



Mohokare Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2019

# Mohokare Local Municipality

(Registration number FS 163)

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Grading of local authority</b>	Grade 2
<b>Nature of business and principal activities</b>	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998, Providing municipal services and maintain the best interests of the local community mainly in the Mohokare area.
<b>Mayoral committee</b>	
Executive Mayor	I Mehloamakulu
Councillors	TS Khasake TD Mochechepa L Lekhulu BM Valashiya CI Phatsoane MI Morapela M Lephuthing IS Riddle LJ Lipholo BJ Lobi
<b>Accounting Officer</b>	SM Selepe
<b>Chief Finance Officer (CFO)</b>	P Dyonase
<b>Registered office</b>	Civic Centre Hoofd Street Zastron 9950
<b>Postal address</b>	PO Box 20 Zastron 9950
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	External - Auditor General of South Africa Internal - Thobeka Macala
<b>Attorneys</b>	Peyper Attorneys
<b>Contact details</b>	Telephone: 051-673-9600 Facsimile: 051-673-1550 E-mail: <a href="mailto:info@mohokare.gov.za">info@mohokare.gov.za</a> Website: <a href="http://www.mohokare.gov.za">http://www.mohokare.gov.za</a>

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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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)

# Mohokare Local Municipality

(Registration number FS 163)

Annual Financial Statements for the year ended 30 June 2019

## 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 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 is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal 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 5 to 91, which have been prepared on going concern basis, were approved by the on 30 August 2019 and were signed on his behalf by:

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**SM Selepe**  
**Municipal Manager**

# **Mohokare Local Municipality**

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Annual Financial Statements for the year ended 30 June 2019

## **Audit Committee Report**

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# Mohokare Local Municipality

(Registration number FS 163)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Net consumer debtors	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	1 022 513	957 982
Receivables from exchange transactions	4	9 350 587	2 973 306
Receivables from non-exchange transactions	5	17 587 670	17 471 937
VAT receivable	6	28 441 965	25 401 693
Cash and cash equivalents	7	8 702 308	4 578 406
		<b>65 105 043</b>	<b>51 383 324</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	346 330	423 250
Investment property	9	57 163 000	57 163 000
Property, plant and equipment	10	587 037 984	566 340 156
Other financial assets	11	394 315	373 706
		<b>644 941 629</b>	<b>624 300 112</b>
<b>Total Assets</b>		<b>710 046 672</b>	<b>675 683 436</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	12	260 975	223 564
Consumer Deposits	13	816 728	801 236
Payables from exchange transactions	14	129 429 968	91 948 956
Employee benefit obligation	15	486 344	532 400
Unspent conditional grants and receipts	16	26 743 497	24 513 703
		<b>157 737 512</b>	<b>118 019 859</b>
Non-Current Liabilities			
Other financial liabilities	12	39 352 465	36 143 581
Employee benefit obligation	15	5 744 896	5 661 500
Provisions	17	14 190 121	14 266 593
		<b>59 287 482</b>	<b>56 071 674</b>
<b>Total Liabilities</b>		<b>217 024 994</b>	<b>174 091 533</b>
<b>Net Assets</b>		<b>493 021 678</b>	<b>501 591 903</b>
Accumulated surplus	18	493 021 678	501 591 903

\* See Note 41

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	72 293 523	64 709 887
Rental of facilities and equipment	20	606 804	594 159
Licences and permits		5 625	1 631
Other income	22	1 089 409	448 403
Interest received - investment	23	397 707	3 206 029
Gain on disposal of assets and liabilities		150 860	-
Fair value adjustments		20 609	32 726
Actuarial gains		125 557	219 600
Gain on biological assets and agricultural produce		-	43 345
Dividends received	23	11 818	-
<b>Total revenue from exchange transactions</b>		<b>74 701 912</b>	<b>69 255 780</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	8 204 283	7 694 858
<b>Transfer revenue</b>			
Government grants & subsidies	25	119 524 207	129 003 369
Public contributions and donations	26	2 726 041	6 554 761
Fines, Penalties and Forfeits		36 874 000	48 400 510
<b>Total revenue from non-exchange transactions</b>		<b>167 328 531</b>	<b>191 653 498</b>
<b>Total revenue</b>		<b>242 030 443</b>	<b>260 909 278</b>
<b>Expenditure</b>			
Employee related costs	27	(72 945 065)	(67 392 782)
Remuneration of councillors	28	(3 927 044)	(3 745 840)
Administration		(128 335)	(21 138)
Depreciation and amortisation	29	(23 058 736)	(22 865 258)
Reversal of impairments	30	-	(288 620)
Finance costs	31	(9 973 272)	(8 604 587)
Lease rentals on operating lease	21	(223 821)	(223 821)
Debt Impairment	32	(70 996 764)	(75 303 033)
Bad debts written off		(1 046 247)	-
Bulk purchases	33	(24 869 501)	(24 245 674)
Contracted services	34	(10 528 086)	(6 213 108)
Loss on disposal of assets and liabilities		-	(1 150 663)
Loss on biological assets and agricultural produce		(11 970)	-
Loss on biological assets and agricultural produce		(64 950)	-
General Expenses	35	(32 826 877)	(30 189 793)
<b>Total expenditure</b>		<b>(250 600 668)</b>	<b>(240 244 317)</b>
<b>(Deficit) surplus for the year</b>		<b>(8 570 225)</b>	<b>20 664 961</b>

\* See Note 41

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	480 843 666	480 843 666
Adjustments		
Correction of errors	83 276	83 276
<b>Balance at 01 July 2017 as restated*</b>	<b>480 926 942</b>	<b>480 926 942</b>
Changes in net assets		
Surplus for the year	20 664 961	20 664 961
Total changes	20 664 961	20 664 961
<b>Restated* Balance at 01 July 2018</b>	<b>501 591 903</b>	<b>501 591 903</b>
Changes in net assets		
Surplus for the year	(8 570 225)	(8 570 225)
Total changes	(8 570 225)	(8 570 225)
<b>Balance at 30 June 2019</b>	<b>493 021 678</b>	<b>493 021 678</b>

\* See Note 41



# Mohokare Local Municipality

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## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		16 425 953	14 277 626
Grants		121 754 001	122 296 995
Interest income		397 707	3 206 029
Dividends received		11 818	-
		<u>138 589 479</u>	<u>139 780 650</u>
<b>Payments</b>			
Employee costs		(64 278 077)	(57 638 758)
Remuneration of councillors		-	(3 745 840)
Suppliers		(9 676 500)	(21 817 483)
Finance costs		(9 973 271)	(8 536 441)
VAT		(4 917 057)	-
		<u>(88 844 905)</u>	<u>(91 738 522)</u>
<b>Net cash flows from operating activities</b>	36	<b><u>49 744 574</u></b>	<b><u>48 042 128</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	<u>(45 388 987)</u>	<u>(59 325 230)</u>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	110 277
Repayment of borrowings		(231 685)	(202 022)
<b>Net cash flows from financing activities</b>		<b><u>(231 685)</u></b>	<b><u>(91 745)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 123 902</b>	<b>(11 374 847)</b>
Cash and cash equivalents at the beginning of the year		4 578 406	15 953 253
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>8 702 308</u></b>	<b><u>4 578 406</u></b>

\* See Note 41

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	65 002 000	-	<b>65 002 000</b>	72 293 523	<b>7 291 523</b>	N1
Rental of facilities and equipment	955 000	-	<b>955 000</b>	606 804	<b>(348 196)</b>	N2
Interest received (trading)	8 745 000	-	<b>8 745 000</b>	-	<b>(8 745 000)</b>	N3
Licences and permits	15 000	-	<b>15 000</b>	5 625	<b>(9 375)</b>	N4
Other income - (rollup)	17 630 000	(4 699 000)	<b>12 931 000</b>	1 089 409	<b>(11 841 591)</b>	N5
Interest received - investment	900 000	-	<b>900 000</b>	397 707	<b>(502 293)</b>	N6
Dividends received	10 000	-	<b>10 000</b>	11 818	<b>1 818</b>	N7
<b>Total revenue from exchange transactions</b>	<b>93 257 000</b>	<b>(4 699 000)</b>	<b>88 558 000</b>	<b>74 404 886</b>	<b>(14 153 114)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	7 981 000	-	<b>7 981 000</b>	8 204 283	<b>223 283</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	66 393 000	-	<b>66 393 000</b>	119 524 207	<b>53 131 207</b>	N8
Public contributions and donations	-	-	-	2 726 041	<b>2 726 041</b>	N9
Fines, Penalties and Forfeits	18 900 000	15 000 000	<b>33 900 000</b>	36 874 000	<b>2 974 000</b>	N10
Transfers & subsidies	104 708 000	(36 500 000)	<b>68 208 000</b>	-	<b>(68 208 000)</b>	N8
<b>Total revenue from non-exchange transactions</b>	<b>197 982 000</b>	<b>(21 500 000)</b>	<b>176 482 000</b>	<b>167 328 531</b>	<b>(9 153 469)</b>	
<b>Total revenue</b>	<b>291 239 000</b>	<b>(26 199 000)</b>	<b>265 040 000</b>	<b>241 733 417</b>	<b>(23 306 583)</b>	
<b>Expenditure</b>						
Personnel	(72 061 000)	(1 579 000)	<b>(73 640 000)</b>	(72 945 065)	<b>694 935</b>	
Remuneration of councillors	(4 148 000)	-	<b>(4 148 000)</b>	(3 927 044)	<b>220 956</b>	
Administration	-	-	-	(128 335)	<b>(128 335)</b>	N10
Depreciation and amortisation	(31 721 000)	5 000 000	<b>(26 721 000)</b>	(23 058 736)	<b>3 662 264</b>	N11
Finance costs	(4 879 000)	(836 000)	<b>(5 715 000)</b>	(9 973 272)	<b>(4 258 272)</b>	N12
Lease rentals on operating lease	-	-	-	(223 821)	<b>(223 821)</b>	N13
Debt Impairment	(22 691 000)	2 200 000	<b>(20 491 000)</b>	(70 996 764)	<b>(50 505 764)</b>	N14
Bad debts written off	-	-	-	(1 046 247)	<b>(1 046 247)</b>	
Repairs and maintenance	(7 308 000)	-	<b>(7 308 000)</b>	(1 499 044)	<b>5 808 956</b>	
Bulk purchases	(26 693 000)	-	<b>(26 693 000)</b>	(24 869 501)	<b>1 823 499</b>	
Contracted Services	(6 695 000)	(896 000)	<b>(7 591 000)</b>	(10 528 086)	<b>(2 937 086)</b>	N15
General Expenses	(24 988 000)	612 000	<b>(24 376 000)</b>	(31 327 833)	<b>(6 951 833)</b>	N16
<b>Total expenditure</b>	<b>(201 184 000)</b>	<b>4 501 000</b>	<b>(196 683 000)</b>	<b>(250 523 748)</b>	<b>(53 840 748)</b>	
<b>Operating deficit</b>	<b>90 055 000</b>	<b>(21 698 000)</b>	<b>68 357 000</b>	<b>(8 790 331)</b>	<b>(77 147 331)</b>	
Gain on disposal of assets and liabilities	-	-	-	150 860	<b>150 860</b>	N17
Loss on foreign exchange	-	-	-	(11 970)	<b>(11 970)</b>	
Fair value adjustments	-	-	-	20 609	<b>20 609</b>	N17

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	125 557	<b>125 557</b>	N17
Loss on biological assets and agricultural produce	-	-	-	(64 950)	<b>(64 950)</b>	N17
	-	-	-	<b>220 106</b>	<b>220 106</b>	
<b>Deficit before taxation</b>	<b>90 055 000</b>	<b>(21 698 000)</b>	<b>68 357 000</b>	<b>(8 570 225)</b>	<b>(76 927 225)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>90 055 000</b>	<b>(21 698 000)</b>	<b>68 357 000</b>	<b>(8 570 225)</b>	<b>(76 927 225)</b>	

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	679 000	279 000	<b>958 000</b>	1 022 513	<b>64 513</b>	
Receivables from exchange transactions	13 093 000	15 407 000	<b>28 500 000</b>	9 350 587	<b>(19 149 413)</b>	A1
Receivables from non-exchange transactions	41 236 000	(32 980 000)	<b>8 256 000</b>	17 587 670	<b>9 331 670</b>	A2
VAT receivable	-	-	-	28 441 965	<b>28 441 965</b>	A3
Cash and cash equivalents	33 197 000	(31 697 000)	<b>1 500 000</b>	8 702 308	<b>7 202 308</b>	A4
	<b>88 205 000</b>	<b>(48 991 000)</b>	<b>39 214 000</b>	<b>65 105 043</b>	<b>25 891 043</b>	

##### Non-Current Assets

Biological assets that form part of an agricultural activity	399 000	21 000	<b>420 000</b>	346 330	<b>(73 670)</b>	A5
Investment property	22 177 000	33 692 000	<b>55 869 000</b>	57 163 000	<b>1 294 000</b>	A6
Property, plant and equipment	553 374 000	73 183 000	<b>626 557 000</b>	587 037 984	<b>(39 519 016)</b>	
Other financial assets	358 000	12 000	<b>370 000</b>	394 315	<b>24 315</b>	
	<b>576 308 000</b>	<b>106 908 000</b>	<b>683 216 000</b>	<b>644 941 629</b>	<b>(38 274 371)</b>	
<b>Total Assets</b>	<b>664 513 000</b>	<b>57 917 000</b>	<b>722 430 000</b>	<b>710 046 672</b>	<b>(12 383 328)</b>	

#### Liabilities

##### Current Liabilities

Other financial liabilities	304 000	(139 000)	<b>165 000</b>	260 975	<b>95 975</b>	A6
Consumer Deposits	859 000	-	<b>859 000</b>	816 728	<b>(42 272)</b>	
Payables from exchange transactions	63 097 000	36 903 000	<b>100 000 000</b>	129 429 969	<b>29 429 969</b>	A7
Employee benefit obligation	541 000	9 000	<b>550 000</b>	486 344	<b>(63 656)</b>	A8
Unspent conditional grants and receipts	-	-	-	26 743 497	<b>26 743 497</b>	A9
	<b>64 801 000</b>	<b>36 773 000</b>	<b>101 574 000</b>	<b>157 737 513</b>	<b>56 163 513</b>	

