	-	43 279 440	(899 074)	-	-	(87 332)	-	(986 406)	42 293 034
Water - Bulk Distribution	43 323 090	-	-	-	-	-	43 323 090	(4 212 447)	-	-	(127 650)	-	(4 340 097)	38 982 993
Water - Dam	1 093 476	-	-	-	-	-	1 093 476	(601 412)	-	-	(23 964)	-	(625 376)	468 100
Water - Distribution/ Reticulation Network	104 744 526	-	-	-	3 158 211	-	107 902 737	(56 821 068)	-	-	(2 473 834)	-	(59 294 902)	48 607 835
Water - Storage/ Water Pump Station	32 758 171	-	-	-	-	-	32 758 171	(19 025 382)	-	-	(1 068 531)	-	(20 093 913)	12 664 258
Water - Water Treatment	40 169 397	-	-	-	-	-	40 169 397	(16 756 415)	-	-	(1 270 773)	-	(18 027 188)	22 142 209
<b>Total Infrastructure</b>	<b>670 958 176</b>	<b>5 652 856</b>	<b>-</b>	<b>-</b>	<b>40 390 079</b>	<b>-</b>	<b>717 001 111</b>	<b>(300 457 167)</b>	<b>-</b>	<b>-</b>	<b>(23 139 824)</b>	<b>-</b>	<b>(323 596 991)</b>	<b>393 404 120</b>
<b>Community Assets</b>														
Buildings - Community Facilities	49 440 397	52 395	-	-	-	-	49 492 792	(32 327 384)	-	-	(789 042)	-	(33 116 426)	16 376 366
Buildings - Sports and Recreational Facilities	59 364 534	-	-	-	942 518	-	60 307 052	(38 519 409)	-	-	(686 623)	-	(39 206 032)	21 101 020
Land - Community Facilities	2 011 913	-	-	-	-	-	2 011 913	-	-	-	-	-	-	2 011 913
Land - Sports and Recreational Facilities	8 007 582	-	-	-	-	-	8 007 582	-	-	-	-	-	-	8 007 582
Solid Waste - Landfill Sites	7 535 593	-	-	-	-	-	7 535 593	(1 546 305)	-	-	(1 244 201)	-	(2 790 506)	4 745 087
<b>Total Community Assets</b>	<b>126 360 019</b>	<b>52 395</b>	<b>-</b>	<b>-</b>	<b>942 518</b>	<b>-</b>	<b>127 354 932</b>	<b>(72 393 098)</b>	<b>-</b>	<b>-</b>	<b>(2 719 866)</b>	<b>-</b>	<b>(75 112 964)</b>	<b>52 241 968</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Movable assets (incl. assets under finance lease)</b>														
Leased Assets - Office Equipment	1 358 101	-	-	-	-	-	<b>1 358 101</b>	(1 308 233)	-	-	(33 245)	-	<b>(1 341 478)</b>	16 623
Leased Assets - Motor Vehicles	778 019	-	-	-	-	-	<b>778 019</b>	(64 835)	-	-	(259 340)	-	<b>(324 175)</b>	453 844
Emergency /Rescue Equipment	186 272	-	(8 126)	-	-	-	<b>178 146</b>	(92 294)	6 048	-	(21 218)	-	<b>(107 464)</b>	70 682
Fire Fighting Equipment/ Fire Hoses	34 381	-	(2 421)	-	-	-	<b>31 960</b>	(18 661)	1 068	-	(3 143)	-	<b>(20 736)</b>	11 224
Furniture and Fittings	2 807 426	11 982	(130 896)	-	-	-	<b>2 688 512</b>	(1 618 181)	92 242	-	(212 955)	-	<b>(1 738 894)</b>	949 618