##### Non-Current Liabilities

Other financial liabilities	33 093 000	8 051 000	<b>41 144 000</b>	39 352 465	<b>(1 791 535)</b>	A11
Employee benefit obligation	-	-	-	5 744 896	<b>5 744 896</b>	A12
Provisions	15 692 000	6 000 000	<b>21 692 000</b>	14 190 121	<b>(7 501 879)</b>	A10
	<b>48 785 000</b>	<b>14 051 000</b>	<b>62 836 000</b>	<b>59 287 482</b>	<b>(3 548 518)</b>	
<b>Total Liabilities</b>	<b>113 586 000</b>	<b>50 824 000</b>	<b>164 410 000</b>	<b>217 024 995</b>	<b>52 614 995</b>	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>	<b>550 927 000</b>	<b>7 093 000</b>	<b>558 020 000</b>	<b>493 021 677</b>	<b>(64 998 323)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	550 927 000	7 093 000	558 020 000	493 021 677	(64 998 323)	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Cash receipts from customers	66 742 000	10 301 000	<b>77 043 000</b>	16 425 953	<b>(60 617 047)</b>	N1,N2,N4,N5,N9,N10
Grants	171 101 000	(36 500 000)	<b>134 601 000</b>	121 754 001	<b>(12 846 999)</b>	N8
Interest received	4 835 000	-	<b>4 835 000</b>	397 707	<b>(4 437 293)</b>	N3,N6
Dividends	10 000	-	<b>10 000</b>	11 818	<b>1 818</b>	N7
	<b>242 688 000</b>	<b>(26 199 000)</b>	<b>216 489 000</b>	<b>138 589 479</b>	<b>(77 899 521)</b>	
<b>Payments</b>						
Suppliers and employees	(141 893 000)	(1 863 000)	<b>(143 756 000)</b>	(73 954 577)	<b>69 801 423</b>	N11,N12,N13,N15,N16,N17,N18
Finance costs	(4 879 000)	(836 000)	<b>(5 715 000)</b>	(9 973 271)	<b>(4 258 271)</b>	N14
VAT	-	-	-	(4 917 057)	<b>(4 917 057)</b>	
	<b>(146 772 000)</b>	<b>(2 699 000)</b>	<b>(149 471 000)</b>	<b>(88 844 905)</b>	<b>60 626 095</b>	
<b>Net cash flows from operating activities</b>	<b>95 916 000</b>	<b>(28 898 000)</b>	<b>67 018 000</b>	<b>49 744 574</b>	<b>(17 273 426)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(96 599 000)	-	<b>(96 599 000)</b>	(45 388 987)	<b>51 210 013</b>	
<b>Cash flows from financing activities</b>						
Repayment of borrowings	-	-	-	(231 685)	<b>(231 685)</b>	
Net increase/(decrease) in cash and cash equivalents	(683 000)	(28 898 000)	<b>(29 581 000)</b>	4 123 902	<b>33 704 902</b>	
Cash and cash equivalents at the beginning of the year	900 000	-	<b>900 000</b>	4 578 406	<b>3 678 406</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>217 000</b>	<b>(28 898 000)</b>	<b>(28 681 000)</b>	<b>8 702 308</b>	<b>37 383 308</b>	

The accounting policies on pages 17 to 45 and the notes on pages 45 to 91 form an integral part of the annual financial statements.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## 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>2019</b>											
<b>Financial Performance</b>											
Property rates	7 981 000	-	7 981 000	-	-	7 981 000	8 204 283	-	223 283	103 %	103 %
Service charges	65 002 000	-	65 002 000	-	-	65 002 000	72 293 523	-	7 291 523	111 %	111 %
Investment revenue	9 645 000	-	9 645 000	-	-	9 645 000	409 525	-	(9 235 475)	4 %	4 %
Transfers recognised - operational	66 393 000	-	66 393 000	-	-	66 393 000	71 993 000	-	5 600 000	108 %	108 %
Other own revenue	37 510 000	10 301 000	47 811 000	-	-	47 811 000	41 598 905	-	(6 212 095)	87 %	111 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>186 531 000</b>	<b>10 301 000</b>	<b>196 832 000</b>	<b>-</b>	<b>-</b>	<b>196 832 000</b>	<b>194 499 236</b>	<b>-</b>	<b>(2 332 764)</b>	<b>99 %</b>	<b>104 %</b>
Employee costs	(72 061 000)	(1 579 000)	(73 640 000)	-	-	(73 640 000)	(72 945 065)	-	694 935	99 %	101 %
Remuneration of councillors	(4 148 000)	-	(4 148 000)	-	-	(4 148 000)	(3 927 044)	-	220 956	95 %	95 %
Debt impairment	(22 691 000)	2 200 000	(20 491 000)	-	-	(20 491 000)	(70 996 764)	-	(50 505 764)	346 %	313 %
Depreciation and asset impairment	(31 721 000)	5 000 000	(26 721 000)	-	-	(26 721 000)	(23 058 736)	-	3 662 264	86 %	73 %
Finance charges	(4 879 000)	(836 000)	(5 715 000)	-	-	(5 715 000)	(9 973 272)	-	(4 258 272)	175 %	204 %
Materials and bulk purchases	(26 693 000)	-	(26 693 000)	-	-	(26 693 000)	(24 869 501)	-	1 823 499	93 %	93 %
Other expenditure	(31 683 000)	(284 000)	(31 967 000)	-	-	(31 967 000)	(44 830 286)	-	(12 863 286)	140 %	141 %
<b>Total expenditure</b>	<b>(193 876 000)</b>	<b>4 501 000</b>	<b>(189 375 000)</b>	<b>-</b>	<b>-</b>	<b>(189 375 000)</b>	<b>(250 600 668)</b>	<b>-</b>	<b>(61 225 668)</b>	<b>132 %</b>	<b>129 %</b>
<b>Surplus/(Deficit)</b>	<b>(7 345 000)</b>	<b>14 802 000</b>	<b>7 457 000</b>	<b>-</b>	<b>-</b>	<b>7 457 000</b>	<b>(56 101 432)</b>	<b>-</b>	<b>(63 558 432)</b>	<b>(752)%</b>	<b>764 %</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
Transfers recognised - capital	104 708 000	(36 500 000)	68 208 000	-		68 208 000	47 531 207		(20 676 793)	70 %	45 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>97 363 000</b>	<b>(21 698 000)</b>	<b>75 665 000</b>	<b>-</b>		<b>75 665 000</b>	<b>(8 570 225)</b>		<b>(84 235 225)</b>	<b>(11)%</b>	<b>(9)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>97 363 000</b>	<b>(21 698 000)</b>	<b>75 665 000</b>	<b>-</b>		<b>75 665 000</b>	<b>(8 570 225)</b>		<b>(84 235 225)</b>	<b>(11)%</b>	<b>(9)%</b>

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## Appropriation Statement

Figures in Rand

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

N1 - The increase in service charges are brought on mainly by the increase in water billings. As water usage are dependant on the needs of the consumers, the Municipality are unable to accurately budget for said expenditure and thus the difference between the budgeted and actual amounts pertaining to service charges.

N2 - The rental income generated through the rental of municipal facilities are informed by the need of the community for such facilities. The budget was based on usage of municipal assets in prior years.

N3 - Due to the fact that the Municipality fell behind with billing and the sending of accounts to consumers timeously, the council took a resolution that no interest will be levied on outstanding consumer accounts until such time that the system is up to date.

N4 - As this is merely a budgeted figure informed by prior years, the Municipality cannot anticipate the number of licenses and permits for which there will be applied by Consumers during the year under review.

N5 - The difference relates mainly to VAT claims not paid out at 30 June 2019. These amounts were however all received subsequently during the month of July 2019. At year end, it is reflected in the VAT Receivable balance on the statement of Financial positions. As the amount for VAT receivable is in actual fact never displayed as a revenue in the income statement (it sets off against the corresponding asset), this difference in budget vs. actual will always reflect due to the fact that for budgeting we include the amount for VAT refunds in the operating budget as it is utilized for day to day expenses incurred.

N6 - Interest received on Investments is less than the budgeted amount as its budget is based on the anticipated funding received for conditional grants, so when some of the funding from the conditional grants was withheld or reduced during the financial year, the amount of interest received on the funds decreased in accordance.

N7 - Dividends were declared by OVK on the shares that the Municipality holds in the company for the year under review. The amount included in the budget was based on dividends declared in previous financial years.

N8 - The variance is due to the fact that the budgeted amount relates only to operational grants and the total amount recognised as grant revenue includes capital grant receipts recognised as revenue when the criteria for said recognition is met.

N9 - This amount relates to the donation made towards the audit fees of the Municipality by National Treasury. As it is a donation, we are unable to anticipate the amount and budget accordingly.

N10 - This figure relates to an amount from the CENTLEC SOC Consolidation. In the case of this amount the variance is significant, however the amount is not and the reason for the variance in inadequate budgeting by Mohokare LM.



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## Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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N11 - The amount budgeted for depreciation was incorrectly calculated and thus caused the budgeted amount to exceed the actual expense.

N12 - The variance in Finance Costs are mainly due to the high interest charges on outstanding contributions to Pension and Provident Funds as well as the late payment of other operational creditors.

N13 - Operating lease expenses are mainly for the rental of Yellow Fleet to assist with service delivery as and when necessary. Also included in this amount is the rental cost for copier machines.

N14 - This variance is due to inaccurate budgeting. The low payment rate was not anticipated during the budgeting process..

N15 - This variance is due to inaccurate budgeting and expenditure incurred for items such as the Preparation of the Valuation Roll for the next period not taken into account during budgeting.

N16 - This variance is due to inaccurate budgeting and will be investigated on a line by line basis by the Municipality..

N17 - This variance is due to inaccurate budgeting.

A1 - This variance is due to inaccurate budgeting. The low payment rate was not anticipated during the budgeting process.

A2 - The increase in Receivables from exchange transactions are influenced by the fact that the Municipality did not send out consumer accounts on time during the financial year under review causing a decrease in the payment rate by Consumers which in effect lead to an increase in the balance of Receivables from Exchange Transactions.

A3 - The difference relates mainly to VAT claims not paid out at 30 June 2019. These amounts were however all received subsequently during the month of July 2019. At year end, it is reflected in the VAT Receivable balance on the statement of Financial positions.

A4 - The Cash balance at year end was higher than anticipated due to a large receipt of outstanding consumer accounts from National and Provincial Departments during the month of June 2019.

A5 -The decrease in the actual amount pertaining to Biological assets pertains mainly to the losses incurred on cattle due to theft which was reported to the SAPS and is currently under investigation.

A6 -This variance is due to the reclassification of the current portion of the DBSA Loan.

A7 - The increase is mainly due to the significant increase in the amount outstanding to salary related third parties for employer and employee contributions to pension and provident funds. It is furthermore due to the increase in outstanding trade payables where the Municipality was not able to make the payments within the required 30 day time frame as per the MFMA..

A8 - The variance in employee benefit obligations are due to inaccurate budgeting as this amount is calculated by an actuary and the Municipality does not have the necessary skills in house to determine the amount to provide for accurately.

A9 - The variance in unspent conditional grants and receipts are due to the fact that spending on capital projects did not take place as anticipated..

A10 - The variance in the provision for landfill site made provision for the amount of the liability to increase as it had in all previous years. The decrease was not anticipated during the budgeting process.

All changes between the approved and final budget are a consequence of reallocations within the budget.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## 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.

#### 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.

#### 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.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

#### 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 17 - 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 6.21% (2018: 4.08%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors.

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 27 June 2019 was 9.64% p.a. The consumer price inflation of 6.21% p.a. was obtained from the differential between the averages of the Nominal Bond of 9.64% p.a. and the Real Bond 3.23% p.a. (Zero Yield Curves). The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 27 June 2019

#### 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 15 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.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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

#### 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.

### 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 and 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.

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## Accounting Policies

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### 1.5 Investment property (continued)

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.

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

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

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties; Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);

A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and

A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;

Property being constructed or developed on behalf of third parties;

Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

Property that is being constructed or developed for future use as investment property;

Property that is leased to another entity under a finance lease;

Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc. and

Property held for strategic purposes or service delivery.

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## 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.

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## 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 derecognised 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
Land		Infinite
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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## 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

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 and the obligation 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.



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

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 is 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

After initial recognition, an intangible asset is 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.

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### 1.7 Intangible assets (continued)

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

A 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 asset 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

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

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### 1.8 Heritage assets (continued)

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

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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:

<b>Type of Financial Asset:</b>	<b>Classification in terms of GRAP 104</b>
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
Traffic Fine Debtors	Financial Asset at 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

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### 1.9 Financial instruments (continued)

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 cost
Long-term Liabilities (Centlec Payable)	Financial Liability at cost
Other creditors	Financial Liability at amortised cost
Bank overdraft	Financial Liability at amortised cost
Short term loans	Financial Liability at amortised cost
Current portion of long term liabilities	Financial Liability at amortised cost

Financial liabilities that are measured at fair value are 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

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### 1.9 Financial instruments (continued)

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.

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### 1.9 Financial instruments (continued)

Financial assets carried at amortised cost

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

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

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

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

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

Impairment of Financial Assets measured at cost

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

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.

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### 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.

#### The Municipality as Lessee

##### Finance leases

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

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

##### 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 installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment 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 installment 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 fulfillment 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.



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### 1.11 Inventories

#### 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 measured at the lower of cost and the current replacement 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.

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### 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

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 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.

The 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.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### 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.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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### 1.13 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### 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.

#### 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.

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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 every 5 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.

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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 fully 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.

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### 1.15 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period. 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. if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset; in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;

a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

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### 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.

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 to be non-cancelable or only cancelable 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 GRAP 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 municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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



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### 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 from 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.

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### 1.17 Revenue from exchange transactions (continued)

#### Rentals

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.

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

#### Conditional Grants and receipts

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

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

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

#### 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 2019 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses it 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 2018 to 30 June 2021.

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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 identified and recorded in the Irregular expenditure register and disclosed in the notes to the annual financial statements. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written off as irrecoverable. 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

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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### 1.24 Related parties (continued)

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 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.

### 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 as 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.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 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.

### 1.31 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.

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 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review

### 1.32 Operating expenditure

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenditure is recognised 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.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

#### 2.3 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 2019 or later periods but are not relevant to its operations:

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## Notes to the Annual Financial Statements

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<b>3. Inventories</b>		
Consumable stores	464 628	387 054
Spare parts	299 318	362 086
Water for distribution	61 917	12 192
Unsold Properties Held for Resale	196 650	196 650
	<b>1 022 513</b>	<b>957 982</b>
<b>4. Receivables from exchange transactions</b>		
<b>Gross Balances</b>		
Electricity	3 638 152	2 386 811
Water	143 470 866	114 795 262
Sewerage	54 894 972	46 843 814
Refuse	21 277 832	15 851 040
Housing rental	3 287 916	2 929 879
Other	433 178	488 681
	<b>227 002 916</b>	<b>183 295 487</b>
<b>Less: Allowance for impairment</b>		
Electricity	(788 873)	(490 127)
Water	(139 755 785)	(114 795 262)
Sewerage	(52 916 071)	(46 133 078)
Refuse	(20 618 709)	(15 661 989)
Housing rental	(3 155 381)	(2 827 633)
Other	(417 510)	(487 179)
	<b>(217 652 329)</b>	<b>(180 395 268)</b>
Consumer debtors - Electricity	2 849 279	1 896 684
Consumer debtors - Water	3 715 081	-
Consumer debtors - Sewerage	1 978 901	710 736
Consumer debtors - Refuse	659 123	262 138
Consumer debtors - Housing Rental	132 535	102 246
Consumer debtors - Other	15 668	1 502
	<b>9 350 587</b>	<b>2 973 306</b>

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### 4. Receivables from exchange transactions (continued)

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

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

#### 2019

##### Electricity

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
510 026	(45 532)	464 494
287 505	(44 188)	243 317
119 208	(53 877)	65 331
2 721 413	(645 276)	2 076 137
<b>3 638 152</b>	<b>(788 873)</b>	<b>2 849 279</b>

#### 2019

##### Water

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
2 982 386	(2 905 162)	77 224
3 134 802	(3 053 632)	81 170
3 491 360	(3 400 957)	90 403
133 862 318	(130 396 034)	3 466 284
<b>143 470 866</b>	<b>(139 755 785)</b>	<b>3 715 081</b>

#### 2019

##### Sewerage

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
885 233	(853 322)	31 911
871 748	(840 324)	31 424
866 642	(835 402)	31 240
52 271 348	(50 387 022)	1 884 326
<b>54 894 971</b>	<b>(52 916 070)</b>	<b>1 978 901</b>

#### 2019

##### Refuse

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
552 178	(535 074)	17 104
544 968	(528 087)	16 881
542 501	(525 697)	16 804
19 638 184	(19 029 850)	608 334
<b>21 277 831</b>	<b>(20 618 708)</b>	<b>659 123</b>

#### 2019: Housing rental

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
48 272	(46 326)	1 946
55 445	(53 210)	2 235
47 318	(45 411)	1 907
3 136 881	(3 010 434)	126 447
<b>3 287 916</b>	<b>(3 155 381)</b>	<b>132 535</b>

#### 2019

##### Other

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
9 345	(9 007)	338
744	(717)	27
423 089	(407 786)	15 303
<b>433 178</b>	<b>(417 510)</b>	<b>15 668</b>



# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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### 4. Receivables from exchange transactions (continued)

#### 2018

##### Electricity

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
796 401	-	796 401
339 753	-	339 753
190 902	-	190 902
2 602 377	(490 127)	2 112 250
<b>3 929 433</b>	<b>(490 127)</b>	<b>3 439 306</b>

#### 2018

##### Water

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
2 621 680	(2 592 250)	29 430
3 051 484	(3 017 229)	34 255
2 200 792	(2 176 085)	24 707
108 224 609	(107 009 698)	1 214 911
<b>116 098 565</b>	<b>(114 795 262)</b>	<b>1 303 303</b>

#### 2018

##### Sewerage

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
878 047	(863 377)	14 670
928 771	(913 254)	15 517
881 274	(866 549)	14 725
44 228 810	(43 489 898)	738 912
<b>46 916 902</b>	<b>(46 133 078)</b>	<b>783 824</b>

#### 2018

##### Refuse

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
506 905	(498 560)	8 345
548 326	(539 300)	9 026
530 749	(522 012)	8 737
14 338 147	(14 102 117)	236 030
<b>15 924 127</b>	<b>(15 661 989)</b>	<b>262 138</b>

#### 2018

##### Housing rental

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
60 129	(57 947)	2 182
40 490	(39 022)	1 468
37 809	(36 437)	1 372
2 795 642	(2 694 227)	101 415
<b>2 934 070</b>	<b>(2 827 633)</b>	<b>106 437</b>

#### 2018

##### Other

Current: 0 - 30 days  
Past due: 31 - 60 days  
Past due: 61 - 90 days  
Past due: 90+ days

Gross Balances	Less: Provision for impairment	Total
1 373	(1 373)	-
1 535	(1 535)	-
1 206	(1 206)	-
484 567	(483 065)	1 502
<b>488 681</b>	<b>(487 179)</b>	<b>1 502</b>

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### 4. Receivables from exchange transactions (continued)

#### Summary of Consumer Debtors by Customer Classification

As at 30 June 2019	Households	Industrial / Commercial	National and Provincial Government	Other	Total
0 - 30 days	4 036 158	375 287	574 777	1 529	4 987 751
31 - 60 days	4 121 430	287 849	484 470	1 463	4 895 212
61 - 90 days	4 463 243	308 733	293 476	1 577	5 067 029
+90 days	190 531 784	12 211 002	9 289 650	20 488	212 052 924
Subtotal	203 152 615	13 182 871	10 642 373	25 057	227 002 916
Less: Provision for impairment	(199 367 227)	(9 207 998)	(9 059 101)	(18 003)	(217 652 329)
	<b>3 858 917</b>	<b>3 974 626</b>	<b>1 583 272</b>	<b>7 054</b>	<b>9 350 587</b>

As at 30 June 2018	Households	Industrial / Commercial	National and Provincial Government	Other	Total
0 - 30 days	3 740 094	268 744	773 185	73 498	4 855 521
31 - 60 days	4 004 738	384 999	413 880	56 463	4 860 080
61 - 90 days	3 166 367	192 727	364 441	72 336	3 795 871
+90 days	154 286 316	8 260 183	6 817 525	3 416 280	172 780 304
Subtotal	165 197 515	9 106 653	8 369 031	3 618 577	186 291 776
Less: Provision for impairment	(163 748 924)	(7 680 546)	(5 369 708)	(3 596 090)	(180 395 268)
	<b>1 448 591</b>	<b>1 426 107</b>	<b>2 999 323</b>	<b>22 487</b>	<b>5 896 508</b>

#### Reconciliation of allowance for impairment

Balance at the beginning of the year	(180 395 268)	(138 256 385)
Contribution to allowance	(37 257 061)	(42 138 883)
	<b>(217 652 329)</b>	<b>(180 395 268)</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>5. Receivables from non-exchange transactions</b>		
<b>Gross Balances</b>		
Traffic fines	109 945 194	79 193 803
Other sundry debtors	-	86 574
Consumer debtors-Rates	23 171 329	19 910 170
Levies	8 296 501	8 366 128
	<b>141 413 024</b>	<b>107 556 675</b>
<b>Provision for Impairment</b>		
Traffic fines	(94 880 062)	(62 699 526)
Consumer debtors-Rates	(21 014 054)	(19 032 297)
Levies	(7 931 238)	(8 352 915)
	<b>(123 825 354)</b>	<b>(90 084 738)</b>
Fines	15 065 086	16 494 277
Other Sundry Debtors	-	86 574
Consumer debtors - Rates	2 157 275	877 873
Levies	365 309	13 213
	<b>17 587 670</b>	<b>17 471 937</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.

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R - (2018: R -) were past due but not impaired.

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

2019	Column heading	Column heading	Gross Balances	Less: Provision for impairment	Total
<b>Assessment Rates</b>					
Current: 0 - 30 Days	-	-	11 698	(10 609)	1 089
Past due: 31 - 60 Days	-	-	374 991	(340 079)	34 912
Past due: 61 - 90 Days	-	-	364 427	(330 499)	33 928
Past due: 90+ Days	-	-	22 420 212	(20 332 866)	2 087 346
	-	-	<b>23 171 328</b>	<b>(21 014 053)</b>	<b>2 157 275</b>

2019	Gross Balances	Less: Provision for impairment	Total
<b>Traffic fines</b>			
Current: 0 - 30 Days	1 387 810	(1 197 645)	190 165
Past due: 31 - 60 days	1 812 200	(1 563 883)	248 317
Past due: 61 - 90 days	2 936 750	(2 534 341)	402 409
Past due: 90+ days	103 807 230	(89 583 032)	14 224 198
	<b>109 943 990</b>	<b>(94 878 901)</b>	<b>15 065 089</b>

2019	Gross Balances	Provision for impairment	Total
<b>Levies</b>			
Current: 0 - 30 Days	14 810	(14 158)	652
Past due: 31 - 60 days	14 810	(14 158)	652
Past due: 61 - 90 days	14 762	(14 112)	650

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

Past due: 90 + days

8 252 118	(7 888 763)	363 355
<b>8 296 500</b>	<b>(7 931 191)</b>	<b>365 309</b>

#### 2018

##### Assessment Rates

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
54 344	(51 874)	2 470
340 277	(324 809)	15 468
314 374	(300 084)	14 290
19 229 641	(18 355 530)	874 111
<b>19 938 636</b>	<b>(19 032 297)</b>	<b>906 339</b>

#### 2018

##### Traffic Fines

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
3 135 250	(1 567 625)	1 567 625
3 793 900	(1 896 950)	1 896 950
4 318 000	(2 159 000)	2 159 000
67 946 653	(57 075 951)	10 870 702
<b>79 193 803</b>	<b>(62 699 526)</b>	<b>16 494 277</b>

#### 2018

##### Levies

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
14 327	(14 304)	23
16 737	(16 710)	27
16 669	(16 643)	26
8 318 395	(8 305 258)	13 137
<b>8 366 128</b>	<b>(8 352 915)</b>	<b>13 213</b>

### Reconciliation of provision for impairment of receivables from non-exchange transactions

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

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

##### As at 30 June 2019

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
<b>Current</b>					
0 - 30 Days	25 976	194	339	-	26 509
<b>Past Due</b>					
31 - 60 Days	256 472	102 332	30 990	7	389 801
61 - 90 Days	249 833	98 359	30 990	7	379 189
+ 90 Days	16 691 672	11 951 821	1 658 781	181	30 302 455
Subtotal	17 223 953	12 152 706	1 721 100	195	31 097 954
Less: Provision for Impairment	(15 645 927)	(11 388 135)	(1 201 456)	(195)	(28 235 713)
	<b>1 578 026</b>	<b>764 571</b>	<b>519 644</b>	<b>-</b>	<b>2 862 241</b>

##### As at 30 June 2018

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
<b>Current</b>					
0 - 30 Days	29 198	24 885	23 187	415	77 685
<b>Past Due</b>					
31 - 60 Days	278 334	96 936	30 550	1 474	407 294
61 - 90 Days	257 011	89 156	30 311	1 421	377 899
90 + Days	15 218 100	10 321 801	1 499 232	402 753	27 441 886
Subtotal	15 782 643	10 532 778	1 583 280	406 063	28 304 764
Less: Provision for Impairment	(15 342 476)	(10 061 116)	(1 577 450)	(404 170)	(27 385 212)
	<b>440 167</b>	<b>471 662</b>	<b>5 830</b>	<b>1 893</b>	<b>919 552</b>

#### Reconciliation of Provision for Impairment

##### Receivables from non-exchange transactions

Balance at the beginning of the year	(90 084 738)	(51 424 211)
Impairment losses recognised	(33 740 616)	(38 660 527)
	<b>(123 825 354)</b>	<b>(90 084 738)</b>

### 6. VAT receivable

Vat receivable	28 441 965	25 401 693
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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.

Interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

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### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 180	1 180
Bank balances	2 063 912	2 004 250
Short-term deposits	6 637 216	2 572 976
	<b>8 702 308</b>	<b>4 578 406</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.

-An amount of R26 743 497 (2018: R24 513 708) is attributable to Unspent Conditional Grants, however only R8 702 308 is available per the bank balances thus unspent grants are not cash backed.

-A pledge of R25 000 in favour of Eskom is held with First National 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 and cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank - Cheque acc - 405-265-4487	1 172 881	409 294	329 623	1 163 084	409 294	331 678
ABSA BANK - Savings acc - 2810-000-018	414 104	1 113 571	171 177	414 104	1 113 571	171 177
Standard Bank - Cheque acc - 041-952-776	84 029	96 075	599 897	102 391	96 075	599 897
FNB BANK - Cheque acc - 5359-3549-308	77 582	385 310	623 316	89 459	385 310	623 316
ABSA BANK - 32 day notice - 101-4355-924	118 391	113 634	108 798	118 391	113 634	108 798
ABSA BANK - 32 day notice - 6074-357-138	324	316	308	324	316	308
ABSA BANK - Call account - 9074-133-593	2	349	661	2	349	661
ABSA BANK - Call account - 9086-343-532	6 529 421	397 254	14 048 836	6 529 421	397 254	14 048 836
FNB BANK - Call account - 7235-900-4546	73 297	70 149	67 402	80 717	70 149	67 402
ABSA Bank- call account-9331 173 012	84 159	24 849	-	84 159	24 849	-
ABSA Bank- call account-9331 171 638	63 686	1 306 625	-	63 686	1 306 625	-
ABSA Bank- call account-9331 175 276	55 390	659 800	-	55 390	659 800	-
Cash on hand	-	1 180	-	1 180	1 180	1 180
<b>Total</b>	<b>8 673 266</b>	<b>4 578 406</b>	<b>15 950 018</b>	<b>8 702 308</b>	<b>4 578 406</b>	<b>15 953 253</b>

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

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Cattle	333 330	-	333 330	410 250	-	410 250
Horses	13 000	-	13 000	13 000	-	13 000
<b>Total</b>	<b>346 330</b>	<b>-</b>	<b>346 330</b>	<b>423 250</b>	<b>-</b>	<b>423 250</b>

### Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or (losses) arising from changes in fair value	Other changes, movements	Total
Cattle	410 250	(11 970)	(64 950)	333 330
Horses	13 000	-	-	13 000
	<b>423 250</b>	<b>(11 970)</b>	<b>(64 950)</b>	<b>346 330</b>

### Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Total
Cattle	410 250	410 250
Horses	13 000	13 000
	<b>423 250</b>	<b>423 250</b>

### Non-financial information

#### Quantities of each biological asset

Cattle	56	71
Horses	4	6
	<b>60</b>	<b>77</b>

All of the Municipality's Biological Assets are held under freehold interest and no Biological Assets have been pledged as security for any liabilities of the municipality

#### Biological Assets carried at fair value

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

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### 9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57 163 000	-	57 163 000	57 163 000	-	57 163 000

#### Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	57 163 000	57 163 000

#### Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	57 163 000	57 163 000

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 Y. Nyalambisa a registered Chartered Accountant from Nyalambisa Financial Services during July 2019.

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.

The operating revenue generated from Investment Properties are disclosed under note 20 of the AFS.