Motor Vehicles	4 921 119	432 570	-	-	-	-	<b>5 353 689</b>	(1 349 755)	-	-	(196 280)	-	<b>(1 546 035)</b>	3 807 654
Office Equipment	3 891 248	287 200	(161 569)	-	-	-	<b>4 016 879</b>	(1 468 775)	79 656	-	(603 501)	-	<b>(1 992 620)</b>	2 024 259
Plant and Equipment	2 373 023	826 546	(161 408)	-	-	-	<b>3 038 161</b>	(1 177 744)	60 802	-	(402 383)	-	<b>(1 519 325)</b>	1 518 836
	<b>16 349 589</b>	<b>1 558 298</b>	<b>(464 420)</b>	-	-	-	<b>17 443 467</b>	<b>(7 098 478)</b>	<b>239 816</b>	-	<b>(1 732 065)</b>	-	<b>(8 590 727)</b>	<b>8 852 740</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Buildings	38 506 303	159 312	-	-	-	-	38 665 615	(21 565 712)	-	-	(313 053)	-	(21 878 765)	16 786 850
Infrastructure	670 958 176	5 652 856	-	-	40 390 079	-	717 001 111	(300 457 167)	-	-	(23 139 824)	-	(323 596 991)	393 404 120
Community Assets	126 360 019	52 395	-	-	942 518	-	127 354 932	(72 393 098)	-	-	(2 719 866)	-	(75 112 964)	52 241 968
Movable assets (incl. assets under finance lease)	16 349 589	1 558 298	(464 420)	-	-	-	17 443 467	(7 098 478)	239 816	-	(1 732 065)	-	(8 590 727)	8 852 740
	<b>852 174 087</b>	<b>7 422 861</b>	<b>(464 420)</b>	<b>-</b>	<b>41 332 597</b>	<b>-</b>	<b>900 465 125</b>	<b>(401 514 455)</b>	<b>239 816</b>	<b>-</b>	<b>(27 904 808)</b>	<b>-</b>	<b>(429 179 447)</b>	<b>471 285 678</b>
<b>Investment properties</b>														
Improved Property	6 040 020	-	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Property	16 136 645	-	-	-	-	-	16 136 645	-	-	-	-	-	-	16 136 645
	<b>22 176 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 176 665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 176 665</b>
<b>Total</b>														
Buildings	38 506 303	159 312	-	-	-	-	38 665 615	(21 565 712)	-	-	(313 053)	-	(21 878 765)	16 786 850
Infrastructure	670 958 176	5 652 856	-	-	40 390 079	-	717 001 111	(300 457 167)	-	-	(23 139 824)	-	(323 596 991)	393 404 120
Community Assets	126 360 019	52 395	-	-	942 518	-	127 354 932	(72 393 098)	-	-	(2 719 866)	-	(75 112 964)	52 241 968
Movable assets (incl. assets under finance lease)	16 349 589	1 558 298	(464 420)	-	-	-	17 443 467	(7 098 478)	239 816	-	(1 732 065)	-	(8 590 727)	8 852 740
Investment properties	22 176 665	-	-	-	-	-	22 176 665	-	-	-	-	-	-	22 176 665
	<b>874 350 752</b>	<b>7 422 861</b>	<b>(464 420)</b>	<b>-</b>	<b>41 332 597</b>	<b>-</b>	<b>922 641 790</b>	<b>(401 514 455)</b>	<b>239 816</b>	<b>-</b>	<b>(27 904 808)</b>	<b>-</b>	<b>(429 179 447)</b>	<b>493 462 343</b>