Impairment of Investment Property

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



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## Notes to the Annual Financial Statements

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### 10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 529 934	-	19 529 934	19 529 934	-	19 529 934
Buildings	33 615 958	(26 902 688)	6 713 270	33 615 959	(26 523 450)	7 092 509
Infrastructure	693 308 199	(412 955 829)	280 352 370	684 379 807	(392 926 779)	291 453 028
Community Facilities	119 008 620	(78 809 291)	40 199 329	109 935 489	(77 115 430)	32 820 059
Movable Assets	16 017 787	(10 739 595)	5 278 192	15 404 890	(9 783 099)	5 621 791
Work in Progress	234 964 889	-	234 964 889	209 822 835	-	209 822 835
<b>Total</b>	<b>1 116 445 387</b>	<b>(529 407 403)</b>	<b>587 037 984</b>	<b>1 072 688 914</b>	<b>(506 348 758)</b>	<b>566 340 156</b>

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2019

	<b>Opening balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Total</b>
Land	19 529 934	-	-	-	-	19 529 934
Buildings	7 092 509	-	-	-	(379 239)	6 713 270
Infrastructure	291 453 028	-	-	8 928 390	(20 029 048)	280 352 370
Community Facilities	32 820 059	-	-	9 073 133	(1 693 863)	40 199 329
Movable Assets	5 621 791	769 872	(156 885)	-	(956 586)	5 278 192
Work in Progress	209 822 835	43 143 577	-	(18 001 523)	-	234 964 889
	<b>566 340 156</b>	<b>43 913 449</b>	<b>(156 885)</b>	<b>-</b>	<b>(23 058 736)</b>	<b>587 037 984</b>

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	19 529 934	-	-	-	-	-	19 529 934
Buildings	7 472 705	-	-	-	(380 196)	-	7 092 509
Infrastructure	274 548 012	-	(780 394)	37 356 535	(19 671 125)	-	291 453 028
Community Facilities	34 520 318	-	-	-	(1 700 259)	-	32 820 059
Movable Assets	7 344 555	618 811	(939 458)	-	(1 113 677)	(288 440)	5 621 791
Work in Progress	186 753 281	60 426 089	-	(37 356 535)	-	-	209 822 835
	<b>530 168 805</b>	<b>61 044 900</b>	<b>(1 719 852)</b>	<b>-</b>	<b>(22 865 257)</b>	<b>(288 440)</b>	<b>566 340 156</b>

#### Other information

#### Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Land and building	1 785 518	758 734
Community assets	6 144 379	7 171 164
Movable assets	1 525 810	493 946
Infrastructure assets	1 936 763	1 936 763
	<b>11 392 470</b>	<b>10 360 607</b>

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

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

#### Property, plant and equipment in the process of being constructed or developed

##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Upgrading of the Rouxville Water Treatment Works (WTW)	55 507 452	49 883 779
<p>The initial contractor (Ngelethu Construction) was terminated due to poor workmanship and Lohan Civil was ultimately appointed for the completion of the project. Isa &amp; Partners was also later terminated as the engineer whereby Proper Consulting was then appointed as the engineer on the Project. Furthermore the project was planned for completion before 30 June 2019 however the municipality placed the project on suspension from April 2019 due to cash flow challenges resulting from funding re-allocation which saw a reduction on the RBIG funding allocated to Mohokare Local Municipality per the Adjusted DoRA for the 2018/19 Financial year.</p>		
Construction of the 27km pipeline from the Orange River to Paisley dam	80 395 836	73 330 071
<p>The initial contractor (Ruwacon) terminated the contract due to reasons of none payment and Group YWO was ultimately appointed for the completion of the project in August 2018. Isa &amp; Partners was also terminated as the engineer whereby Proper Consulting was then appointed as the engineer on the Project. Furthermore the project was planned for completion before end of August 2019 however the municipality placed the project on suspension from April 2019 due to cash flow challenges resulting from funding re-allocation which saw a reduction on the WSIG funding allocated to Mohokare Local Municipality per the Adjusted DoRA for the 2018/19 Financial year. The new completion date is 11 April 2020.</p>		
Upgrading of the Zastron Water Treatment Works (WTW)	14 903 986	7 833 176
<p>The initial contractor (David Diva Construction) was terminated due to poor workmanship and Lohan Civil was ultimately appointed for the completion of the project. The project was planned to be completed before 30 June 2019 however the municipality placed the project on suspension from April 2019 due to cash flow challenges resulting from funding re-allocation which saw a reduction on the WSIG funding allocated to Mohokare Local Municipality per the Adjusted DoRA for the 2018/19 Financial year.</p>		
Upgrading of the Mofulatshepe sports ground	1 686 460	1 686 460
<p>The contractor was issued with a termination letter of which the contractor has taken the matter to court. The project is to be finalized upon finalization of the litigation</p>		
Smithfield High mast lights	223 117	223 117
<p>The project is practically complete in terms of the BoQ scope however one of the high mast lights is not in use (no connection) due to capacity constraints indicated by ESKOM.</p>		
	<b>152 716 851</b>	<b>132 956 603</b>

##### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

All projects above	152 716 851	132 956 603
<p>The projects were placed on hold in order to save on Preliminary &amp; Generals cost which include time related costs such as Plant &amp; Equipment on site. By putting the contractor on suspension, we saved money because the contractor then could not claim on this item. Thus they had to move out of site until we uplift the suspension.] No impairment is required on the projects. The contractor is still expected to complete the project as per the specifications given prior to the suspension within the same rates and appointment value.</p>		
	<b>152 716 851</b>	<b>132 956 603</b>

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of Work-in-Progress 2019

	<b>Included within Infrastructure</b>	<b>Included within Community</b>	<b>Total</b>
Opening balance	194 819 830	15 003 005	209 822 835
Capital expenditure	38 549 882	4 593 695	43 143 577
Transferred to completed items	(8 928 390)	(9 073 133)	(18 001 523)
	<b>224 441 322</b>	<b>10 523 567</b>	<b>234 964 889</b>

#### Reconciliation of Work-in-Progress 2018

	<b>Included within Infrastructure</b>	<b>Included within Community</b>	<b>Total</b>
Opening balance	182 934 084	3 819 197	186 753 281
Capital expenditure	49 242 281	11 183 808	60 426 089
Transferred to completed items	(37 356 535)	-	(37 356 535)
	<b>194 819 830</b>	<b>15 003 005</b>	<b>209 822 835</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>11. Other financial assets</b>		
<b>Designated at fair value</b>		
Local Authority Stock	394 315	373 706
Unlisted investments comprise the following: Local Authority Stock are shares held in OVK Operations Limited. 13 193 ordinary shares valued at R13.60 (2018: R14.90) per share and 13 731 holding shares valued at R15.65 (2018: R12.90) per share.		
The fair value of investments was determined after considering the market value of the shares held with OVK.		
<b>Non-current assets</b>		
Designated at fair value	394 315	373 706
<b>12. Other financial liabilities</b>		
<b>At amortised cost</b>		
Government Loans	260 975	492 660
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	38 862 088	35 288 566
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)	490 377	585 919
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>39 613 440</b>	<b>36 367 145</b>
<b>Total other financial liabilities</b>	<b>39 613 440</b>	<b>36 367 145</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	39 352 465	36 143 581
<b>Current liabilities</b>		
At amortised cost	260 975	223 564
<b>13. Consumer Deposits</b>		
Consumer deposits	816 728	801 236

# Mohokare Local Municipality

(Registration number FS 163)

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>13. Consumer Deposits (continued)</b>		
Electricity, Water and Other	816 728	801 236
<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>14. Payables from exchange transactions</b>		
Trade payables	49 265 449	32 358 884
Payments received in advance	6 632 932	1 586 196
Staff Salaries and Third Parties	63 451 412	50 406 862
Accrued leave pay	4 024 846	3 226 434
Accrued bonus	1 551 982	1 506 060
Unallocated deposits	4 503 347	2 864 520
	<b>129 429 968</b>	<b>91 948 956</b>
<p>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.</p> <p>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.</p> <p>The municipality did default on payment of its Creditors. The Municipality has negotiated terms of payment with certain of its long outstanding trade creditors.</p> <p>The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.</p>		
<b>15. Employee benefit obligations</b>		
Post-retirement Health Care Benefit Liability	1 581 843	1 640 700
Long service awards liability	4 649 397	4 553 200
	<b>6 231 240</b>	<b>6 193 900</b>
<b>Long Service Awards Liability</b>		
Balance at the beginning of the year	4 553 200	4 053 000
Contributions to provisions	532 400	515 100
Increase due to discounting	420 700	398 000
Expenditure incurred	144 762	(421 000)
Actuarial (gains)/ losses	(1 001 665)	8 100
Balance at the end of the year	4 649 397	4 553 200
Transfer current portion to current liabilities	(486 344)	(532 400)
	<b>4 163 053</b>	<b>4 020 800</b>
<b>Post-retirement Health Care Benefit Liability</b>		
Balance at the beginning of the year	1 640 700	1 784 000
Interest cost	162 800	180 900
Benefits paid	(96 100)	(96 500)
Actuarial (gains)/loss	(125 557)	(227 700)
	<b>1 581 843</b>	<b>1 640 700</b>

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## Notes to the Annual Financial Statements

Figures in Rand

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2018

### 15. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets - Post Employment Medical Subsidy

Discount rates used	8,42 %	9,92 %
Consumer price inflation	5,07 %	6,98 %
Expected increase in healthcare costs	6,57 %	7,14 %

Actual return on plan assets - Long Service Awards

Discount rate used	8,58 %	9,24 %
Inflation rate	5,18 %	6,43 %
Salary escalation rate	6,18 %	7,43 %

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous two years are as follows:

	2019 R	2018 R	2017 R
Defined benefit obligation	1 581 843	1 640 700	1 784 000
Plan assets	4 649 397	4 553 200	4 053 000

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. 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 2019 by Mr D T Mureriwa, 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, 268 (2018: 266) employees were eligible for long-service awards.

The current service cost for the year ending 30 June 2019 is estimated to be R 486 344, whereas the cost for the ensuing year is estimated to be R144 762.

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 R4 218,17 as at 30 June 2019.

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.



# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

National: MWIG	3 066 708	8 493 195
National: MIG	4 976 997	11 082 407
COGTA Grant	3 000 000	-
National: RBIG	15 199 792	4 938 101
Intergrated National Electrification program (INEP)	500 000	-
	<b>26 743 497</b>	<b>24 513 703</b>

#### Movement during the year

Balance at the beginning of the year	24 513 703	31 220 077
Additions during the year	78 508 000	77 136 000
Income recognition during the year	(76 278 206)	(83 842 374)
	<b>26 743 497</b>	<b>24 513 703</b>

See note 25 for reconciliation of grants from National/Provincial Government.

### 17. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Reversed during the year	Total
Environmental rehabilitation	14 266 593	(76 472)	14 190 121

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	12 842 373	1 424 220	14 266 593

#### Environmental rehabilitation provision

In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs of R50.5 million to restore the sites at the end of its useful life, estimated to be in 2032 for the Matlakeng site, 2035 for the Rouxville site, 2037 for the Smithfield and Zastron sites. 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 One Pangea is 30 June 2019.

### 18. Accumulated surplus

The Accumulated Surplus consists of the following internal funds and reserves:

Accumulated surplus (deficit)	493 021 678	501 591 903
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# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Service charges</b>		
Sale of electricity	27 649 420	25 972 337
Sale of water	29 322 695	23 192 767
Sewerage and sanitation charges	9 479 793	9 586 422
Refuse removal	5 838 340	5 955 379
Connection Fees	3 275	2 982
	<b>72 293 523</b>	<b>64 709 887</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.

### 20. Rental of facilities and equipment

#### Premises

Operating Lease Rental Investment Property	596 258	481 995
Rental Revenue from Buildings	10 546	112 164
	<b>606 804</b>	<b>594 159</b>

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

### 21. Lease rentals on operating lease

#### Equipment

Contractual amounts	223 821	223 821
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### 22. Other income

Building Plan Fees	6 626	5 610
Cemetery Fees	62 355	57 666
Insurance claims	206 102	80 146
Rates Certificates	17 033	15 932
Sundry Income	797 293	289 049
	<b>1 089 409</b>	<b>448 403</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.

### 23. Investment revenue

#### Dividend revenue

Unlisted financial assets - Local	11 818	-
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#### Interest revenue

Bank	397 707	1 985 535
Interest charged on trade and other receivables	-	1 220 494
	<b>397 707</b>	<b>3 206 029</b>

<b>Total Investment Revenue</b>	<b>409 525</b>	<b>3 206 029</b>
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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	2 414 496	2 209 594
Commercial	957 415	879 124
State	265 621	252 982
Municipal	16 522	46 333
Small holdings and farms	4 307 363	4 077 353
PBO's	242 866	229 472
	<b>8 204 283</b>	<b>7 694 858</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: 0.007771c/R (2017/18: R0.007401c/R)

Commercial Properties: 0.10527c/R (2017/18: R0.010026c/R)

State Properties: 0.003674c/R (2017/18: R0.003499c/R)

Agricultural Properties: 0.001239c/R (2017/18: R0.001180c/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. No interest was levied in the financial year.

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	61 723 000	56 055 000
EPWP Grant	1 000 000	1 000 000
National: FMG	1 970 000	1 900 000
Co-Operative Governance and Traditional Affairs	6 300 000	-
Provincial FSPT	1 000 000	-
	<b>71 993 000</b>	<b>58 955 000</b>
<b>Capital grants</b>		
National: INEP	-	3 000 000
National: MIG	12 730 999	17 232 210
National: MWIG	17 000 000	25 754 260
National: RBIG	17 800 208	24 061 899
	<b>47 531 207</b>	<b>70 048 369</b>
	<b>119 524 207</b>	<b>129 003 369</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

#### Equitable Share

Equitable share	61 723 000	56 055 000
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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 National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. R21,447 million was withheld in the financial period ended 30 June 2019 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R40,276 million was paid to Mohokare during the financial period ended 30 June 2019.

#### Water Services Infrastructure Grant (Conditional)

Balance unspent at beginning of year	8 493 195	19 877 389
Roll-over withheld on Equitable share	(5 426 487)	(9 629 934)
Current-year receipts	17 000 000	24 000 000
Conditions met - transferred to capital projects (roll-over)	-	(9 124 305)
Conditions met - transferred to revenue (current year)	(17 000 000)	(16 629 955)
	<b>3 066 708</b>	<b>8 493 195</b>

Conditions still to be met - remain liabilities (see note 16).

Due to the late submission of the AFS for the 2017/18 financial year as well as the Municipality's inability to cash back the unspent grant balances reported for the year, the Municipality's request for roll over has been denied in full. During the 2018/19 financial year an amendment to the total amount allocated to the Municipality for the year under review has been made with the WSIG Grant Allocation being reduced from R48,5 million to R17 million. Due to this significant decrease and commitments already entered into with project related suppliers, the municipality has overspent the total amount of the WSIG allocation for the 2018/19 financial year. This overspending was recognised as deferred revenue in the Annual Financial Statements.

#### Municipal Infrastructure Grant (Conditional)

Balance unspent at beginning of year	11 082 407	11 342 688
MIG withheld from Equitable share	(11 082 411)	(1 264 066)

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>25. Government grants and subsidies (continued)</b>		
Current-year receipts	17 708 000	18 236 000
Conditions met - transferred to capital projects (roll-over)	-	(7 441 202)
Conditions met - transferred to revenue	(885 400)	(898 736)
Conditions met - transferred to capital projects	(11 845 599)	(8 892 277)
	<b>4 976 997</b>	<b>11 082 407</b>

Conditions still to be met - remain liabilities (see note 16).

An amount of R11 082 412 was withheld from Equitable Share for the unspent MIG reported as at 30 June 2018. An application for roll-over was made, but it was denied by National Treasury. An application for roll-over for the current year amount reported as unspent has been submitted to National Treasury for their review.

### Co-Operative Governance and Traditional Affairs (COGTA) 1

Current-year receipts	3 000 000	-
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Conditions still to be met - remain liabilities (see note 16).

An amount of R3 million was allocated to Mohokare LM to assist with the compilation of the Annual Financial Statements as well as the preparation of the Fixed Asset Register for the 2018/19 financial year. At year-end, the respective consultants have been appointed, however, no expenditure has been incurred at 30 June 2019.

### Regional Bulk Infrastructure Grant (Conditional)

Balance unspent at beginning of year	4 938 101	-
Current-year receipts	33 000 000	29 000 000
Conditions met - transferred to revenue	(17 800 208)	(24 061 899)
RBIG withheld from Equitable Share	(4 938 101)	-
	<b>15 199 792</b>	<b>4 938 101</b>

Conditions still to be met - remain liabilities (see note 16).

Unspent for RBIG is the amount of R4,93 million which relates to the unspent portion of the 2017/18 RBIG allocation.

### Financial Management Grant (Conditional)

Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	-

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.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Figures in Rand	2019	2018
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### 25. Government grants and subsidies (continued)

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

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

This grant was received for the creation of job opportunities. The full allocation was spent in accordance with the conditions of the grant.

#### Co-Operative Governance and Traditional Affairs

Current-year receipts	6 300 000	-
Conditions met - transferred to capital projects	(6 300 000)	-
	<u>-</u>	<u>-</u>

Assistance to the value of R6,3 million was granted to Mohokare Local Municipality by the Free State Department of Co-Operative Governance and Traditional Affairs to assist with the salary expenditure for the month of May 2019. All funds were utilised as per the conditions of the allocation..

#### Integrated National Electrification Grant (INEP)

Current-year receipts	500 000	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	<u>500 000</u>	<u>-</u>

#### FSPT - Assistance with installation of Pre-Paid Water Meters

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

Conditions still to be met - remain liabilities (see note 16).

Assistance to the value of R1 million was granted to Mohokare LM to assist with implementation of the installation of prepaid water meters.

### 26. Public contributions and donations

Conditional Contributions	<u>2 726 041</u>	<u>6 554 761</u>
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# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Employee related costs</b>		
Basic	39 415 458	36 974 070
Bonus	3 116 201	3 389 700
Medical aid - company contributions	4 218 812	3 455 951
UIF	429 076	405 392
SDL	545 636	489 768
Other payroll levies	25 823	52 600
Contribution to leave provision	898 881	539 226
Defined contribution plans	7 075 010	6 605 198
Travel, motor car, accommodation, subsistence and other allowances	5 386 857	4 404 595
Overtime payments	5 087 964	3 993 630
Housing benefits and allowances	806 689	737 603
Temporary workers	946 479	1 005 358
	<b>67 952 886</b>	<b>62 053 091</b>
<b>Remuneration of Municipal Manager-SM Selepe</b>		
Annual Remuneration	1 002 679	188 179
Car Allowance	240 000	60 000
Contributions to UIF, Medical and Pension Funds	1 785	446
Industrial council and SDL	13 234	2 562
Leave payout	37 925	-
	<b>1 295 623</b>	<b>251 187</b>
<b>Remuneration of Chief Financial Officer - MP Dyonase</b>		
Annual Remuneration	642 196	783 998
Car Allowance	-	77 406
Contributions to UIF, Medical and Pension Funds	1 487	1 933
Industrial council and SDL	7 223	8 681
Leave payout	36 184	-
Remote allowance	5 318	-
	<b>692 408</b>	<b>872 018</b>
<b>Acting Director Corporate - NS Buyeye (1 July 2017 - 30 June 2019)</b>		
Annual Remuneration	436 349	407 802
Acting Allowance	361 025	313 599
Leave payout	26 852	25 096
Annual bonuses	36 362	33 984
Contributions to UIF, medical and pension funds	119 172	111 884
Car allowance	103 388	96 624
Industrial council and SDL	9 436	8 580
	<b>1 092 584</b>	<b>997 569</b>
<b>Corporate Services Director - LV Nqoko Rametse (1 November 2017 - 30 June 2018)</b>		
Annual Remuneration	-	165 799
Acting allowance	-	235 315
Leave payout	-	57 294
Car Allowance	-	50 000
Contributions to UIF, Medical and Pension Funds	-	46 277
Industry council and SDL	-	5 042
	-	<b>559 727</b>

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Employee related costs (continued)</b>		
<b>Community Services Manager - TA Lekwala</b>		
Annual Remuneration	426 130	398 253
Car Allowance	103 388	96 624
Acting allowance	13 317	-
Leave payout	-	24 508
Annual bonuses	35 511	33 188
Contributions to UIF, Medical and Pension Funds	144 269	136 405
Long service bonus	-	11 948
Industrial council and SDL	5 860	5 726
	<b>728 475</b>	<b>706 652</b>
<b>Technical Services Director - MN Tsoamo</b>		
Annual Remuneration	-	55 309
Car Allowance	-	48 246
Contributions to UIF, Medical and Pension Funds	-	10 322
Industrial council and SDL	-	998
	-	<b>114 875</b>
<b>Acting Municipal Manager - S Moorosi</b>		
Annual Remuneration	-	398 253
Acting allowance	-	162 157
Car Allowance	-	96 624
Performance Bonuses	-	33 188
Contributions to UIF, Medical and Pension Funds	-	114 393
Long service bonus	-	19 913
Industrial council and SDL	-	7 170
Housing allowance	-	9 559
	-	<b>841 257</b>
<b>Acting Technical Services Director - S Shamase (1 April 2018 - 30 June 2019)</b>		
Annual Remuneration	676 040	631 814
Acting allowance	440 795	352 799
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Industrial council and SDL	12 066	10 008
Leave payout	38 882	-
Long Service Bonus	13 521	-
	<b>1 183 089</b>	<b>996 406</b>
<b>Total Employee costs</b>	<b>72 945 065</b>	<b>67 392 782</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Remuneration of councillors</b>		
Executive Major	726 686	702 724
Chief Whip	261 736	263 433
Councillors	2 199 426	2 181 432
Medical Aid Contributions	221 931	144 363
Motor vehicle allowance	201 354	139 258
Cell phone and other allowances	277 200	277 200
Skills Development Levy	38 690	37 430
	<b>3 927 023</b>	<b>3 745 840</b>
<b>In-kind benefits</b>		
Councillors remuneration was within the upper limits as per the government gazette.		
The Councilor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a vehicle leased from the Government Garage for official duties.		
<b>29. Depreciation and amortisation</b>		
Buildings	23 058 736	22 865 258
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	288 620
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		
<b>31. Finance costs</b>		
DBSA Loan	45 796	82 193
Employee benefit obligations	583 500	578 900
Trade and other payables	9 420 448	6 418 577
Finance leases	-	32 552
Finance costs incurred by CENTLEC	-	68 146
Interest on Landfill Provision	(76 472)	1 424 219
	<b>9 973 272</b>	<b>8 604 587</b>
<b>32. Impairment Losses</b>		
<b>Impairment Losses on Financial Assets</b>		
Receivables from exchange transactions	36 958 661	37 498 664
Movement in provision for bad debt (Centlec)	298 647	(856 159)
Receivables from non-exchange transactions	1 560 078	1 818 838
Traffic fines	32 179 378	36 841 690
	<b>70 996 764</b>	<b>75 303 033</b>
<b>33. Bulk purchases</b>		
Electricity - Eskom	24 869 501	24 245 674

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>34. Contracted services</b>		
<b>Consultants and Professional Services</b>		
AFS Preparation & VAT Recovery	3 463 547	1 706 641
<b>Other Contracted Services</b>		
Competency Assessments	24 174	-
Debt Collection	1 109 978	-
Feasibility study for pre-paid water meters	278 000	-
Financial system	2 721 851	2 587 307
Payroll Related Services	244 641	-
Preparation of the Valuation roll	1 383 052	188 407
Printing and Mailing of Municipal Accounts	133 630	470 495
Security Services	143 065	180 578
Traffic Management System	1 026 148	890 375
Other	-	189 305
	<b>10 528 086</b>	<b>6 213 108</b>
<b>35. General expenses</b>		
Advertising	137 898	319 923
Auditors remuneration	7 479 547	5 367 103
Bank charges	270 909	448 041
Cleaning	300	227 936
Commission paid	-	58 389
Computer expenses	130 834	502 901
Consulting and professional fees	680 375	843 199
Consumables	4 648 164	155 567
Donations	17 391	-
Entertainment	16 591	14 121
Hire	-	168 710
Insurance	666 992	476 134
Motor vehicle expenses	210 191	129 200
Fuel and oil	1 613 326	1 436 725
Postage and courier	238 612	4 278
Printing and stationery	972 525	754 849
Protective clothing	378 578	733 115
Repairs and maintenance	1 499 044	6 229 024
Subscriptions and membership fees	775 513	696 546
Telephone and fax	1 968 505	2 054 819
Transport and freight	-	3 400
Training	148 786	85 085
Travel - local	2 568 727	1 497 185
Electricity	5 376 439	4 671 273
Wellness	193 673	75 016
Cattle Feed	-	1 798
Special Programs	252 730	239 982
Disaster fund	-	1 423
Chemicals	2 561 122	2 994 051
Farming only	20 105	-
	<b>32 826 877</b>	<b>30 189 793</b>

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

# Mohokare Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>36. Cash generated from operations</b>		
(Deficit) surplus	(8 570 225)	20 664 961
<b>Adjustments for:</b>		
Depreciation and amortisation	23 058 736	22 865 258
Gain on sale of assets and liabilities	-	1 150 663
Impairment Losses on Property, Plant and Equipment	-	288 620
Fair value adjustments	(20 609)	(32 726)
Movement in Biological Assets	15 492	(43 345)
Actuarial gains and losses	(1 186 079)	(219 600)
Expenditure incurred by Centlec - non-cash	31 027 618	28 808 663
Sale of electricity by Centlec - non-cash	(27 940 691)	(25 972 337)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	3 511 179	2 118 579
Inventories	(64 531)	(114 796)
Receivables from non-exchange transactions	(115 733)	(7 304 700)
Payables from exchange transactions	32 853 641	19 195 948
VAT	(4 917 058)	(8 218 669)
Unspent conditional grants and receipts	2 229 794	(6 706 374)
Consumer deposits	-	(17 115)
Long term liabilities	96 197	154 878
Provisions	(1 472)	1 424 220
Other financial liabilities	(231 685)	-
	<b>49 744 574</b>	<b>48 042 128</b>

### 37. Financial instruments disclosure

#### Categories of financial instruments

#### 2019

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions-Electricity	-	2 849 279	2 849 279
Receivables from Exchange transactions-Water	-	3 715 081	3 715 081
Receivables from Exchange transactions-Sewerage	-	1 978 901	1 978 901
Receivables from Exchange transactions-Refuse	-	659 123	659 123
Receivables from Exchange transactions-Housing rental	-	132 535	132 535
Receivables from Exchange transactions-Other	-	15 668	15 668
Other receivables from non-exchange transactions	-	17 587 670	17 587 670
Cash and cash equivalents-Call deposits	-	8 701 128	8 701 128
Cash and cash equivalents- Cash floats and advances	-	1 180	1 180
Non-current investments- Investment in OVK shares	394 315	-	394 315
	<b>394 315</b>	<b>35 640 565</b>	<b>36 034 880</b>

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## Notes to the Annual Financial Statements

Figures in Rand

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2018

### 37. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	At cost	Total
Government loans	260 975	-	260 975
Centlec payable	-	38 862 088	38 862 088
Other loans	490 377	-	490 377
Trade and other payables from exchange transactions	49 197 461	-	49 197 461
Payments received in advance	6 632 932	-	6 632 932
Consumer deposits	816 728	-	816 728
	<b>57 398 473</b>	<b>38 862 088</b>	<b>96 260 561</b>

#### Residual interest

	At fair value	Total
Unlisted investment	394 315	394 315

### 2018

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions-Electricity	-	1 896 684	1 896 684
Receivables from Exchange transactions-Sewerage	-	710 736	710 736
Receivables from Exchange transactions-Refuse	-	262 138	262 138
Receivables from Exchange transactions-Other	-	1 502	1 502
Receivables from Exchange transactions-Housing rental	-	102 246	102 246
Other receivables from non-exchange transactions	-	17 587 670	17 587 670
Cash and cash equivalents- Call deposits	-	4 577 226	4 577 226
Cash and cash equivalents- Cash floats and advances	-	1 180	1 180
Non-current investments- Investment in OVK shares	373 706	-	373 706
	<b>373 706</b>	<b>25 139 382</b>	<b>25 513 088</b>

#### Financial liabilities

	At amortised cost	At cost	Total
Government loans	492 660	-	492 660
Centlec payable	-	35 288 566	35 288 566
Other loans	585 919	-	585 919
Trade and other payables from exchange transactions	49 265 449	-	49 265 449
Payments received in advance	1 586 196	-	1 586 196
Consumer deposits	801 236	-	801 236
	<b>52 731 460</b>	<b>35 288 566</b>	<b>88 020 026</b>

#### Residual interest

	At fair value	Total
Unlisted investment	373 706	373 706

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
Property, plant and equipment	63 722 178	40 403 208
<b>Not yet contracted for and authorised by accounting officer</b>		
Property, plant and equipment	50 461 283	110 464 907
<b>Total capital commitments</b>		
Already contracted for but not provided for	63 722 178	40 403 208
Not yet contracted for and authorised by accounting officer	50 461 283	110 464 907
	<b>114 183 461</b>	<b>150 868 115</b>

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

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	257 395	257 395
- in second to fifth year inclusive	150 147	407 541
	<b>407 542</b>	<b>664 936</b>

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed's. No contingent rent is payable.

<b>Rental expenses relating to operating leases</b>		
Minimum lease payments	257 395	257 395

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>39. Contingencies</b>		
Sello Maphosa: This matter deals with dispute between the Municipality and the above mentioned claimant where there is dispute regarding the ownership of approximately 40 cattle..	265 000	-
Ngxito & Another: Ngxito & Another claimed R456 000 from the Municipality due to damages suffered. This claim is due to the dispute on the above mentioned cattle and the claimant argues that the municipality caused damages to his property when recovering the cattle involved in the above mentioned dispute. The attorney and client legal fees for finalisation of the matter at trial will be approximately R120 000.	576 000	-
Blue Oak: This matter deals with a letter of demand in terms of which the tenant of a property seeks to compel the Municipality to sell the property to the tenant. The liability should an application to compel be issued for opposing the matter is approximated at R100 000.00. The estimated outflow of funds relating to legal fees should the application be granted are R80 000.00.	80 000	-
Government Directory of South Africa: A letter of demand of R 49 611 for alleged agreement to render services was send to the Municipality. Should a summons be issued, the cost to defend the municipality in the matter are estimated at R20 000 and should the order be granted against the Municipality, the contingent liability will amount to approximately R30 000. The legal representation of the Municipality is however of the view that the Municipality has strong merits in this matter.	79 611	-
Keoratile Traffic Solutions: Summons was issued for damages amounting to R490 000. The costs to finalise the trial will be approximately R80 000 and should an order be granted against the Municipality, the contingent liability of the taxed cost will amount to approximately R120 000. The Municipality's legal representative did however review the merits of the case as per the request from Management and are of the opinion that the municipality has strong merits in this matter.	610 000	-
Johnny Bravo: 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	-	480 642
	<b>1 610 611</b>	<b>480 642</b>

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Figures in Rand	2019	2018
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### 40. Related parties

#### Related party balances

##### Councillors' Consumer Accounts

Councilor Riddle IS	-	480
Councilor Lephuting M	20 870	19 132
Councillor Lipholo LJ	70 825	66 979
Councillor Lobi BJ	31 624	29 125

##### Section 56 Managers' Consumer Accounts

Acting Corporate Services Director - Buyeye NS	32 127	57 523
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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 of 1 July 2004. No loans are receivable from Councillors, Management, staff and the public.