# Appendix C

June 2016

## Segmental analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation

## Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council/Mayor and Council	965 607	33 742	(89 907)	-	-	-	909 442	(589 381)	73 285	-	(68 730)	-	(584 826)	324 616
Finance & Admin/Finance	31 117 309	396 293	(882 400)	-	-	-	30 631 202	(20 880 477)	540 728	-	(1 478 963)	(136 115)	(21 954 827)	8 676 375
Planning and Development/Economic Development/Plan	39 661	14 546	(13 799)	-	-	-	40 408	(30 135)	11 493	-	(4 393)	-	(23 035)	17 373
Comm. & Social/Libraries and archives	51 087 555	11 549	(45 148)	-	1 505 494	-	52 559 450	(31 228 783)	36 887	-	(793 756)	-	(31 985 652)	20 573 798
Housing	17 808 872	13 838	(3 270)	-	-	-	17 819 440	(6 232 314)	420	-	(88 713)	-	(6 320 607)	11 498 833
Public Safety/Police	307 332	-	(62 960)	-	-	-	244 372	(197 054)	49 193	-	(18 666)	-	(166 527)	77 845
Sport and Recreation	68 441 901	3 433 869	(7 401)	(3 433 869)	-	-	68 434 500	(40 969 430)	6 545	-	(840 281)	-	(41 803 166)	26 631 334
Waste Water Management/Sewerage	189 338 891	2 580	(648 127)	-	-	(3 484 357)	185 208 987	(85 806 907)	341 115	-	(4 597 084)	-	(90 062 876)	95 146 111
Road Transport/Roads	192 763 768	14 938 188	(1 596 093)	(14 938 188)	5 135 949	-	196 303 624	(98 107 416)	860 250	-	(8 583 626)	-	(105 830 792)	90 472 832
Water/Water Distribution	254 368 584	-	-	-	64 682 720	-	319 051 304	(103 681 111)	47 304	-	(5 074 935)	-	(108 708 742)	210 342 562
Electricity /Electricity Distribution	94 225 645	4 303 820	-	(4 303 820)	-	-	94 225 645	(41 456 439)	-	-	(5 272 040)	-	(46 728 479)	47 497 166
	<b>900 465 125</b>	<b>23 148 425</b>	<b>(3 349 105)</b>	<b>(22 675 877)</b>	<b>71 324 163</b>	<b>(3 484 357)</b>	<b>965 428 374</b>	<b>(429 179 447)</b>	<b>1 967 220</b>	<b>-</b>	<b>(26 821 187)</b>	<b>(136 115)</b>	<b>(454 169 529)</b>	<b>511 258 845</b>
<b>Total</b>														
Municipality	900 465 125	23 148 425	(3 349 105)	(22 675 877)	71 324 163	(3 484 357)	965 428 374	(429 179 447)	1 967 220	-	(26 821 187)	(136 115)	(454 169 529)	511 258 845
	<b>900 465 125</b>	<b>23 148 425</b>	<b>(3 349 105)</b>	<b>(22 675 877)</b>	<b>71 324 163</b>	<b>(3 484 357)</b>	<b>965 428 374</b>	<b>(429 179 447)</b>	<b>1 967 220</b>	<b>-</b>	<b>(26 821 187)</b>	<b>(136 115)</b>	<b>(454 169 529)</b>	<b>511 258 845</b>

**Appendix D**

June 2016

**Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
26 007	11 250 613	(11 224 606)	Executive & Council/Mayor and Council	1 852 911	9 505 385	(7 652 474)
64 691 737	53 044 049	11 647 688	Finance & Admin/Finance	51 645 662	65 142 711	(13 497 049)
-	2 273 356	(2 273 356)	Planning and Development/Economic Development/Plan	470 416	3 561 471	(3 091 055)
114 510	6 770 856	(6 656 346)	Comm. & Social/Libraries and archives	2 057 678	6 268 535	(4 210 857)
811 158	678 387	132 771	Housing	902 024	814 837	87 187
2 799 594	1 522 614	1 276 980	Public Safety/Police	11 930 032	1 304 749	10 625 283
218	1 260 417	(1 260 199)	Sport and Recreation	18 952 739	3 020 280	15 932 459
32 897 407	14 580 596	18 316 811	Waste Water Management/Sewerage	34 952 266	28 921 818	6 030 448
1 033 311	5 046 035	(4 012 724)	Road Transport/Roads	4 795 060	6 844 782	(2 049 722)
42 476 811	16 268 881	26 207 930	Water/Water Distribution	92 044 917	22 579 865	69 465 052
23 205 346	53 926 251	(30 720 905)	Electricity /Electricity Distribution	5 288 024	34 425 267	(29 137 243)
<b>168 056 099</b>	<b>166 622 055</b>	<b>1 434 044</b>		<b>224 891 729</b>	<b>182 389 700</b>	<b>42 502 029</b>
<b>Municipal Owned Entities Other charges</b>						
168 056 099	166 622 055	1 434 044	Municipality	224 891 729	182 389 700	42 502 029
<b>168 056 099</b>	<b>166 622 055</b>	<b>1 434 044</b>	<b>Total</b>	<b>224 891 729</b>	<b>182 389 700</b>	<b>42 502 029</b>