### 41. Prior period errors

The following adjustments were made during the current financial year to prior period balances:

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 41. Prior period errors (continued)

#### Statement of Financial Position

	As previously reported	Adjustments	Total
Trade receivables from exchange transactions - N1	5 896 508	(2 923 202)	2 973 306
VAT receivable -N1	24 964 658	437 035	25 401 693
Trade receivables from non exchange transactions -N1	17 500 403	(28 466)	17 471 937
Payables from exchange transactions -N3	(91 374 803)	(657 429)	(92 032 232)
	<b>(43 013 234)</b>	<b>(3 172 062)</b>	<b>(46 185 296)</b>

#### Statement of Financial Performance

	As previously reported	Adjustments	Total
Other income -N2	(368 257)	(80 146)	(448 403)
Service charges -N1	(67 299 066)	2 589 179	(64 709 887)
General expenditure -N3	29 336 666	853 127	30 189 793
Lease rentals on operating lease N4	413 918	(190 098)	223 820
	<b>(37 916 739)</b>	<b>3 172 062</b>	<b>(34 744 677)</b>

#### Disclosure items

	As previously reported	Adjustments	Total
PPE note-N5			
Community assets	47 823 063	(15 003 004)	32 820 059
Infrastructure	486 272 860	(194 819 831)	291 453 029
Work in progress	-	209 822 835	209 822 835
	<b>534 095 923</b>	<b>-</b>	<b>534 095 923</b>

#### Operating lease commitments-N4

	As previously reported	Adjustments	Total
Within one year	-	257 395	257 395
In second to fifth year	-	407 541	407 541
	<b>-</b>	<b>664 936</b>	<b>664 936</b>

#### Irregular expenditure

	As previously reported	Adjustments	Total
Opening balance	20 241 445	-	20 241 445
Add: Irregular expenditure- current year	10 550 309	(1 034 374)	9 515 935
	<b>30 791 754</b>	<b>(1 034 374)</b>	<b>29 757 380</b>

#### Retained earnings (N1,N2,N3,N4)

	As previously reported	Adjustments	Total
Retained earnings	504 680 690	(3 112 343)	501 568 347

#### Property rates-N6

	As previously reported	Restated rates
Residential properties	0,7401c	0,007401c
Commercial properties	1,0c	0,010026c
State properties	0,3499c	0,003499c
Agricultural properties	0,1180	0,001180c
	<b>-</b>	<b>-</b>

#### Cash flow statement

	As previously reported	Adjustments	Total
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# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>41. Prior period errors (continued)</b>		
Cash receipts from customers	14 277 626	- 14 277 626
Grants	122 296 995	- 122 296 995
Interest income	3 206 029	- 3 206 029
Cash paid to suppliers and employees	(21 817 483)	- (21 817 483)
Finance costs	(8 536 441)	- (8 536 441)
Employee costs	(57 638 758)	- (57 638 758)
Remuneration of councillors	(3 745 840)	- (3 745 840)
<b>Net cash flow from operating activities</b>	<b>48 042 128</b>	<b>- 48 042 128</b>
	As previously reported	Adjustments Total
Purchases of property, plant and equipment	(59 325 230)	- (59 325 230)
	As previously reported	Adjustments Total
Finance lease payments	110 277	- 110 277
Repayment of borrowings	(202 022)	- (202 022)
<b>Cash flow from financing activities</b>	<b>(91 745)</b>	<b>- (91 745)</b>
	As previously reported	Adjustments Total
Net increase/(decrease) in cash and cash equivalents	(11 374 847)	- (11 374 847)
Cash and cash equivalents at the beginning of the year	15 953 253	- 15 953 253
<b>Cash and cash equivalents at the end of the year</b>	<b>4 578 406</b>	<b>- 4 578 406</b>
<b>Cash generated from operations note</b>	As previously reported	Adjustments Total
(Deficit) / surplus N1	23 837 024	(3 172 063) 20 664 961
Depreciation and amortisation	22 865 258	- 22 865 258
Gain on sale of assets and liabilities	1 150 663	- 1 150 663
Impairment losses property, plant and equipment	288 620	- 288 620
Fair value adjustments	(32 726)	- (32 726)
Movement in biological assets	(43 345)	- (43 345)
Actuarial gains and losses	(219 600)	- (219 600)
Expenditure incurred by Centlec	28 808 663	- 28 808 663
Sale of electricity by Centlec	(25 972 337)	- (25 972 337)
Receivables from exchange transactions N1	(804 623)	2 923 202 2 118 579
Inventories	(114 796)	- (114 796)
Receivables from non-exchange transactions N1	(7 333 166)	28 466 (7 304 700)
Payables from exchange transactions N3	18 538 518	657 429 19 195 947
VAT N1 & N3	(7 781 634)	(437 034) (8 218 668)
Unspent conditional grants and receipts	(6 706 374)	- (6 706 374)
Consumer deposits	(17 115)	- (17 115)
Long term liabilities	154 878	- 154 878
Provisions	1 424 220	- 1 424 220
	<b>48 042 128</b>	<b>- 48 042 128</b>
<b>Authorised capital commitment (N7)</b>	As previously reported	Adjustments Total
Already contracted for but not provided for (PPE)	39 689 104	(2 994 939) 36 694 165
Not yet contracted for and authorised by accounting officer (PPE)	135 317 608	(24 852 701) 110 464 907
	<b>175 006 712</b>	<b>(27 847 640) 147 159 072</b>

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 41. Prior period errors (continued)

The following adjustments were made to the Financial Instruments disclosure note from the prior year due to above mentioned prior period errors. N1.

During the year under review it was noted that indigent write off integration was not processed in the prior annual financial statements (2017/18). The effect is as follows:

Decrease in Service charge revenue amounting by R2 589 179

Decrease in Receivable from exchange by R2 923 202

Decrease in Receivable from non-exchange by R28 466

Increase in VAT receivable by R362 489

N2. The amount received from insurance in 2017/18 financial year was incorrectly mapped to general expenditure insurance premiums. The effect is as follows:

Increase in other income by R80 146

Decrease in general expenditure by 80 146.

N3. During the financial year, certain prior year (2017/18) invoices for general expenses were identified. The effect is as follows:

Increase in payables by R574 154

Increase in VAT receivable by R74 545

Increase in general expenditure by R582 884.

Increase in opening retained earnings by R83 276

N4. During the financial year under review, it was noted that some of the printing and stationery costs have been incorrectly classified as operating lease expenses. The effect is as follows:

Decreasing operating lease expenses by R190 097

Increase in printing and stationery (included in General expenses) by R190 097.

N5. During the year under review, the amount of Work In Progress that relates Community assets and Infrastructure was separated from completed assets. The effect is as follows:

Decreasing Community assets by R15 003 004

Decrease in Infrastructure by R194 819 831

Increasing Work In Progress by R209 822 835

:

N6- Property rates were incorrectly captured in prior year (2017/18).

N7. A restatement in the prior year figure for commitments was made due to insufficient information that was available to the preparer of the AFS in the prior year. All relevant information was obtained from the Project Management Unit and the effect of the restatement is as illustrated on the table above:

### 42. Comparative figures

Certain comparative figures have been reclassified.

# Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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### 43. 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.

#### 30 June 2019

	Less than 1 year	Between one and two years	Between two to five years	Over five years
Other financial liabilities (Borrowings)	260 975	-	-	-
Payables from exchange transactions	51 474 497	-	-	-
Centlec Payable	29 809 225	-	-	-
	<b>81 544 697</b>	-	-	-

#### 30 June 2018

	Less than one year	Between one and two years	Between two and five years	Over five years
Other financial liabilities (Borrowings)	223 564	269 069	-	-
Payables from exchange transactions	31 784 731	-	-	-
Centlec Payable	35 288 566	-	-	-
	<b>67 296 861</b>	<b>269 069</b>	-	-

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### 43. 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 Equivalents

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

#### Trade and Other Receivables

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

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

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

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner has to be settled;
- 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.

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### 43. Risk management (continued)

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.

#### 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.

#### 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.

### 44. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 493 021 678 and that the municipality's total assets exceed its liabilities by R 493 021 678.

As at 30 June 2019 the municipality's current liabilities exceeded its current assets by R92 576 421.

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Annual Financial Statements for the year ended 30 June 2019

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### 44. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality has experienced the following significant challenges during the year:

1. The municipality has been deducting Pension and Provident fund contributions from employees' salaries, but has not been able to pay the amounts over to the third parties;
2. The municipality has long outstanding creditors and has not been able to comply with section 65 of the MFMA which requires that the creditors be paid within 30 days;
3. The municipality has unspent conditional grants to the value of R26.7 million at 30 June 2019, however the bank balances of the municipality at year end is less than the amount reported for unspent conditional grants;
4. The municipality has been collecting less than 10% of its revenue billed on services and taxes from its consumers given the fact that it is a rural area and many of its customers are unemployed.

Management further considered the following matters relating to the going concern:

- (i) On 30 May 2019 the Council adopted the 2019/2020 budget. This 3 year medium term revenue and expenditure framework to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the 3 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) 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. For the 2018/2019 financial year an increase in the creditors balances, creditors payment period and creditors as a percentage of cash and cash equivalents were identified. This may indicate the potential challenge that the municipality will not be able to make payments to suppliers and service providers within the normal 30 day timeframe.
- (v) The municipality's cash management was under pressure during the 2018/2019 financial period due to an amount of R16.020 million being withheld from equitable share receivable. The funds were withheld due to Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2018/2019. The amount however, relates to unspent conditional grant funding which were paid to the Municipality.

Further matters to which we would like to draw the attention of the user of the annual financial statements includes:

1. The municipality incurred a loss for the 2018/2019 financial year. There was however non-financial items such as depreciation (R23 million) and debt impairment (R71 million).
2. The municipality entered into payment arrangements with both the pension and provident funds in respect of long outstanding amounts owed to the funds as per the disclosure of Contingencies under note 39.
3. The significant increase in the amount raised as a provision for impairment of consumer debtors raises a further concern. This was brought on by the poor collection rate. The debt collection policy will be revised by Council and currently processes are underway to appoint a service provider to assist with revenue collection.

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### 44. Going concern (continued)

These are factors that may impair the likelihood of the municipality to continue as a going concern, but the accounting officer will continue to source funding from Treasury and other sphere's of government to ensure that its challenges are addressed.

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

### 45. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2019.

### 46. Unauthorised expenditure

Opening balance as previously reported	255 890 739	210 994 025
<b>Opening balance as restated</b>	<b>255 890 739</b>	<b>210 994 025</b>
Add: Unauthorised expenditure - Current year	56 579 310	43 331 896
Add: Unauthorised expenditure - prior period identified in current year	-	119 037 540
Less: Amounts condoned by council	-	(117 472 722)
<b>Closing balance</b>	<b>312 470 049</b>	<b>255 890 739</b>

### 47. Fruitless and wasteful expenditure

Opening balance as previously reported	18 484 905	12 344 938
<b>Opening balance as restated</b>	<b>18 484 905</b>	<b>12 344 938</b>
Less: Amounts condoned by council	-	(5 466 584)
Expenditure identified in the current year	9 321 508	11 606 551
<b>Closing balance</b>	<b>27 806 413</b>	<b>18 484 905</b>

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### 47. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest and penalties	To be investigated	9 321 508	11 606 551

### 48. Irregular expenditure

Opening balance as previously reported	29 757 380	20 241 445
Add: Irregular Expenditure - current year	6 053 543	9 515 935
<b>Less: Amounts condoned by council</b>	<b>35 810 923</b>	<b>29 757 380</b>
<b>Closing balance</b>	<b>35 810 923</b>	<b>29 757 380</b>

### 49. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	2 550 590	2 252 179
Current year subscription / fee	749 430	685 490
Amount paid - current year	(582 500)	(407 500)
Interest charged	12 205	20 421
	<b>2 729 725</b>	<b>2 550 590</b>

#### Audit fees

Opening balance	1 024 190	2 772 363
Current year audit fee	8 583 770	6 119 426
Interest charged	308 507	370 930
Credit notes	(3 037 756)	(226 149)
Amount paid	(750 000)	(1 457 619)
Donation received towards audit fees	(2 726 041)	(6 554 761)
	<b>3 402 670</b>	<b>1 024 190</b>



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

#### PAYE and UIF

Opening balance	5 094 798	2 859 608
Current year payroll deductions	8 346 223	7 987 246
Amount paid- current year	(6 397 070)	(6 750 834)
Amount paid - previous years	(7 198 007)	-
Interest Accrual	1 010 512	998 688
	<b>856 456</b>	<b>5 094 708</b>

#### Pension and Medical Aid Deductions

Opening balance	40 017 583	31 948 253
Current year subscription / fee	18 221 476	16 756 718
Amount paid - current year	(8 653 175)	(13 704 114)
Interest and penalties	6 663 883	5 016 726
	<b>56 249 767</b>	<b>40 017 583</b>

#### VAT

VAT receivable	28 441 965	25 401 693
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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 2019

	Highest outstanding amount	Aging (in days)
Councillor M Lephuting	20 870	120
Councillor LJ Lipholo	70 825	120
Councillor BJ Lobi	31 624	120
	<b>123 319</b>	<b>360</b>

#### 30 June 2018

	Highest outstanding amount	Aging (in days)
Councillor M Lephuting	19 132	120
Councillor LJ Lipholo	66 979	120
Councillor BJ Lobi	29 125	120
Councillor IS Riddle	480	30
	<b>115 716</b>	<b>390</b>

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Emergency	276 201	715 551
Strip & Quote - Impractical or impossible	472 930	776 453
Single Provider	206 334	370 413
	<b>955 465</b>	<b>1 862 417</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)
2019	20518325.76	-16258302.30	4260023.46	1.2	5 115 979
2018	21 184 169	-15 234 814	5 949 355	1,14	6 702 185
					<b>11 818 164</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.

#### Water Losses

	Units (KI)	Value per unit	Value of loss (R)
2019	401 176	6,29	2 524 811.47
2018	538 161	4,16	2 237 664.49

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.

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### 50. 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.

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### 51. Material non-compliance with the MFMA

1. The municipality did not always pay employee's third party deduction(s) to Benefit Funds on time due to cash-flow constraints.
2. Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.
3. VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.
4. The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.
5. MFMA section 71 reports were not always submitted on time due to system challenges post mSCOA implementation.

## Appendix A

### Schedule of external loans as at 30 June 2019

Loan Number	Redeemable	Balance at 30 June 2018	Increase in loan/interest charged for the period	Redeemed during the period	Balance at 30 June 2019	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	492 660	45 796	277 481	260 975	-	-
			<b>492 660</b>	<b>45 796</b>	<b>277 481</b>	<b>260 975</b>	-	-
<b>Bonds</b>								
<b>Other loans</b>								
Centlec Capital Loans	40021201 to 40027483	2024	585 919	599 574	-	1 185 493	-	-
			<b>585 919</b>	<b>599 574</b>	<b>-</b>	<b>1 185 493</b>	-	-
<b>Annuity loans</b>								
<b>Government loans</b>								
<b>Total external loans</b>								
Development Bank of South Africa			492 660	45 796	277 481	260 975	-	-
Other loans			585 919	599 574	-	1 185 493	-	-
			<b>1 078 579</b>	<b>645 370</b>	<b>277 481</b>	<b>1 446 468</b>	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2019

Cost/Revaluation	Accumulated depreciation
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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>Land and Buildings</b>														
Building property - housing	10 018 938	-	-	-	-	-	10 018 938	(7 805 389)	-	-	(110 540)	-	(7 915 929)	2 103 009
Building property - Operational Buildings	23 597 021	-	-	-	-	-	23 597 021	(18 337 866)	-	-	(269 656)	-	(18 607 522)	4 989 499
Land	19 529 934	-	-	-	-	-	19 529 934	-	-	-	-	-	-	19 529 934
	<b>53 145 893</b>	-	-	-	-	-	<b>53 145 893</b>	<b>(26 143 255)</b>	-	-	<b>(380 196)</b>	-	<b>(26 523 451)</b>	<b>26 622 442</b>
<b>Infrastructure</b>														
Electricity - LV Network	82 965 984	-	-	-	3 859 359	-	86 825 343	(45 986 900)	787 986	-	(4 507 565)	-	(49 706 479)	37 118 864
Electricity - MV Network	10 375 451	-	-	-	-	-	10 375 451	(6 484 086)	31 390	-	(336 290)	-	(6 788 986)	3 586 465
Road and Storm water - Storm water	28 163 307	-	-	-	788 226	-	28 951 533	(15 516 409)	23 449	-	(471 477)	-	(15 964 437)	12 987 096
Roads and Storm water - Traffic Management	556 097	-	-	-	-	-	556 097	(290 724)	-	-	(20 807)	-	(311 531)	244 566
Roads and Storm water - Road Structures	173 808 951	-	-	-	-	-	173 808 951	(99 016 697)	1 073 488	-	(4 291 918)	-	(102 235 127)	71 573 824
Sanitation - Buildings and external facilities	230 923	-	-	-	300 800	-	531 723	(137 424)	-	-	(7 279)	-	(144 703)	387 020
Sanitation - Collection/Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(68 037 464)	-	-	(2 349 627)	-	(70 387 091)	47 086 733
Sanitation - Sewer pump station	7 447 291	-	-	-	-	-	7 447 291	(3 823 577)	-	-	(326 163)	-	(4 149 740)	3 297 551
Sanitation - Waste water treatment	64 284 811	-	-	-	-	-	64 284 811	(18 711 392)	-	-	(2 248 626)	-	(20 960 018)	43 324 793
Water - Boreholes	3 050 971	-	-	-	190 581 528	-	193 632 499	(746 233)	-	-	(184 522)	-	(930 755)	192 701 744
Water - Bulk Distribution	7 658 995	-	-	-	-	-	7 658 995	(4 595 397)	-	-	(127 650)	-	(4 723 047)	2 935 948
Water - Dam	1 093 476	-	-	-	-	-	1 093 476	(673 304)	-	-	(23 964)	-	(697 268)	396 208
Water - Distribution/Reticulation Network	104 744 526	-	-	-	-	-	104 744 526	(64 242 569)	-	-	(2 473 834)	-	(66 716 403)	38 028 123
Water - Storage	21 472 317	-	-	-	-	-	21 472 317	(13 570 332)	-	-	(536 752)	-	(14 107 084)	7 365 233
Water - Pump Station	11 538 071	-	-	-	-	-	11 538 071	(8 283 394)	-	-	(374 812)	-	(8 658 206)	2 879 865
Water - Treatment	41 197 434	-	-	-	-	-	41 197 434	(21 667 291)	-	-	(1 111 351)	-	(22 778 642)	18 418 792
	<b>676 062 429</b>	-	-	-	<b>195 529 913</b>	-	<b>871 592 342</b>	<b>(371 958 624)</b>	<b>1 916 313</b>	-	<b>(19 405 369)</b>	-	<b>(389 447 680)</b>	<b>482 144 662</b>
<b>Community Assets</b>														
Community facilities	49 398 136	-	-	-	-	-	49 398 136	(34 242 262)	-	-	(863 679)	-	(35 105 941)	14 292 195
Sports and recreation facilities	60 537 352	-	-	-	15 003 005	-	75 540 357	(41 172 907)	-	-	(836 582)	-	(42 009 489)	33 530 868
Solid Waste - Landfill Site	8 273 710	-	-	-	-	-	8 273 710	(3 388 774)	-	-	(278 489)	-	(3 667 263)	4 606 447
	<b>118 209 198</b>	-	-	-	<b>15 003 005</b>	-	<b>133 212 203</b>	<b>(78 803 943)</b>	-	-	<b>(1 978 750)</b>	-	<b>(80 782 693)</b>	<b>52 429 510</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2019

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

#### Movable assets (incl. assets under finance lease)

Leased Assets - Office Equipment	1 358 101	-	-	-	-	-	1 358 101	(1 358 101)	-	-	-	-	(1 358 101)	-
Leased Assets - Motor Vehicles	778 019	-	-	-	-	-	778 019	(778 019)	-	-	-	-	(778 019)	-
Emergency equipment/ Rescue equipment	158 244	-	(900)	-	-	-	157 344	(118 331)	380	-	-	(8 037)	(125 988)	31 356
Fire fighting equipment/ Fire hoses	128 506	-	(3 286)	-	-	-	125 220	(22 755)	2 455	-	-	(1 575)	(21 875)	103 345
Furniture & Fittings	2 546 394	44 644	(168 447)	-	-	-	2 422 591	(1 794 551)	137 307	-	-	(154 203)	(1 811 447)	611 144
Motor Vehicles	5 577 823	330 435	(767 084)	-	-	-	5 141 174	(2 109 478)	105 677	-	-	(526 596)	(2 530 397)	2 610 777
Office Equipment	4 457 556	226 223	(455 426)	-	-	-	4 228 353	(2 982 858)	305 331	-	-	(460 550)	(3 138 077)	1 090 276
Plant and Equipment	2 911 769	17 689	(297 488)	-	-	-	2 631 970	(2 106 001)	203 865	-	-	(253 178)	(2 155 314)	476 656
<b>17 916 412</b>	<b>618 991</b>	<b>(1 692 631)</b>	-	-	-	-	<b>16 842 772</b>	<b>(11 270 094)</b>	<b>755 015</b>	-	<b>(1 404 139)</b>	-	<b>(11 919 218)</b>	<b>4 923 554</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2019

**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>Total property plant and equipment</b>														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	676 062 429	-	-	-	195 529 913	-	871 592 342	(371 958 624)	1 916 313	-	(19 405 369)	-	(389 447 680)	482 144 662
Community Assets	118 209 198	-	-	-	15 003 005	-	133 212 203	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 429 510
Movable assets (incl. assets under finance lease)	17 916 412	618 991	(1 692 631)	-	-	-	16 842 772	(11 270 094)	755 015	-	(1 404 139)	-	(11 919 218)	4 923 554
	<b>865 333 932</b>	<b>618 991</b>	<b>(1 692 631)</b>	<b>-</b>	<b>210 532 918</b>	<b>-</b>	<b>1 074 793 210</b>	<b>(488 175 916)</b>	<b>2 671 328</b>	<b>-</b>	<b>(23 168 454)</b>	<b>-</b>	<b>(508 673 042)</b>	<b>566 120 168</b>
<b>Investment properties</b>														
Improved Property	45 456 355	-	-	-	-	-	45 456 355	-	-	-	-	-	-	45 456 355
Unimproved Property	11 706 645	-	-	-	-	-	11 706 645	-	-	-	-	-	-	11 706 645
	<b>57 163 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 163 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 163 000</b>
<b>Total</b>														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	676 062 429	-	-	-	195 529 913	-	871 592 342	(371 958 624)	1 916 313	-	(19 405 369)	-	(389 447 680)	482 144 662
Community Assets	118 209 198	-	-	-	15 003 005	-	133 212 203	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 429 510
Movable assets (incl. assets under finance lease)	17 916 412	618 991	(1 692 631)	-	-	-	16 842 772	(11 270 094)	755 015	-	(1 404 139)	-	(11 919 218)	4 923 554
Investment properties	57 163 000	-	-	-	-	-	57 163 000	-	-	-	-	-	-	57 163 000
	<b>922 496 932</b>	<b>618 991</b>	<b>(1 692 631)</b>	<b>-</b>	<b>210 532 918</b>	<b>-</b>	<b>1 131 956 210</b>	<b>(488 175 916)</b>	<b>2 671 328</b>	<b>-</b>	<b>(23 168 454)</b>	<b>-</b>	<b>(508 673 042)</b>	<b>623 283 168</b>



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Work in progress	Changes due to change in estimate	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and Buildings</b>														
Building property - Housing	10 018 938	-	-	-	-	-	10 018 938	(7 805 389)	-	-	(110 540)	-	(7 915 929)	2 103 009
Building property - Operational Buildings	23 597 021	-	-	-	-	-	23 597 021	(18 337 866)	-	-	(269 656)	-	(18 607 522)	4 989 499
Land	19 529 934	-	-	-	-	-	19 529 934	-	-	-	-	-	-	19 529 934
	<b>53 145 893</b>	-	-	-	-	-	<b>53 145 893</b>	<b>(26 143 255)</b>	-	-	<b>(380 196)</b>	-	<b>(26 523 451)</b>	<b>26 622 442</b>
<b>Infrastructure</b>														
Electricity - LV Network	82 730 907	-	(1 153 152)	-	3 859 359	-	85 437 114	(45 811 470)	787 987	-	(4 494 832)	-	(49 518 315)	35 918 799
Electricity - MV Network	11 543 847	-	(313 900)	-	-	-	11 229 947	(6 484 086)	31 390	-	(336 290)	-	(6 788 986)	4 440 961
Roads and Stormwater - Stormwater	28 468 957	-	(24 224)	-	788 226	-	29 232 959	(15 516 409)	23 449	-	(471 477)	-	(15 964 437)	13 268 522
Roads and Stormwater - Traffic Management	556 097	-	-	-	-	-	556 097	(290 724)	-	-	(20 807)	-	(311 531)	244 566
Roads and Stormwater - Road Structures	159 712 216	15 201 089	(1 205 429)	-	-	-	173 707 876	(99 016 697)	1 073 488	-	(4 291 918)	-	(102 235 127)	71 472 749
Sanitation - Buildings and External Facilities	230 923	-	-	-	300 800	-	531 723	(137 424)	-	-	(7 279)	-	(144 703)	387 020
Sanitation - Collection/ Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(68 037 464)	-	-	(2 349 627)	-	(70 387 091)	47 086 733
Sanitation - Sewer Pump Station	7 447 291	-	-	-	-	-	7 447 291	(3 823 577)	-	-	(326 163)	-	(4 149 740)	3 297 551
Sanitation - Waste Water Treatment	44 229 099	20 055 713	-	-	-	-	64 284 812	(18 711 392)	-	-	(112 505)	-	(18 823 897)	45 460 915
Water - Boreholes	994 907	2 056 064	-	-	187 735 324	-	190 786 295	(746 233)	-	-	(184 522)	-	(930 755)	189 855 540
Water - Bulk Distribution	7 658 995	-	-	-	-	-	7 658 995	(4 595 397)	-	-	(127 650)	-	(4 723 047)	2 935 948
Water - Dam	1 093 476	-	-	-	-	-	1 093 476	(673 304)	-	-	(23 964)	-	(697 268)	396 208
Water - Distribution/ Reticulation Network	104 744 526	-	-	-	-	-	104 744 526	(64 242 569)	-	-	(2 473 834)	-	(66 716 403)	38 028 123
Water - Storage/ Water Pump Station	21 472 317	-	-	-	-	-	21 472 317	(13 570 332)	-	-	(536 752)	-	(14 107 084)	7 365 233
Water - Water Treatment	41 197 434	43 669	-	-	-	-	41 241 103	(21 667 291)	-	-	(1 111 351)	-	(22 778 642)	18 462 461
Water - Pump Station	11 538 071	-	-	-	-	-	11 538 071	(8 283 394)	-	-	(374 812)	-	(8 658 206)	2 879 865
Electricity - Substation and transformers	550 809	-	-	-	-	-	550 809	(175 431)	-	-	(12 732)	-	(188 163)	362 646
	<b>641 643 696</b>	<b>37 356 535</b>	<b>(2 696 705)</b>	-	<b>192 683 709</b>	-	<b>868 987 235</b>	<b>(371 928 051)</b>	<b>1 916 314</b>	-	<b>(17 268 175)</b>	-	<b>(387 279 912)</b>	<b>481 707 323</b>
<b>Community Assets</b>														
Buildings - Community Facilities	49 458 292	-	-	-	-	-	49 458 292	(34 242 262)	-	-	(863 679)	-	(35 105 941)	14 352 351
Buildings - Sports and Recreational Facilities	60 537 352	-	-	-	15 003 005	-	75 540 357	(41 172 907)	-	-	(836 582)	-	(42 009 489)	33 530 868
Solid Waste - Landfill Sites	8 273 710	-	-	-	-	-	8 273 710	(3 388 774)	-	-	(278 489)	-	(3 667 263)	4 606 447
	<b>118 269 354</b>	-	-	-	<b>15 003 005</b>	-	<b>133 272 359</b>	<b>(78 803 943)</b>	-	-	<b>(1 978 750)</b>	-	<b>(80 782 693)</b>	<b>52 489 666</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2018