## Appendix E(1)

June 2016

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016

	Forecast # 1 2016 Act. Bal.	Forecast # 1 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Property rates	6 994 250	7 232 194	(237 944)	(3,3)	
Service charges	57 360 324	61 129 539	(3 769 215)	(6,2)	
Rental of facilities and equipment	1 071 800	1 018 013	53 787	5,3	
Licences and permits	2 168	2 784	(616)	(22,1)	Inaccurate budgeting
Transfers recognised - operational	58 762 491	61 967 859	(3 205 368)	(5,2)	
Other income - (rollup)	16 840 776	12 190 375	4 650 401	38,1	Inaccurate budgeting
Interest received - investment	813 085	5 842 535	(5 029 450)	(86,1)	Inaccurate budgeting
Dividends received	9 955	10 942	(987)	(9,0)	
	<u>141 854 849</u>	<u>149 394 241</u>	<u>(7 539 392)</u>	<u>(5,0)</u>	
<b>Expenses</b>					
Personnel	(58 693 305)	(59 071 685)	378 380	(0,6)	
Remuneration of councillors	(3 412 176)	(3 617 427)	205 251	(5,7)	
Administration	(175 361)	-	(175 361)	-	
Depreciation	(26 821 187)	(28 427 184)	1 605 997	(5,6)	
Finance costs	(9 129 556)	(2 123 699)	(7 005 857)	329,9	Inaccurate budgeting- high interest incurred on outstanding SALA Pension Fund and SAMWU Provident Fund balances.
Bad debts written off	(26 370 700)	(14 347 804)	(12 022 896)	83,8	Inaccurate budgeting. Did not foresee such a low payment rate.
Repairs and maintenance - General	(3 329 518)	(7 230 819)	3 901 301	(54,0)	Favourable variance - elimination of all non-priority spending due to cash flow constraints.
Bulk purchases	(26 298 627)	(20 563 200)	(5 735 427)	27,9	Inaccurate budgeting.
Contracted Services	(2 640 595)	(2 383 213)	(257 382)	10,8	Inaccurate budgeting
Transfers and Subsidies	-	-	-	-	
Cost of housing sold	-	-	-	-	
General Expenses	(24 136 789)	(39 925 461)	15 788 672	(39,5)	Favourable variance - elimination of all non-priority spending due to cash flow constraints.
	<u>(181 007 814)</u>	<u>(177 690 492)</u>	<u>(3 317 322)</u>	<u>1,9</u>	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	(1 381 886)	-	(1 381 886)	-	
Fair value adjustments	399 193	-	399 193	-	
Gains or losses on biological assets and agricultural produce	23 720	-	23 720	-	
	<u>(958 973)</u>	<u>-</u>	<u>(958 973)</u>	<u>-</u>	
Net surplus/ (deficit) for the year	<u>(40 111 938)</u>	<u>(28 296 251)</u>	<u>(11 815 687)</u>	<u>41,8</u>	



## Appendix E(2)

June 2016

### Budget Analysis of Capital Expenditure as at 30 June 2016

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>					
Executive & Council/Mayor and Council	12	65	53	<b>82</b>	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Finance & Admin/Finance	96	290	194	<b>67</b>	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Sport and Recreation	2 893	3 438	545	<b>16</b>	Inaccurate planning and budgeting
Waste Water Management/Sewerage	12 808	12 600	(208)	<b>(2)</b>	
Road Transport/Roads	6 281	10 361	4 080	<b>39</b>	Due to complications with a contractor, there was a hold up on this project for a part of the year under review.
Water/Water Distribution	48 986	48 240	(746)	<b>(2)</b>	
Electricity /Electricity Distribution	721	1 865	1 144	<b>61</b>	Inaccurate planning and budgeting
	<b>71 797</b>	<b>76 859</b>	<b>5 062</b>	<b>7</b>	

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable Share	National Treasury	22 862	11 106	13 718	-	-	11 922	11 922	11 922	11 922	-	-	-	-	-	-	-	Yes	
FMG	National Treasury	1 800	-	-	-	-	178	156	151	1 315	-	-	-	-	-	-	-	Yes	
MWIG	National Treasury	3 750	7 500	3 750	-	-	1 212	972	2 237	4 845	-	-	-	-	-	-	-	Yes	
MIG Projects	MIG	5 518	6 196	4 066	-	-	1 901	2 178	4 237	7 767	-	-	-	-	-	-	-	Yes	
Bulk Infrastructure	DWAF	8 077	2 651	9 062	13 280	-	3 388	21 963	16 032	20 504	-	-	-	-	-	-	-	Yes	
MSIG	COGTA	930	-	-	-	-	69	69	69	725	-	-	-	-	-	-	-	Yes	
INEPG		474	-	-	-	-	-	-	232	242	-	-	-	-	-	-	-	Yes	
EPWP	Provincial Treasury	400	300	300	-	-	191	124	516	169	-	-	-	-	-	-	-	Yes	
LG SETA	LG SETA	86	52	24	-	-	-	86	52	24	-	-	-	-	-	-	-	Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		43 897	27 805	30 920	13 280	-	18 861	37 470	35 448	47 513	-	-	-	-	-	-	-		