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

#### Movable assets (incl. assets under finance lease)

Leased Assets - Office Equipment	1 358 101	-	-	-	-	-	1 358 101	(1 358 101)	-	-	-	-	(1 358 101)	-
Leased Assets - Motor Vehicles	778 019	-	-	-	-	-	778 019	(778 019)	-	-	-	-	(778 019)	-
Emergency /Rescue Equipment	159 144	-	(900)	-	-	-	158 244	(118 331)	380	-	(8 037)	-	(125 988)	32 256
Fire Fighting Equipment/ Fire Hoses	31 432	-	(3 286)	-	-	-	28 146	(22 755)	2 455	-	(1 575)	-	(21 875)	6 271
Furniture and Fittings	2 450 211	44 644	(168 447)	-	-	-	2 326 408	(1 794 551)	137 307	-	(154 203)	-	(1 811 447)	514 961
Motor Vehicles	6 014 473	330 435	(767 084)	-	-	-	5 577 824	(2 109 478)	105 677	-	(526 596)	-	(2 530 397)	3 047 427
Office Equipment	4 654 323	226 223	(455 426)	-	-	-	4 425 120	(2 982 859)	305 277	-	(460 496)	-	(3 138 078)	1 287 042
Plant and Equipment	3 168 947	17 689	(297 488)	-	-	-	2 889 148	(2 106 001)	203 865	-	(253 178)	-	(2 155 314)	733 834
	<b>18 614 650</b>	<b>618 991</b>	<b>(1 692 631)</b>	-	-	-	<b>17 541 010</b>	<b>(11 270 095)</b>	<b>754 961</b>	-	<b>(1 404 085)</b>	-	<b>(11 919 219)</b>	<b>5 621 791</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2018

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

Land and Buildings	53 145 893	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	641 643 696	37 356 535	(2 696 705)	-	192 683 709	868 987 235	(371 928 051)	1 916 314	-	(17 268 175)	-	(387 279 912)	481 707 323
Community Assets	118 269 354	-	-	-	15 003 005	133 272 359	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 489 666
Movable assets (incl. assets under finance lease)	18 614 650	618 991	(1 692 631)	-	-	17 541 010	(11 270 095)	754 961	-	(1 404 085)	-	(11 919 219)	5 621 791
	<b>831 673 593</b>	<b>37 975 526</b>	<b>(4 389 336)</b>	<b>-</b>	<b>207 686 714</b>	<b>1 072 946 497</b>	<b>(488 145 344)</b>	<b>2 671 275</b>	<b>-</b>	<b>(21 031 206)</b>	<b>-</b>	<b>(506 505 275)</b>	<b>566 441 222</b>

#### Investment properties

Improved Property	45 456 355	-	-	-	-	45 456 355	-	-	-	-	-	-	45 456 355
Unimproved Property	11 706 645	-	-	-	-	11 706 645	-	-	-	-	-	-	11 706 645
	<b>57 163 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 163 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 163 000</b>

#### Total

Land and Buildings	53 145 893	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	641 643 696	37 356 535	(2 696 705)	-	192 683 709	868 987 235	(371 928 051)	1 916 314	-	(17 268 175)	-	(387 279 912)	481 707 323
Community Assets	118 269 354	-	-	-	15 003 005	133 272 359	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 489 666
Movable assets (incl. assets under finance lease)	18 614 650	618 991	(1 692 631)	-	-	17 541 010	(11 270 095)	754 961	-	(1 404 085)	-	(11 919 219)	5 621 791
Investment properties	57 163 000	-	-	-	-	57 163 000	-	-	-	-	-	-	57 163 000
	<b>888 836 593</b>	<b>37 975 526</b>	<b>(4 389 336)</b>	<b>-</b>	<b>207 686 714</b>	<b>1 130 109 497</b>	<b>(488 145 344)</b>	<b>2 671 275</b>	<b>-</b>	<b>(21 031 206)</b>	<b>-</b>	<b>(506 505 275)</b>	<b>623 604 222</b>

## Appendix C

### Segmental analysis of property, plant and equipment as at 30 June 2018 Cost/Revaluation

	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	Additions Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council/Mayor and Council	1 210 237	366 372	(59 817)	-	-	-	<b>1 516 792</b>	(696 408)	43 099	-	(106 920)	-	<b>(760 229)</b>	756 563
Finance & Admin/Finance	34 701 974	135 812	(1 086 659)	-	-	-	<b>33 751 127</b>	(25 283 557)	353 653	-	(1 044 190)	-	<b>(25 974 094)</b>	7 777 033
Planning and Development/Economic Development/Plan	51 491	-	-	-	-	-	<b>51 491</b>	(35 600)	-	-	(4 684)	-	<b>(40 284)</b>	11 207
Comm. & Social/Libraries and archives	47 807 386	9 745	(93 267)	-	15 003 005	-	<b>62 726 869</b>	(32 609 370)	74 797	-	(865 058)	-	<b>(33 399 631)</b>	29 327 238
Housing	19 471 293	-	(488)	-	-	-	<b>19 470 805</b>	(7 836 404)	213	-	(117 871)	-	<b>(7 954 062)</b>	11 516 743
Public Safety/Police	291 452	-	(6 569)	-	-	-	<b>284 883</b>	(188 558)	5 433	-	(13 025)	-	<b>(196 150)</b>	88 733
Sport and Recreation	72 318 405	-	(1 621)	-	-	-	<b>72 316 784</b>	(43 120 063)	1 468	-	(882 886)	-	<b>(44 001 481)</b>	28 315 303
Waste Water Management/Sewerage	177 648 719	20 159 627	(396 641)	-	300 800	-	<b>197 712 505</b>	(93 623 282)	251 011	-	(3 180 456)	-	<b>(96 552 727)</b>	101 159 778
Road Transport/Roads	189 367 508	15 201 089	(1 267 153)	-	788 226	-	<b>204 089 670</b>	(115 572 708)	1 113 709	-	(4 901 168)	-	<b>(119 360 167)</b>	84 729 503
Water/Water Distribution	185 432 734	2 102 880	(10 069)	-	187 735 324	-	<b>375 260 869</b>	(111 447 140)	8 514	-	(4 695 721)	-	<b>(116 134 347)</b>	259 126 522
Electricity /Electricity Distribution	103 114 810	-	(1 467 052)	-	3 859 359	-	<b>105 507 117</b>	(57 587 395)	819 377	-	(5 207 565)	-	<b>(61 975 583)</b>	43 531 534
	<b>831 416 009</b>	<b>37 975 525</b>	<b>(4 389 336)</b>	-	<b>207 686 714</b>	-	<b>1 072 688 912</b>	<b>(488 000 485)</b>	<b>2 671 274</b>	-	<b>(21 019 544)</b>	-	<b>(506 348 755)</b>	<b>566 340 157</b>
<b>Total</b>														
Municipality	831 416 009	37 975 525	(4 389 336)	-	207 686 714	-	<b>1 072 688 912</b>	(488 000 485)	2 671 274	-	(21 019 544)	-	<b>(506 348 755)</b>	566 340 157
	<b>831 416 009</b>	<b>37 975 525</b>	<b>(4 389 336)</b>	-	<b>207 686 714</b>	-	<b>1 072 688 912</b>	<b>(488 000 485)</b>	<b>2 671 274</b>	-	<b>(21 019 544)</b>	-	<b>(506 348 755)</b>	<b>566 340 157</b>

Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
3 271 827	7 390 532	(4 118 705)	Executive & Council/Mayor and Council	-	8 872 046	(8 872 046)
36 468 000	103 872 567	(67 404 567)	Finance & Admin/Finance	92 480 140	46 507 649	45 972 491
2 505 565	6 981 226	(4 475 661)	Planning and Development/Economic Development/Plan	5 610	5 792 795	(5 787 185)
16 548 192	13 391 201	3 156 991	Comm. & Social/Libraries and archives	80 964	11 094 810	(11 013 846)
879 385	733 357	146 028	Housing	460 328	657 727	(197 399)
22 321 268	1 068 098	21 253 170	Public Safety/Police	48 400 510	2 119 517	46 280 993
1 994 686	462 386	1 532 300	Sport and Recreation	250 000	649 627	(399 627)
10 716 094	8 151 656	2 564 438	Waste Water Management/Sewerage	315 758	28 335 417	(28 019 659)
19 215 933	3 609 985	15 605 948	Road Transport/Roads	469 089	9 951 406	(9 482 317)
59 519 388	22 115 913	37 403 475	Water/Water Distribution	75 600 562	62 100 351	13 500 211
39 489 399	54 402 299	(14 912 900)	Electricity /Electricity Distribution	45 355 350	63 499 942	(18 144 592)
<b>212 929 737</b>	<b>222 179 220</b>	<b>(9 249 483)</b>		<b>263 418 311</b>	<b>239 581 287</b>	<b>23 837 024</b>
<b>Municipal Owned Entities Other charges</b>						
212 929 737	222 179 220	(9 249 483)	Municipality	263 418 311	239 581 287	23 837 024
<b>212 929 737</b>	<b>222 179 220</b>	<b>(9 249 483)</b>	<b>Total</b>	<b>263 418 311</b>	<b>239 581 287</b>	<b>23 837 024</b>

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2019 Act. Bal.	Forecast # 1 2019 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Property rates	7 694 858	7 622 000	72 858	1,0	
Service charges	67 299 066	61 450 000	5 849 066	9,5	The increase in service charges are brought on mainly by the increase in water billings. As water usage are dependant on the needs of the consumers, the Municipality are unable to accurately budget for said expenditure and thus the difference between the budgeted and actual amounts pertaining to service charges.
Rental of facilities and equipment	594 159	893 000	(298 841)	(33,5)	The rental income generated through the rental of municipal facilities are informed by the need of the community for such facilities. The budget was based on usage of municipal assets in prior years.
Licences and permits	1 631	2 000	(369)	(18,5)	As this is merely a budgeted figure informed by prior years, the Municipality cannot anticipate the number of licenses and permits for which there will be applied by Consumers during the year under review.
Transfers recognised - operational	58 955 000	58 955 000	-	-	
Other income - (rollup)	55 323 528	41 839 000	13 484 528	32,2	The significant difference in other income is mainly due to the approximately R 10 million of input VAT that the Municipality are still awaiting to receive from the South African Revenue Services. This amount is currently under audit by SARS and are expected to be refunded to the Municipality shortly..
Transfer revenue - Capital of nature	70 048 369	68 236 000	1 812 369	2,7	
Interest received - investment	3 206 029	450 000	2 756 029	612,5	Interest received on Investments are in excess of the budgeted amount as the funding received for conditional grants were not spent as per the initial projections and the turnaround on amounts received from transferring agents to the point where creditors were paid were longer than anticipated and hence a larger amount of interest was received.
Dividends received	-	10 000	(10 000)	(100,0)	No dividends was declared by OVK on the shares that the Municipality holds in the company for the year under review. The amount included in the budget was based on dividends declared in previous financial years.
	263 122 640	239 457 000	23 665 640	9,9	
<b>Expenses</b>					
Personnel	(67 392 782)	(69 138 000)	1 745 218	(2,5)	
Remuneration of councillors	(3 745 840)	(3 920 000)	174 160	(4,4)	
Administration	-	-	-	-	
Depreciation	(22 865 258)	(26 550 000)	3 684 742	(13,9)	The difference between the amount of budget and actual for Depreciation and Amortisation are due to inaccurate budgeting for depreciation charges for the year.
Finance costs	(8 604 587)	(3 976 000)	(4 628 587)	116,4	The variance in Finance Costs are mainly due to the high interest charges on outstanding contributions to Pension and Providend Funds as well as the late payment of other trade creditors.
Debt Impairment	(75 303 033)	(18 600 000)	(56 703 033)	304,9	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 under budgeting for the impairment expense on the statement of financial performance.
Repairs and maintenance - General	(6 229 024)	-	(6 229 024)	-	
Bulk purchases	(24 245 674)	(22 608 000)	(1 637 674)	7,2	
Contracted Services	(6 213 108)	(5 437 000)	(776 108)	14,3	This variance is due to inaccurate budgeting.

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2019 Act. Bal.	Forecast # 1 2019 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
General Expenses	(23 831 318)	(21 007 000)	(2 824 318)	13,4	This variance is due to inaccurate budgeting and will be investigated on a line by line basis by the Municipality.
Other revenue and costs	(238 430 624)	(171 236 000)	(67 194 624)	39,2	
Gain or loss on disposal of assets and liabilities	(1 150 663)	-	(1 150 663)	-	
Fair value adjustments	295 671	-	295 671	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
	(854 992)	-	(854 992)	-	
Net surplus/ (deficit) for the year	23 837 024	68 221 000	(44 383 976)	(65,1)	

## Appendix E(2)

### Budget Analysis of Capital Expenditure as at 30 June 2018

	<b>Additions</b>	<b>Revised</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant</b>
	<b>Rand</b>	<b>Budget</b>	<b>Rand</b>	<b>%</b>	<b>variances from budget</b>
		<b>Rand</b>			
<b>Municipality</b>					
Executive & Council/Mayor and Council	366	12	(354)	<b>(2 950)</b>	
Finance & Admin/Finance	136	638	502	<b>79</b>	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Planning and Development/Economic Development/Plan Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	11 194	6 406	(4 788)	<b>(75)</b>	Slower spending on capital projects than anticipated.
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	821	821	<b>100</b>	Slower spending on capital projects than anticipated.
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	309	5 821	5 512	<b>95</b>	
Road Transport/Roads	1 809	2 765	956	<b>35</b>	Slower spending on capital projects than anticipated.
Water/Water Distribution	43 595	50 920	7 325	<b>14</b>	Slower spending on capital projects than anticipated.
Electricity /Electricity Distribution	3 636	1 289	2 347	<b>182</b>	Inaccurate planning and budgeting
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	<b>61 045</b>	<b>68 672</b>	<b>12 321</b>	<b>18</b>	
Municipal Owned Entities	-	-	-	-	
Other charges	-	-	-	-	



**Appendix E(2)**

**Budget Analysis of Capital Expenditure as at 30 June  
2018**

<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>	

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

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
		Jun																	
Equitable Share	National Treasury	21 771	-	18 505	-	-	-	21 771	-	18 505	-	21 447	-	-	-	-	-	Yes	
FMG	National Treasury	1 970	-	-	-	-	171	260	171	1 368	-	-	-	-	-	-	-	Yes	
WSIG	National Treasury	17 000	-	-	-	-	2 506	7 113	6 172	7 008	-	-	-	-	-	-	-	No	Portion transferred to Equitable Share
MIG Projects	MIG	5 362	5 617	6 729	-	-	2 210	4 365	1 941	4 214	-	-	-	-	-	-	-	No	Portion transferred to Equitable Share
Bulk Infrastructure	DWAF	-	19 000	14 000	-	-	489	2 525	6 002	8 784	-	-	-	-	-	-	-	Yes	
FSPT	Provincial Treasury	1 000	-	-	-	-	-	607	-	-	-	-	-	-	-	-	-	Yes	
GOGTA grant(Water pump)	COGTA	3 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
EPWP	Provincial Treasury	250	-	750	-	-	267	281	199	302	-	-	-	-	-	-	-	Yes	
GOGTA grant(INEP)	National Treasury	6 300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
		57 153	24 617	39 984	-	-	5 643	36 922	14 485	40 181	-	21 447	-	-	-	-	-		